

KOSSAN RUBBER INDUSTRIES BHD 48166-W

ANNUAL REPORT 2008



Business stability with long term
sustainable growth

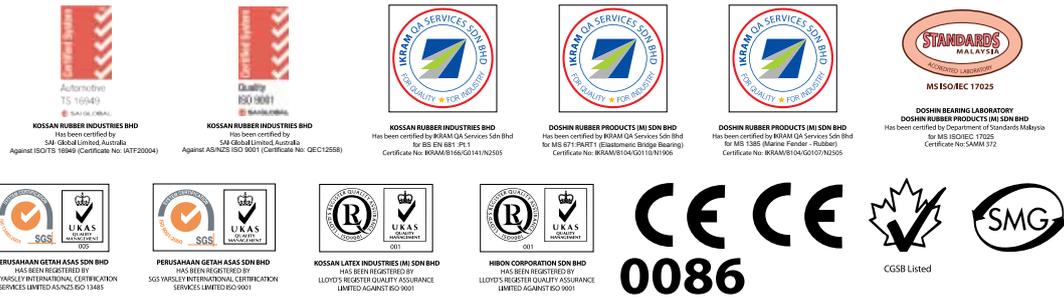
ANNUAL REPORT 2008



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

www.kossan.com.my

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CORPORATE MISSION

- K** EEPING A HEALTHY GROWTH THROUGH TEAMWORK
- O** PTING TO BE COMPETITIVE THROUGH THE PROVISION OF GOOD SERVICES AND QUALITY PRODUCTS
- S** TRIVING TO REDUCE MALAYSIA'S DEPENDENCE ON IMPORTED RUBBER GOODS
- S** TEPPING UP THE WELFARE AND PROFESSIONALISM OF OUR EMPLOYEES
- A** SPIRING TO DEVELOP MORE HIGH TECHNOLOGY PRODUCTS
- N** AVIGATING TOWARDS MALAYSIA'S VISION 2020

contents

<ul style="list-style-type: none"> 01 Corporate Information 02 Financial Highlights 03 Chairman's Statement 05 Managing Director's Review Of Operations 08 Directors' Profile 11 Corporate Governance Statement 19 Statement Of Directors Responsibilities 20 Statement On Internal Control 22 Report Of The Audit Committee 25 Directors' Report 29 Balance Sheets 30 Income Statements 	<ul style="list-style-type: none"> 31 Statement of Changes In Equity 32 Cash Flow Statements 34 Notes To The Financial Statements 67 Statement By Directors 67 Statutory Declaration 68 Independent Auditors' Report 70 List Of Properties 72 Statistics On Shareholdings 75 Notice Of Annual General Meeting 78 Statement Accompanying Notice of Annual General Meeting Proxy Form
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CORPORATE INFORMATION

BOARD OF DIRECTORS

Y. Bhg. Dato' Haji Mokhtar Bin Haji Samad

D.S.S.A., A.M.N., P.M.C., P.J.K.
(Chairman)

Lim Kuang Sia

(Managing Director / Chief Executive Officer)

Lim Kuang Yong**Lim Kuang Wang****Lim Kwan Hwa****Heng Bak Tan****Y. Bhg. Dato' Tai Chang Eng @ Teh Chang Ying**

D.S.S.A., A.M.S., P.J.K.

Tong Siew Choo**Lim Leng Bung**

(Alternate to Lim Kuang Wang)

COMPANY SECRETARIES

Chia Ong Leong (MIA 4797)

Chia Yew Ngo (LS 1831)

BUSINESS AND REGISTERED ADDRESS

Wisma Kossan

Lot 782, Jalan Sungai Putus, Off Batu 3 ¾, Jalan Kapar,
42100 Klang, Selangor

Tel : 03-3291 2657

Fax : 03-3291 2903

E-mail : kossan@kossan.com.my

Website : www.kossan.com.my

AUDITORS

KPMG

Chartered Accountants

Level 10, KPMG Tower

8, First Avenue, Bandar Utama

47800 Petaling Jaya

Selangor Darul Ehsan, Malaysia

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad

EON Bank Berhad

Bank Muamalat (Malaysia) Berhad

HSBC Bank Malaysia Berhad

Cooperatieve Centrale Raiffeisen – Boerenleenbank B.A
(Labuan Branch)

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.

Level 26 Menara Multi-Purpose, Capital Square,

No 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur

Tel : 03-2721 2222

Fax : 03-2721 2530

Website : www.Symphony.com.my

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad-Main Board



FINANCIAL HIGHLIGHTS

OPERATIONS (RM MILLION)

for the year ended 31 December

	2004	2005	2006	2007	2008
Revenue	280.846	385.991	571.283	702.637	897.194
Profit Before Tax	29.303	36.181	48.453	58.318	72.906
Profit Attributable to Equity Shareholders	22.127	28.946	46.152	55.085	58.639
Dividend (%)	10.0	12.0	13.0	16.0	12.0

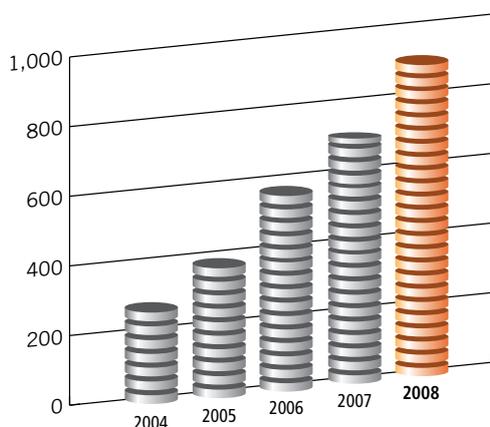
BALANCE SHEET (RM MILLION)

as at 31 December

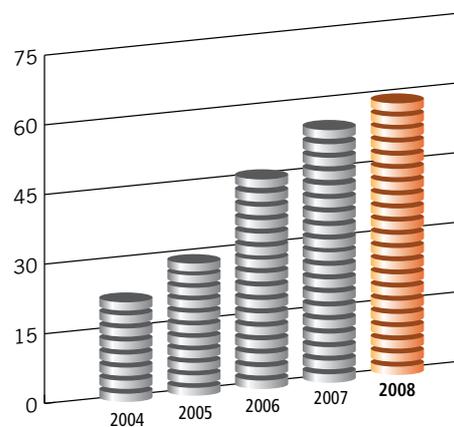
	2004	2005	2006	2007	2008
Share Capital	66.611	79.933	79.933	79.933	79.933
Shareholders' Funds	136.880	158.566	205.456	251.370	298.883
NTA (per share) (RM)	2.04	0.99*	1.28*	1.57*	1.87*

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

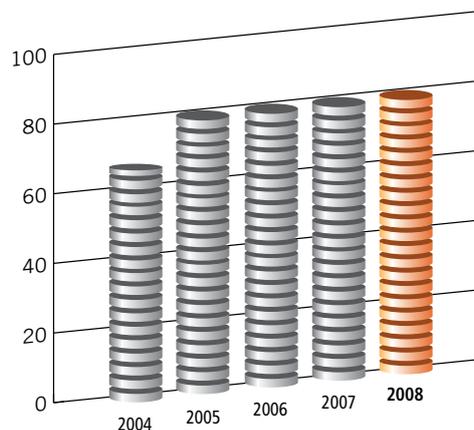
REVENUE (RM Million)



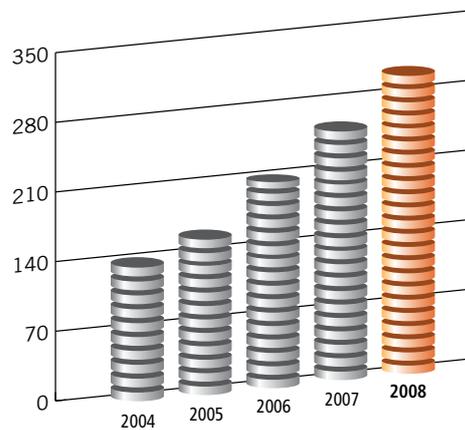
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS (RM Million)



SHARE CAPITAL (RM Million)



SHAREHOLDERS' FUNDS (RM Million)



CHAIRMAN'S STATEMENT

DESPITE THE YEAR UNDER REVIEW WAS CHALLENGING FOR RUBBER GLOVE MANUFACTURERS WITH ALL MAJOR COST COMPONENTS SOARED TO RECORD LEVELS AND MADE WORSE BY THE FIERCE VOLATILITY IN THE RM/USD EXCHANGE RATE, KOSSAN CONTINUED TO REPORT RECORD PERFORMANCE WITH 27% AND 25% GROWTH IN REVENUE AND PROFIT BEFORE TAX RESPECTIVELY. TO KOSSAN, THIS MARKED THE 13TH YEAR OF UNBROKEN PROFITABILITY TRACK RECORD SINCE ITS LISTING IN 1996.



TO OUR CUSTOMERS, EMPLOYEES AND SHAREHOLDERS:

On Behalf of the Board of Directors, it is my pleasure to present the Annual Report and audited financial statements of Kossan Rubber Industries Bhd. and its subsidiaries ("Kossan Group") for the financial year ended 31 December 2008.

FINANCIAL PERFORMANCE

2008 was a year full of challenges, from the inflationary pressures attributed to 5 fold increases of oil prices from under \$30 to \$147 per barrel in the first half of the year which lead bulk latex prices to spiral and hit a high of RM7.20 per kg in the month of July. High commodity prices and unprecedented increases in energy costs announced by the Government severely impaired the well being of not only the glove manufacturers but also manufacturers and exporters across many industries.

Despite the year under review was challenging for rubber glove manufacturers with all major cost components soared to record levels and made worse by the fierce volatility in the RM/USD exchange rate, Kossan Group continued to report record performance with 27% and 25% growth in revenue and profit before tax respectively. To Kossan Group, this marked the 13th year of unbroken profitability track record since its listing in 1996.

Kossan Group achieved record revenues of RM 897.0 million, representing a 27% increase over 2007 (2007: RM703.0 million). Contributing factors were higher sales volume and increase in average selling prices. Despite the unprecedented high production cost experienced by the industry during the third quarter of 2008, the Group was able to sustain its profitability with profit before tax reached a record high of RM73.0 million, a growth of 25% over RM58.0 million in 2007. Earnings per share increased by 6.4% to 36.7 sen compared to 34.5 sen in 2007. Overall, we delivered an extra 18.9% to our return on equity for the fiscal year.

CHAIRMAN'S STATEMENT

OUR BALANCE SHEET

Equally important is the strength of our balance sheet, and we are pleased to inform that it is in great shape : total assets spurt upwards to RM650.0 million from RM537.0 million of the previous year; net debt is in a very manageable RM211.0 million of which more than 80% are in short-term trade facilities including banker's acceptance, and revolving credits for working capital requirement. The most fascinating achievement was the 19% growth in our shareholders' funds to RM300.0 million (2007 : RM251 million).

I am also very pleased to note that the strategic business measures persistently adopted by the Group all these years such as notable cost-savings measures, continuous improvement in its production processes, better product-mix, effective marketing approach and strategies; reliable customer delivery and sound risk management measures have blended well and yielded solid returns. All these ingredients are vital to ensure our shareholders with continuous and sustainable growth in your investments.

Year Ended 31 December	2008 RM million	2007 RM million	Change %
Revenue	897.2	702.6	27.7
Profit From Operations	83.4	68.6	21.6
Profit Before Taxation	72.9	58.3	25.0
Profit attributable to			
Equity Shareholders	58.6	55.1	6.4
Shareholders' Funds	298.9	251.4	18.9
Total Assets	653.7	536.9	21.8
Basic Earnings Per Share (sen)	36.7	34.5	6.4
Net Tangible Asset Per Share (RM)	1.87	1.57	19.7

LOOKING AHEAD

The outlook for the coming financial year appears even more challenging as a result of the effects of the global financial crisis which originated in the US. 2009 will be filled with more economic uncertainties, recession in both the developed and developing countries all of which will ultimately impact the well being of individuals and dampen the consumer confidence and spending. Sluggish economy activities since the second half of 2008 have halted the trading growth in many industries. This is supported by the IMF's recent forecast that global growth is now slashed from its initial projected 2.2% to only 0.5% for 2009.

Against the same backdrop, our Technical Rubber Products ("TRPs") business which is export oriented, will not be spared from the slowdown. Sales volume and margin are likely to stay at depressed levels until a couple more quarters in the coming years.

Nevertheless, the impact is mild as TRPs division contributes less than 15% to the Group's overall revenues and earnings. We are cautiously optimistic on possible early recovery from the global financial crisis amidst concerted efforts by government of emerging and mature countries alike through implementation of fiscal stimulus plans designed to hasten economic recovery. Therefore, we wishfully hope that the demand for our TRPs will be normalised towards the second half of 2009.

While our main segment of business, medical gloves is not entirely insulated from such worldwide economic catastrophe, demand for medical gloves could be slightly affected should the current state of economy decline further and the recession prolonged. Nonetheless, the impact will be minimal and unlikely to affect our projected double digits growth for 2009 as cuts in medical expenditure are usually the last resort. Even in this trying time, the new administration in US has put healthcare as one of the priority and comes with a worthy goal of expanding healthcare coverage to more of the population.

Thankfully, the past several years of building size, market share and robust track record within the industry with continued strengthening of its balance sheet has provided the Group with the resilience to face up to challenges in 2009 from a position of strength.

DIVIDENDS

We are pleased that Kossan Group had continued to grow its cash surplus position and after careful consideration, is recommending a final dividend of 3.5 sen per ordinary share, less 25% income tax and 2.5 sen per ordinary share, tax-exempted, amounting RM8.193 million for the approval of shareholders at the forthcoming Twenty-Ninth Annual General Meeting.

APPRECIATION

Finally, on behalf of the Board, I would like to express my utmost gratitude to the staff and the Management team for their dedication and relentless efforts to drive the Group to achieve its various successes during the year. Our most sincere appreciation goes to all the other stakeholders (customers, suppliers, business associates, bankers, the regulatory authorities, investment analysts and member of press and medias) who have been supporting the Group strongly all these years. I would also like to thank the shareholders for your continued support.

Y.BHG DATO' HAJI MOKHTAR BIN HAJI SAMAD
Chairman

26 May 2009

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

ACKNOWLEDGING THE ECONOMY UNCERTAINTIES IN THE NEAR TERM AND APPARENT GLOBAL SLOWDOWN SINCE THE LAST TWO QUARTERS OF 2008, WE REMAIN CAUTIOUSLY OPTIMISTIC ON THE FUTURE DEVELOPMENTS OF THE GLOVE INDUSTRY AS THE MEDICAL GLOVE SEGMENT MAY EXPERIENCE A MILD SLOWDOWN IF CURRENT GLOBAL RECESSION AND UNEMPLOYMENT CONDITION DETERIORATE FURTHER ALTHOUGH IT WILL NOT BE AS SEVERE AS IN THE NON-MEDICAL SEGMENT.



The year under review saw Kossan operating in a challenging market environment characterised by great fluctuations in RM/USD exchange rate, record high production cost as a result of stiff increments in natural gas and electricity tariff; and volatile raw material costs including both natural and synthetic latex. Kossan Group, nevertheless, was able to ride over the challenge and delivered a strong set of financial and operational performance through strong business partnerships with world renowned multinational companies from the developed nations, aggressive capacity growth and focused on manufacturing capability building initiatives.

HIGHLIGHTS OF THE YEAR

Against the difficult operating environment, both our business divisions continued to grow in the fiscal year. With the aggressive capacity expansion in the fiscal year for examination glove, our Examination Glove division recorded a 32% growth in revenues compared to the previous year. As the global financial economies moved into crisis late in the year, it has spread quickly into the real economy and resulted in tumbling global demand for some of our TRPs, particularly from the automotive industry in the West. Therefore, a lower growth of 3% was registered for our TRPs division as compared to 16% in 2007.

Examination Gloves Division

In the fiscal year, the physical quantity of glove produced and sold by the Group was 8.5 billion pieces, 15% increase over the 7.4 billion pieces in 2007. For the total amount of gloves sold during the fiscal year, the Group achieved a better product mix: 47% in powder-free segment, 25% in nitrile segment and 28% in powdered segment. Total utilization rate on our 102 production lines remained high at above 90% of the effective capacity of 9.3 billion pieces.

Demand for our premium powder-free gloves by the multinational companies in developed countries was strong during the year and more than 70% of our total output sold was in the power-free category being in natural rubber or nitrile. Production in nitrile gloves had almost doubled from the previous year and going forward, the composition of our glove production will be skewed towards the nitrile category. Riding on the strong momentum, we added 11 new double formers production lines in the second half of the fiscal year and expects full contribution from the new lines in the second half of 2009. Some 1.8 billion pieces of gloves will be added to our existing installed capacity of 9.3 billion pieces.

MANAGING DIRECTOR'S REVIEW OF OPERATIONS



With our concerted R&D efforts, we achieved another milestone with the invention of a new generation of nitrile glove which is accelerator free and able to minimise risk of chemical allergy. This nitrile glove, offers many advantages to its users compared with the conventional nitrile gloves available in the markets. Supported by encouraging feedbacks from our buyers, we are putting more resources and capacity to produce this new product.

We are committed to continuous R&D improvement to uplift our products which are already superior among our peers to another level as we believe this will guarantee a more sustainable growth in our business in longer term instead of dependent on enlarging capacity.

Acknowledging the economy uncertainties in the near term and apparent global slowdown since the last two quarters of 2008, we remain cautiously optimistic on the future developments of glove industry as the medical glove segment may experience a mild slowdown if current global recession and unemployment condition deteriorate further although it will not be as severe as in the non-medical segment. Gloves for non-medical application have already been affected due to reduced commercial activities in various industries the most obvious being in the electronic and semiconductor related industries.



With this backdrop, the Group will focus on development of new products that provide competitive leverage. More resources will be channelled into products and initiatives that foster sales growth and enhance profitability. As we have gone through a high growth era via vigorous capacity expansion since 2001, we wish to take this time to consolidate and re-visit various internal key areas from the manufacturing front to administrative; and revamp if necessary to ensure its perfectness for another high growth phase in the near term.

To achieve this, we will focus on upgrading some of our existing production facilities. Out of our total 102 production lines, some 18 lines, mainly producing powdered gloves with lower output speed have been identified for immediate upgrade and revamp. To avoid any major interruption to our production flow, these 18 lines will be upgraded in tranches gradually throughout these coming two years. More lines will be allocated to produce higher value products once upgraded and the Group will have double gains from enhanced efficiency and better profitability as a result from lower rejects or wastages.

We believe that this business direction is practical given this trying time and more uncertainties ahead. Without need to increase new production lines and plants, the Group is able to conserve more cash with lower capital expenditure in these coming two years as savings will be significant in line upgrading compared to setting up new plants and extra production lines. With stronger free cash flows, our balance sheet will continue to strengthen further with more solid cash position and lower gearing.

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

Technical Rubber Products Division

We posted a lower revenue growth rate of 3% in our technical rubber products ("TRPs") division compared to 16% achieved in 2007. We see demand slowdown across all our technical rubber products with more obvious order reductions in the automotive segment. In their latest business announcements, General Motor and Toyota unanimously reported 45% and 37% drop in vehicle sales respectively compared to 2007, no thanks to dramatic deterioration in global economic and market condition during the year, declining consumer confidence and a 50-year low in per-capita auto sales in the US. Nonetheless, this segment will not impact our TRPs earnings significantly as the automotive industry still requires replacement parts and new parts for smaller and more economical version of cars.

Overall, our production capacity in TRPs dropped by some 20% since the last quarter of the fiscal year and this challenging condition will likely to continue for a couple more quarters until the global economies recover. Since the composition of revenues and earnings in TRPs is small to overall Group's revenues and earnings, we are confident that our double digits growth for the coming year will still be achievable.

We will adopt a more cautious approach during this difficult period and will take proactive actions to bring down overall operational cost through improved production efficiency and minimised production rejects. With continuous efforts in our R&D, we will be in an even stronger position to tap on more business potentials when the economy condition improves.

MOVING FORWARD WITH R&D

To maintain our market leader position in premium medical gloves and TRPs, the Group will continue to focus on R&D. Greater emphasis will be placed on R&D activities that are able to bring down overall production cost through more consistent and stable production flows, minimum idle production times, and reduced production rejects and wastages. With more competitive pricing, Kossan Group is well positioned to compete more effectively in the world market.

INVESTOR RELATIONS

The extensive investor relations activities of the Kossan Group form a channel of communications with shareholders, investors and the investment community broadly, both in Malaysia and internationally. To us, it is particularly important to maintain an active level of dialogue and communication with shareholders and investors in the light of the current financial crisis affecting global markets and the extremely volatile market conditions as this allows shareholders and investors to monitor their investment more closely with all the accurate information channelled.

OUR EMPLOYEES

Good employees are the key ingredients to our Group's success. Our strength lies in having a group of highly competent staff united by a strong corporate culture and high spirit of teamwork. This gives us the great leverage in executing our business strategies to achieve the intended corporate goals. Being a progressive employer, a comprehensive human capital management programme has been developed to attract and retain the right people, nurture talents and groom future leaders. Extensive and effective trainings have been made available for our personnel to help them to keep abreast of current trends and developments in their professional fields, technical skills and personal development.

OUR CUSTOMERS

Maintaining excellent customer service and practising professionalism in our business undertakings are part of our success. This is in line with our Corporate Vision. Over the years, significant measures and efforts had been made to ensure that all our customers are satisfied with our products and services rendered, such as adopting the shortest possible response time to customers' feedbacks, timely delivery and good quality assurance. Our efforts had won us good recognition and strong trust from our customers and suppliers. We shall reinforce this belief that Kossan products are synonymous with quality, timely delivery and excellent customer service.

ACKNOWLEDGEMENT

To all our stakeholders, including our shareholders, customers, business associates, bankers, regulatory bodies, various authorities, research analysts and employees, a big thank you for your confidence in our Group and continuous support rendered. With a clear purpose : **Business Stability With Long Term Sustainable Growth**, coupled with our dynamic and practical business model and committed management team, we believe we can weather through the challenges ahead and scale even greater heights.

Wholeheartedly, I wish that all employees of the Kossan Group will continue with your strong and thoughtful spirit in such trying times. We must be ready to change and remain committed to our mission to deliver to our shareholders and customers with sustainable growth in value. Most importantly, we have to stay focused and hold on firmly to our strength as a Group to drive the Company forward.

LIM KUANG SIA

Managing Director/Chief Executive Officer

26 May 2009

DIRECTORS' PROFILE

Y. BHG DATO' HAJI MOKHTAR BIN HAJI SAMAD

Y. Bhg Dato' Haji Mokhtar Bin Haji Samad, a Malaysian aged 61, was appointed the Non-Executive Chairman of Kossan on 22 February 2002. He is an Independent Director and is the Chairman of the Audit Committee. He is a member of the Nomination Committee and the Remuneration Committee.

Besides Kossan, he is an independent non executive director of Luxchem Corporation Berhad. He also sits on the boards of several private companies. He is currently the Yang Di Pertua of the Persatuan Kontraktor Melayu Wilayah Persekutuan, Executive Chairman of the Konsortium Kontraktor Melayu Wilayah Persekutuan, a director of Malay Contractor consortium Malaysia, Deputy President of the Malay Contractor Organisation Malaysia, the vice President of the Entrepreneur Development Agency Wilayah Persekutuan, a member of the Advisory Committee of Dewan Perniagaan Melayu Kuala Lumpur and a committee member of the Ministry of Domestic Trade and Consumer Affairs, Wilayah Persekutuan.

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

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

LIM KUANG YONG

Mr. Lim Kuang Yong, ("KY Lim") a Malaysian aged 62, was appointed to the Board of Kossan on 22 October 1979. He has more than 20 years business experience in marine hardware. He is in charge of the Examination Gloves Division.

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

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

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

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

LIM KUANG SIA

Mr. Lim Kuang Sia, ("KS Lim") a Malaysian aged 57, was appointed the Managing Director/ Chief Executive Officer of Kossan on 22 February 2002. He is a founder director of Kossan. Mr. KS Lim graduated from Nanyang University in Singapore with a Bachelor of Science (Chemistry) degree. He also has a post-graduate Diploma in Chemical Engineering from University College and a Master in Chemical Engineering from Imperial College, both at the University of London.

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

Mr. KS Lim is a member of the Remuneration Committee. He ceased to be member of the Audit Committee with effect from 30 January 2009.

Mr. K.S Lim is an indirect substantial shareholder by virtue of his substantial shareholdings in Kossan Holdings (M) Sdn. Bhd., a substantial shareholder of Kossan. He also holds 190,944 shares in his own name.

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

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

DIRECTORS' PROFILE

LIM KUANG WANG

Mr. Lim Kuang Wang, ("KW Lim") a Malaysian aged 60, was appointed to the Board of Kossan on 27 May 1995. He has more than 20 years business experience in trading and manufacturing. He is involved in the Examination Gloves Division.

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

Mr. KW Lim is an indirect substantial shareholder by virtue of his substantial shareholdings in Kossan Holdings (M) Sdn. Bhd., a substantial shareholder of Kossan. He also holds 359,424 shares in his own name.

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

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

LIM LENG BUNG

Mr. Lim Leng Bung, ("LB Lim") a Malaysian aged 46, was appointed to the Board of Kossan on 27 May 1995 as an alternate to Mr Lim Kuang Wang. He heads the technical rubber production portfolio in Kossan.

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

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

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

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

LIM KWAN HWA

Mr. Lim Kwan Hwa, ("KH Lim") a Malaysian aged 58, was appointed to the Board of Kossan on 27 May 1995. He is in charge of Kossan Latex Industries (M) Sdn. Bhd., a wholly owned subsidiary of Kossan.

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

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

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

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

HENG BAK TAN

Mr. Heng Bak Tan, a Malaysian aged 60, was appointed to the Board of Kossan on 29 October 1984. He is a Non Independent Non Executive Director. He has more than 10 years experience in rubber moulding and extrusion.

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

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

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

DIRECTORS' PROFILE

Y. BHG DATO' TAI CHANG ENG @ TEH CHANG YING

Y. Bhg. Dato' Tai Chang Eng @ Teh Chang Ying, a Malaysian aged 63, was appointed to the Board of Kossan on 12 August 1996. He is an Independent Non Executive Director. He is a Deputy Chairman, Board of Visitors, of the Klang General Hospital. He is the Chairman of the Nomination Committee and the Remuneration Committee and a member of the Audit Committee.

Other than Kossan, he has no directorship in other public company.

He sits on the boards of several private companies.

He holds 149,760 shares in Kossan.

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

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

TONG SIEW CHOO

Madam Tong Siew Choo, a Malaysian aged 48, was appointed to the Board of Kossan on 22 February 2002 as an Independent Non Executive Director. She is a Chartered Accountant with membership in the Malaysian Institute of Accountants and the Malaysian Association of Certified Public Accountants. She is the senior partner of an audit firm.

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

She is an Independent Non Executive Director of Flonic Hi-Tec Bhd., a company listed on the Mesdaq Market of Bursa Malaysia Securities Berhad.

She holds 14,976 shares in Kossan.

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

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

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

CORPORATE GOVERNANCE STATEMENT

THE MALAYSIAN CODE ON CORPORATE GOVERNANCE ("THE CODE")

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

The Board is pleased to report to shareholders on the manner the Group has applied the principles, and the extent of compliance with the best practices of corporate governance of the Code for the financial year ended 31 December 2008.

BOARD OF DIRECTORS

Board size, Balance and Composition

The Company is led by an experienced Board, made up of eight (8) directors, comprising four (4) Executive Directors, one (1) Non Independent Non Executive Director and three (3) Independent Non Executive Directors. The Directors' profiles are set out on pages 8 to 10 of the Annual Report.

Duties and responsibilities

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

BOARD MEETING

The Board meets on a quarterly basis with additional meetings being convened to address urgent issues. The Board met on five (5) occasions during the financial year ended 31 December 2008. The details of attendance of each Director are set out below:

Directors	Position	Attendance
Dato' Haji Mokhtar Bin Haji Samad	Independent Non-Executive Chairman	5/5
Lim Kuang Sia	Managing Director/ Chief Executive Officer	5/5
Dato' Tai Chang Eng @ Teh Chang Ying	Independent Non-Executive Director	4/5
Lim Kuang Yong	Executive Director	5/5
Lim Kuang Wang	Executive Director	5/5
Lim Kwan Hwa	Executive Director	5/5
Heng Bak Tan	Non-Independent Non-Executive Director	5/5
Tong Siew Choo	Independent Non-Executive Director	5/5

DETAILS OF BOARD MEETINGS

Date of Meeting	Time
25.02.2008	4.00 p.m.
18.04.2008	4.00 p.m.
28.05.2008	4.00 p.m.
22.08.2008	4.00 p.m.
20.11.2008	4.00 p.m.

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

SUPPLY OF INFORMATION

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

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

DIRECTORS TRAINING

All Directors have attended the Mandatory Accreditation Programmed (MAP) prescribed by Bursa Malaysia. As an integral element in the process of appointing new Directors, the Company provides an orientation programme for new Board members. The Directors also receive further training from time to time, particularly on relevant new laws and regulations.

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

CORPORATE GOVERNANCE STATEMENT

DIRECTORS RE-ELECTION

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board in the year are subject to re-election by shareholders at the next Annual General Meeting following immediately after their appointment.

Directors over seventy (70) years of age submit themselves for re-appointment annually, in accordance with Section 129(6) of the Companies Act, 1965.

In accordance with the Company's Articles of Association, one-third of the remaining Directors, including the Managing Director, submit themselves for re-election by rotation at each Annual General Meeting. The re-election of each director is voted separately.

DIRECTORS REMUNERATION

The Remuneration Committee annually reviews the performance of Executive Directors before making recommendation to the Board on adjustments in remuneration to reflect their respective contributions for the year as well as to ensure remunerations which are competitive and consistent with the Company's corporate objectives and strategy.

All Non-Executive Directors receive fees which are endorsed by the Board for approval of shareholders of the Company at the Annual General Meeting. The level of remuneration reflects the level of responsibilities undertaken. In addition, Non Executive Directors are paid an allowance for each Board meeting they attend.

The Directors' remuneration for the financial year ended 31 December 2008 is as follow:-

	Salaries RM	Other allowances RM	Fees RM	Total RM
Executive Directors	2,508,000	1,826,270	-	4,334,270
Non-Executive Directors	-	-	120,000	120,000
Total	2,508,000	1,826,270	120,000	4,454,270

The number of Directors whose remuneration is analysed into bands of RM50, 000 is as follows:-

Range of Remuneration	Executive Directors	Non Executive Directors
Below RM50,000	-	4
RM800,001 - RM850,000	4	-
RM1,100,001 - RM1,150,000	1	-

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

CORPORATE GOVERNANCE STATEMENT

BOARD COMMITTEES

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

NOMINATION COMMITTEE

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

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

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

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

The Company Secretary ensures that all necessary information is obtained from the Directors and that appointments to the Board are properly made in accordance with the regulatory requirements.

One (1) meeting was held in the financial year under review.

REMUNERATION COMMITTEE

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

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

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

The Committee met on one (1) occasion in the financial year 2008.

AUDIT COMMITTEE

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

The report of the Audit Committee for the year ended 31 December 2008 is set out on pages 22 to 24.

Five (5) meetings were held during the financial year under review.

CORPORATE GOVERNANCE STATEMENT

EXECUTIVE SHARE OPTION SCHEME (“ESOS”) COMMITTEE

The ESOS Committee, comprising one (1) Executive Director and two (2) Independent Non Executive Directors, was formed on 17.11.2005 to administer the Company's Executive Share Option Scheme (“ESOS”).

The Committee has the power to administer the ESOS in such manner as it shall, in its discretion, deem fit, including such power and duties conferred upon it under the By-laws of the ESOS.

The members of the ESOS committee are:

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

During the financial year ended 31 December 2008, no ESOS options were awarded.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (“CSR COMMITTEE”)

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

The members of the CSR Committee as at 31 December 2008 are as follows:-

Lim Kuang Sia	Chairman
Tong Siew Choo	Member

RELATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

ANNUAL GENERAL MEETING

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

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

CORPORATE GOVERNANCE STATEMENT

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

Internal Control

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

The Group's Statement on Internal Control for the year ended 31 December 2008 as set out on pages 20 to 21 of this Annual Report provides an overview of the state of internal control within the Group and the Company. This statement has been approved by the Board.

Relationship with Auditors

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

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

OTHER INFORMATION

During the financial year under review

- (a) **Executive Share Option Scheme (ESOS)**
There were no awards of options under the ESOS during the year under review.
- (b) **Utilization of Proceeds**
The Company did not implement any fund raising exercise.
- (c) **Shares Buy-Back**
There were no provision for share buy-back.
- (d) **Options, Warrants or Convertible Securities Exercised**
The Company did not issue any options, warrants or convertible securities.
- (e) **American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")**
The Company did not sponsor any ADR or GDR programme.

CORPORATE GOVERNANCE STATEMENT

OTHER INFORMATION (CONT'D)

- (f) **Conflict of Interest**
None of the Directors, other than those disclosed in the Directors' Profile, have any family relationships with other Directors and/or major shareholders of the Company nor any personal interest in any business arrangements involving the Company.
- (g) **Material Contracts**
The Company did not have any material contracts involving directors' and major shareholders' interest either still subsisting at the end of the financial year or, if not subsisting, entered into since the end of the previous financial year.
- h) **Sanctions and/or Penalties**
The Company and its subsidiaries, Directors and management have not been imposed with any sanctions and/ or penalties by any regulatory bodies.
- (i) **Non-Audit Fees**
Apart from the RM178,500 audit fees paid to the external auditors, there were no non-audit fees paid.
- (j) **Variation in Results**
There is no material variance between the result for the financial year and the unaudited results previously announced by the Company.
- (k) **Profit Guarantee**
The Company did not issue any profit forecast or profit guarantee.
- (l) **Revaluation Policy**
The Company did not have a policy on revaluation of landed properties.

This Statement is made in accordance with a resolution of the Board of Directors dated 21 May 2009.

CORPORATE GOVERNANCE STATEMENT

CORPORATE SOCIAL RESPONSIBILITY

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

Workplace

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

All our employees are reasonably covered for any unforeseen mishaps through providing the employees with various levels of insurance coverage on medical and hospitalization benefits as well as critical illness cum personal accident insurance. The Group has employed significant number of foreign and out-stationed workers; as such the Group has constructed accommodation facilities within the vicinity of our plants to cater for the accommodation needs of this group of employees whereby the occupants of the facilities are provided with all basic amenities to ensure comfort and hygiene.

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

Market place

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

Community

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

STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

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

In preparing those financial statements, the Directors have:-

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

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

STATEMENT ON INTERNAL CONTROL

RESPONSIBILITY

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

THE GROUP'S SYSTEM OF INTERNAL CONTROL

Key Features of the System of Internal Control

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

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

The functions of the Board committees are described in the Corporate Governance Statement on pages 11 to 18.

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

- Clearly defined organisation structure defining the delegation of authority and responsibility of the management and reporting mechanism.
- Monthly review of the financial and manufacturing operational performance of business units including productivity, efficiency and effectiveness of the cost of production. This includes evaluation of factors such as business, operational and key management issues impacting on their performance.
- Regular visits to business and manufacturing units by MD, Executive Directors and senior management personnel.
- Review of quarterly financial results of the Group by the Audit Committee and the Board.
- Identify and review the risk element impact on the financial performance of the Group and establish mechanism to manage risk including and not limiting to foreign exchange rate and escalating cost of operations.
- Regular operations and various management meetings are held to discuss, manage and address operational and management issues and to ensure compliance and adherence to policies set by the Group.
- Ongoing review and audit conducted by the internal audit function to ensure adequacy and integrity of the system of internal control and compliance and adherence to standard operating procedures.

STATEMENT ON INTERNAL CONTROL

ASSURANCE MECHANISM

The Board has assigned the Audit Committee ('AC') with the duty of reviewing and monitoring the effectiveness of the Group's system of internal control. The AC is assisted by an internal auditor who reviews the Group's system of internal control on a systematic and cyclic basis and presents to the AC its assessment on the adequacy and integrity of the system of internal control within the Group.

During the current financial year, the internal auditor carried out his internal audit function for the first quarter of 2008. The report covered certain functions in the gloves and technical rubber products divisions. No internal audit function was carried out in subsequent quarters as the internal auditor had left the Group since April 2008. However, in the absence of an internal auditor for the remaining period of time in the financial year under review, the AC relied on discussion and consultation with the Group's management on the Group's internal control system.

The Board reviews the minutes of the AC's meetings. The Report of the AC is set out on pages 22 to 24 of the Annual Report.

Additionally, as part of the requirements of the ISO 9001, ISO 13485 and ISO/TS 16949 certifications, scheduled audits are conducted internally as well as by SAI Global, BSI Management Systems, SGS Yarsley International and LLOYD'S Register auditors. Results of these audits are reported to the Quality Management Committee, which is chaired by the MD.

The Board of Kossan remains committed towards keeping abreast with the ever-changing business environment in order to support the Group's businesses and size of operations. Cognisant of this fact, the Board, in striving for continuous improvement, will put in place appropriate measures, where necessary, to further enhance the Group's system of internal control.

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. The Management of the Group continues to take measures to strengthen the internal control environment.

This statement is signed in accordance with a resolution of the Board of Directors.

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 2008.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Composition

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

2. Authority

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

3. Responsibility

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

4. Functions

The duties of the Audit Committee shall include the following:-

- (i) To consider the appointment of the external auditor, the audit fees and any questions of their resignation or dismissal;
- (ii) To discuss with the external auditor before the audit commences, the nature and scope of the audit;
- (iii) To review the quarterly and year-end financial statements of the Company and the Group, focusing particularly on:
 - any changes in major accounting policies and practices;
 - significant adjustments arising from the audit;
 - significant and unusual events;
 - the going concern assumption;
 - compliance with approved accounting standards and other legal requirements;
- (iv) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss;
- (v) To review the external auditor's audit report, management letter and management's response;
- (vi) To review the assistance given by the employees of the Company and its subsidiaries to the external auditor;
- (vii) To consider the appointment of the internal auditor, their remuneration and any questions of their resignation or dismissal;

REPORT OF THE AUDIT COMMITTEE

4. Functions (cont'd)

(viii) To review the internal audit functions namely:

- the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal auditor;
- the performance of the internal auditor, whose role includes the examination and evaluation of the Company's operations and their compliance with the relevant policies, codes and legislations;

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

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

(xi) To consider other topics as defined by the Board.

5. Meeting and minutes

(i) The Audit Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.

(ii) The quorum for any meeting shall be at least two, the majority of whom must be independent Directors.

(iii) The Secretary of the Committee shall be the Company Secretary.

COMPOSITION AND ATTENDANCE OF MEETINGS

The Audit Committee comprises the following members and details of attendance of each member at committee meetings held during the year ended 31 December 2008 are as follows:-

Composition of the Committee	Attendance at Committee Meeting
Dato' Haji Mokhtar Bin Haji Samad (Chairman/ Independent Non-Executive Director)	5/5
Dato' Tai Chang Eng @ Teh Chang Ying (Member / Independent Non-Executive Director)	4/5
Tong Siew Choo (Member / Independent Non-Executive Director)	5/5
Lim Kuang Sia* (Member / Executive Director)	5/5

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

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

* Mr Lim Kuang Sia resigned as a member of the Audit Committee on 30 January 2009.

REPORT OF THE AUDIT COMMITTEE

ACTIVITIES

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

- (a) reviewed the quarterly financial statements and Annual Report of the Group prior to presentation to the Board for approval;
- (b) reviewed the terms of the Proposed Shareholders' Mandate for Recurrent Related Party Transactions ("RRPT") of a revenue or trading nature and be satisfied the review procedures are sufficient to ensure RRPT will be at arm's length and in accordance with the Group's normal commercial terms and not prejudicial to the shareholders or disadvantageous to the Group;
- (c) reviewed the audit fees and remuneration payable to external and internal auditors;
- (d) reviewed with external auditors their audit plan prior to commencement of audit;
- (e) 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;
- (f) reviewed and discussed with internal auditors their evaluation of the system of internal control of the Group;
- (g) 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; and
- (h) reviewed the credit policy and risk management framework of the Group.

The Committee also appraised the adequacy of actions and remedial measures taken by the management in resolving audit issues reported.

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

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM	Company RM
Profit attributable to:		
Shareholders of the Company	58,639,125	3,969,996
Minority interests	544,472	-
	59,183,597	3,969,996

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final ordinary dividend, consisting of 4.0 sen per ordinary share, less tax at 26% and 4.0 sen per ordinary share, tax-exempted, totalling RM11,126,742 in respect of the year ended 31 December 2007 on 11 August 2008.

The final ordinary dividend recommended by the Directors in respect of the year ended 31 December 2008 is 3.5 sen per ordinary share, less tax at 25% and 2.5 sen per ordinary share, tax-exempted, totalling RM8,193,183.

DIRECTORS OF THE COMPANY

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

Lim Kuang Sia
 Lim Kuang Yong
 Heng Bak Tan
 Lim Kuang Wang
 Lim Kwan Hwa
 Y. Bhg. Dato' Haji Mokhtar bin Haji Samad, D.S.S.A., A.M.N., P.M.C., P.J.K.
 Y. Bhg. Dato' Tai Chang Eng @ Teh Chang Ying, D.S.S.A., A.M.S., P.J.K.
 Tong Siew Choo
 Lim Leng Bung (alternate to Lim Kuang Wang)

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM0.50 each			At 31.12.2008
	At 1.1.2008	Bought	Sold	
Direct interest				
Lim Kuang Sia	190,944	-	-	190,944
Lim Kuang Wang	359,424	-	-	359,424
Y. Bhg. Dato' Tai Chang Eng @ Teh Chang Ying, D.S.S.A., A.M.S., P.J.K.	149,760	-	-	149,760
Tong Siew Choo	14,976	-	-	14,976
Deemed interest				
Lim Kuang Sia				
- ultimate holding company	81,090,220	1,637,900	-	82,728,120
- spouse	359,424	-	-	359,424
Lim Kuang Yong				
- ultimate holding company	81,090,220	1,637,900	-	82,728,120
Heng Bak Tan				
- spouse	14,448	-	-	14,448
Lim Kuang Wang				
- ultimate holding company	81,090,220	1,637,900	-	82,728,120
Lim Kwan Hwa				
- ultimate holding company	81,090,220	1,637,900	-	82,728,120
Lim Leng Bung				
- ultimate holding company	81,090,220	1,637,900	-	82,728,120

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related companies) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 26.

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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

ISSUE OF SHARES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

OTHER STATUTORY INFORMATION

Before the balance sheets and income 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) all current assets have been stated at the lower of cost and net realisable value.

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 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 Group's and in the Company's financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2008 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

AUDITORS

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

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

Lim Kuang Sia

Lim Kuang Yong

Klang, Selangor Darul Ehsan
Date : 22 April 2009

BALANCE SHEETS

AS AT 31 DECEMBER 2008

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Assets					
Property, plant and equipment	3	361,286,374	278,272,123	37,493,185	36,602,283
Investment in subsidiaries	4	-	-	8,241,963	8,241,963
Investment in an associate	5	-	129,373	-	-
Other investments	6	116,000	116,000	116,000	116,000
Deferred tax assets	7	1,690,527	5,531,992	-	-
Goodwill on consolidation	8	864,456	864,456	-	-
Total non-current assets		363,957,357	284,913,944	45,851,148	44,960,246
Inventories	9	112,002,824	86,773,007	18,744,805	19,021,052
Receivables, deposits and prepayments	10	160,921,420	137,175,470	75,806,307	77,920,794
Current tax assets		1,032,380	547,745	906,635	361,018
Cash and cash equivalents	11	15,782,092	27,469,424	405,788	359,855
Total current assets		289,738,716	251,965,646	95,863,535	97,662,719
Total assets		653,696,073	536,879,590	141,714,683	142,622,965
Equity					
Share capital		79,933,488	79,933,488	79,933,488	79,933,488
Share premium		10,601	10,601	10,601	10,601
Translation reserve		(45,935)	(45,935)	-	-
Revaluation reserve		1,305,183	1,366,201	706,941	767,959
Retained earnings		217,679,426	170,106,025	24,301,120	31,396,848
Total equity attributable to shareholders of the Company		298,882,763	251,370,380	104,952,150	112,108,896
Minority interest		975,894	431,422	-	-
Total equity	12	299,858,657	251,801,802	104,952,150	112,108,896
Liabilities					
Loans and borrowings	13	54,345,075	37,442,910	257,709	728,566
Deferred tax liabilities	7	10,530,397	4,884,967	4,469,078	4,314,051
Total non-current liabilities		64,875,472	42,327,877	4,726,787	5,042,617
Payables and accruals	14	114,939,690	92,642,804	21,467,578	10,590,137
Current tax liabilities		1,462,569	1,842,976	-	-
Loans and borrowings	13	172,559,685	148,264,131	10,568,168	14,881,315
Total current liabilities		288,961,944	242,749,911	32,035,746	25,471,452
Total liabilities		353,837,416	285,077,788	36,762,533	30,514,069
Total equity and liabilities		653,696,073	536,879,590	141,714,683	142,622,965

The notes on pages 34 to 66 are an integral part of these financial statements.

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Revenue	15	897,194,335	702,637,256	92,377,602	109,658,254
Other income		3,051,351	5,483,851	487,644	610,991
Changes in inventories of finished goods and work-in-progress		22,386,186	14,364,893	276,360	967,997
Raw materials and consumables used		(646,291,573)	(497,358,608)	(46,809,914)	(43,838,489)
Goods purchased for resale		(5,134,320)	(1,406,412)	(3,819,924)	(3,644,189)
Staff cost		(82,434,195)	(74,294,160)	(19,040,457)	(18,126,144)
Depreciation	3	(25,602,670)	(22,753,099)	(3,827,939)	(3,866,340)
Other expenses		(79,732,106)	(58,118,949)	(13,618,216)	(13,716,723)
Results from operating activities		83,437,008	68,554,772	6,025,156	28,045,357
Finance costs		(10,531,172)	(10,236,439)	(658,070)	(704,832)
Profit before tax	16	72,905,836	58,318,333	5,367,086	27,340,525
Tax expense	18	(13,722,239)	(3,233,790)	(1,397,090)	(3,791,027)
Profit for the year		59,183,597	55,084,543	3,969,996	23,549,498
Attributable to:					
Shareholders of the Company		58,639,125	55,084,543	3,969,996	23,549,498
Minority interest		544,472	-	-	-
Profit for the year		59,183,597	55,084,543	3,969,996	23,549,498
Basic earnings per ordinary share (sen)	19	36.68	34.46		
Diluted earnings per ordinary share (sen)	19	36.68	34.46		

The notes on pages 34 to 66 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

Note	<----- Attributable to shareholders of the Company ----->							
	<----- Non-distributable ----->				Distributable			
	Share capital RM	Share premium RM	Translation reserve RM	Revaluation reserve RM	Retained earnings RM	Total RM	Minority interest RM	Total equity RM
Group								
At 1 January 2007, restated	79,933,488	10,601	(20,377)	1,560,301	123,971,569	205,455,582	455,982	205,911,564
Transfers from revaluation reserves to retained earnings	-	-	-	(362,164)	362,164	-	-	-
Waiver of real property gain tax	-	-	-	168,064	-	168,064	-	168,064
Foreign exchange translation differences	-	-	(25,558)	-	-	(25,558)	(24,560)	(50,118)
Profit for the year	-	-	-	-	55,084,543	55,084,543	-	55,084,543
Dividends to shareholders	20	-	-	-	(9,312,251)	(9,312,251)	-	(9,312,251)
At 31 December 2007	79,933,488	10,601	(45,935)	1,366,201	170,106,025	251,370,380	431,422	251,801,802
Transfers from revaluation reserves to retained earnings	-	-	-	(61,018)	61,018	-	-	-
Profit for the year	-	-	-	-	58,639,125	58,639,125	544,472	59,183,597
Dividends to shareholders	20	-	-	-	(11,126,742)	(11,126,742)	-	(11,126,742)
At 31 December 2008	79,933,488	10,601	(45,935)	1,305,183	217,679,426	298,882,763	975,894	299,858,657

Note	<----- Non-distributable ----->				Distributable		Total equity RM
	Share capital RM	Share premium RM	Revaluation reserve RM	Retained earnings RM	Total		
	Company						
At 1 January 2007, restated	79,933,488	10,601	627,014	17,099,397	97,670,500		
Transfer from revaluation reserves to retained earnings	-	-	(60,204)	60,204	-		
Waiver of real property gain tax	-	-	201,149	-	201,149		
Dividends to shareholders	20	-	-	(9,312,251)	(9,312,251)		
Profit for the year	-	-	-	23,549,498	23,549,498		
At 31 December 2007	79,933,488	10,601	767,959	31,396,848	112,108,896		
Transfer from revaluation reserves to retained earnings	-	-	(61,018)	61,018	-		
Dividends to shareholders	20	-	-	(11,126,742)	(11,126,742)		
Profit for the year	-	-	-	3,969,996	3,969,996		
At 31 December 2008	79,933,488	10,601	706,941	24,301,120	104,952,150		

The notes on pages 34 to 66 are an integral part of these financial statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Cash flows from operating activities					
Profit before tax		72,905,836	58,318,333	5,357,086	27,340,525
Adjustments for:					
Depreciation of property, plant and equipment	3	25,602,670	22,753,099	3,827,939	3,866,340
Dividend income	16	-	-	-	(19,600,072)
Finance costs		10,531,172	10,236,439	668,070	704,832
Loss/(Gain) on disposal of property, plant and equipment	16	215,044	(224,349)	220,707	(45,930)
Loss on liquidation of associate	16	17,101	-	-	-
Interest income		(1,187,607)	(801,689)	(5,427)	(189,611)
Property, plant and equipment written off	16	59,439	4,602	31,098	-
Unrealised foreign exchange loss/(gain)	16	2,770,747	(1,827,000)	92,584	-
Operating profit before changes in working capital		110,914,402	88,459,435	10,192,057	12,076,084
Changes in working capital:					
Inventories		(25,229,817)	(23,133,295)	276,247	(3,584,129)
Receivables, deposits and prepayments		(24,861,697)	(7,844,470)	2,021,903	(14,464,538)
Payables and accruals		22,296,886	21,055,912	10,877,441	3,200,495
Cash generated from/(used in) operations		83,119,774	78,537,582	23,367,648	(2,772,088)
Dividends paid		(11,126,742)	(9,312,251)	(11,126,742)	(9,312,251)
Interest received		1,187,607	801,689	5,427	189,611
Interest paid		(10,531,172)	(10,236,439)	(668,070)	(704,832)
Tax paid		(5,100,386)	(4,204,202)	(1,787,680)	(1,339,915)
Tax refund		-	1,945,764	-	1,569,682
Net cash from/(used in) operating activities		57,549,081	57,532,143	9,790,583	(12,369,793)
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		242,073	886,808	5,000	45,930
Purchase of property, plant and equipment	(ii)	(66,138,129)	(53,230,035)	(4,805,646)	(2,951,853)
Proceeds from liquidation of an associate		112,272	-	-	-
Dividend received		-	-	-	17,947,669
Net cash (used in)/from investing activities		(65,783,784)	(52,343,227)	(4,800,646)	15,041,746

The notes on pages 34 to 66 are an integral part of these financial statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

(continued)	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Cash flows from financing activities					
Repayment of hire purchase liabilities		(21,237,917)	(15,258,418)	(1,266,381)	(1,889,744)
Drawdown of borrowings		32,662,888	38,427,000	-	-
Repayment of borrowings		(9,631,116)	(9,235,018)	(3,305,830)	-
Short-term deposit pledged to bank		(92,936)	-	-	-
Net cash (used in)/from financing activities		1,700,919	13,933,564	(4,572,211)	(1,889,744)
Net (decrease)/increase in cash and cash equivalents		(6,533,784)	19,122,480	417,726	782,209
Effect of exchange rate fluctuations on cash held		-	(144)	-	-
Cash and cash equivalents at 1 January		18,367,138	(755,198)	(1,283,846)	(2,066,055)
Cash and cash equivalents at 31 December		11,833,354	18,367,138	(866,120)	(1,283,846)

i) *Cash and cash equivalents*

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Cash and bank balances	11	5,090,791	11,871,059	405,788	359,855
Short term deposits with licensed banks	11	10,691,301	15,598,365	-	-
Bank overdrafts	13	(3,257,437)	(8,503,921)	(1,271,908)	(1,643,701)
		12,524,655	18,965,503	(866,120)	(1,283,846)
Less: Deposits pledged to licensed banks	11	(691,301)	(598,365)	-	-
		11,833,354	18,367,138	(866,120)	(1,283,846)

ii) *Acquisition of property, plant and equipment*

During the year, the Group and the Company acquired property, plant and equipment with aggregate cost of RM109,133,477 (2007 - RM72,468,871) and RM4,975,646 (2007 - RM3,942,843) respectively of which RM42,995,348 (2007 - RM19,238,836) and RM170,000 (2007 - RM990,990) respectively were acquired by means of hire purchase arrangements.

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 Board of Bursa Malaysia Securities Berhad. The address of the Company's registered office/principal place of business is as follows:

Registered office/Principal place of business

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 at and for the year ended 31 December 2008 comprise the Company and its subsidiaries. The financial statements of the Company at and for the year ended 31 December 2008 do not include other entities.

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

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

The financial statements were approved by the Board of Directors on 22 April 2009.

1. BASIS OF PREPARATION

(a) Statement of compliance

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

The Group and the Company have not applied the following accounting standards (including its consequential amendments) and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective:

FRSs / Interpretations	Effective date
FRS 4, <i>Insurance Contracts</i>	1 January 2010
FRS 7, <i>Financial Instruments: Disclosures</i>	1 January 2010
FRS 8, <i>Operating Segments</i>	1 July 2009
FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 January 2010
IC Interpretation 10, <i>Interim Financial Reporting and Impairment</i>	1 January 2010

The Group and the Company plan to apply the abovementioned FRSs/Interpretations from the annual period beginning 1 January 2010.

FRS 4 is not applicable to the Group and Company. Hence no further disclosure is warranted.

The impact of applying FRS 7 and FRS 139 on the financial statements upon first adoption from 1 January 2010 as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemption given in respective FRSs.

FRS 8 will become effective for financial statements for the year ending 31 December 2010. FRS 8, which replaces FRS 114, *Segment Reporting*, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its business segments (see note 2(t)). Under FRS 8, the Group will present segment information in respect of its operating segments. The adoption of FRS 8 will not have any significant impact on the financial statements of the Group other than expanded disclosure requirements.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONT'D)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for property, plant and equipment as explained in the accounting policy note.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented in RM, unless otherwise stated.

(d) Use of estimates and judgements

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

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

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

- Note 7 - recognition of unutilised tax losses, capital allowances and reinvestment allowances
- Note 8 - measurement of the recoverable amounts of cash-generating units

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all 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 unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(ii) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale. The consolidated financial statements include the Group's share of the income and expenses of the equity accounted associates, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(iii) Minority interest

Minority interest at the balance sheet date, being the portion of the net identifiable assets (excluding goodwill) of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interest in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(iv) 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.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which 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 the income statements.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Derivative financial instruments

The Group uses forward foreign exchange contracts to hedge its exposure to foreign exchange risks arising from its operational activities. These instruments are not recognised in the financial statements.

Forward foreign exchange contracts used are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions.

(d) Property, plant and equipment

(i) Recognition and measurement

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

Revalued property, plant and equipment where no revaluation policy is adopted

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in the income statements.

(ii) Subsequent costs

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

(iii) Depreciation

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(iii) Depreciation (cont'd)

The estimated useful life for the current and comparative periods is as follows:

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

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

(e) Intangible assets

Goodwill

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

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

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statements.

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

(f) Investments in equity securities

Investments in equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition:

- Investments in non-current equity securities other than investments in subsidiaries and associates, are stated at cost less allowance for diminution in value.
- All current investments are carried at the lower of cost and market value, determined on an individual investment basis by category of investments.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Investments in equity securities (cont'd)

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities, other than investment in subsidiaries and associates, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statements.

All investments in equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

- a) the recognition of an asset on the day it is received by the entity, and
- b) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and 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 selling expenses.

(h) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(i) Cash and cash equivalents

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

(j) Impairment of assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment of assets (cont'd)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date 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. 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 the income statements in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statements, a reversal of that impairment loss is also recognised in the income statements.

(k) Equity instruments

All equity instruments are stated at cost on initial recognition and are not re-measured subsequently.

Issue expenses

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

(l) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statements over the period of the loans and borrowings using the effective interest method.

All interest and other cost incurred in connection with borrowings are expensed as incurred.

Accounting for hire purchase

Property, plant and equipment held under hire purchase are capitalised and depreciated over their estimated useful lives, and the corresponding obligation relating to the remaining capital payments are treated as liability.

(m) Employee benefits

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 provision 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.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) 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.

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 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.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(o) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(p) Revenue

(i) *Goods sold*

Revenue from sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) *Services*

Revenue from services rendered is recognised in the income statements on an accrual basis.

(iii) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(q) Lease payments

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of 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 (tax 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 balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

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

Unutilised reinvestment allowance and investment tax allowance are treated as tax base of assets and are recognised as a reduction of tax expense as and when they are utilised.

(s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Building RM	Plant and machinery RM	Motor vehicle RM	Factory renovation RM	Factory furniture and equipment RM	Electrical installation RM	Plant and machinery under construction RM	Office furniture, equipment and renovation RM	Building under construction RM	Total RM
Group											
Cost/valuation											
At 1 January											
2007	28,831,484	65,077,024	217,872,819	8,048,168	3,689,916	1,976,517	1,726,366	4,869,623	5,914,409	547,657	338,553,983
Reclassifications	-	(8,788,757)	(6,110)	-	24,732	13,464	-	-	(32,087)	8,788,758	-
Additions	5,330,480	1,626,517	33,877,999	1,461,393	698,320	1,764,830	147,307	19,104,138	866,441	7,591,446	72,468,871
Disposals	(8,276)	-	(977,480)	(943,458)	-	(62)	(4,540)	-	(61,856)	-	(1,995,672)
Transfers	-	11,903,917	-	-	-	-	-	-	-	(11,903,917)	-
At 31 December											
2007/ 1 January											
2008	34,153,688	69,818,701	250,767,228	8,566,103	4,412,968	3,754,749	1,869,133	23,973,761	6,686,907	5,023,944	409,027,182
Additions	46,823	8,417,918	58,991,696	87,819	193,624	715,778	425,883	8,343,778	2,017,330	29,892,828	109,133,477
Disposals	-	-	(525,449)	-	-	(24,300)	-	-	-	-	(549,749)
Write off	(500)	-	(181,098)	-	-	(147,862)	-	-	(1,403,208)	-	(1,732,668)
Transfers	15,572,714	19,344,058	30,185,985	-	-	-	-	(30,185,985)	-	(34,916,772)	-
At 31 December 2008											
	49,772,725	97,580,677	339,238,362	8,653,922	4,606,592	4,298,365	2,295,016	2,131,554	7,301,029	-	515,878,242
Representing items at:											
At cost	43,890,789	85,972,613	339,238,362	8,653,922	4,606,592	4,298,365	2,295,016	2,131,554	7,301,029	-	498,388,242
At valuation	5,881,936	11,608,064	-	-	-	-	-	-	-	-	17,490,000
	49,772,725	97,580,677	339,238,362	8,653,922	4,606,592	4,298,365	2,295,016	2,131,554	7,301,029	-	515,878,242
Accumulated depreciation											
At 1 January 2007											
	-	5,436,469	91,798,704	5,131,558	1,794,517	1,076,098	1,041,485	-	3,051,740	-	109,330,571
Reclassifications	-	-	(5,764)	-	(52,043)	7,671	1,206	-	48,930	-	-
Charge for the year	-	1,454,770	18,864,839	1,203,567	368,951	229,431	145,339	-	486,202	-	22,753,099
Disposals	-	-	(353,715)	(916,047)	-	-	-	-	(58,849)	-	(1,328,611)
At 31 December											
2007/ 1 January											
2008	-	6,891,239	110,304,064	5,419,078	2,111,425	1,313,200	1,188,030	-	3,528,023	-	130,755,059
Charge for the year	-	1,658,226	21,339,787	1,180,673	383,108	370,089	114,982	-	555,805	-	25,602,670
Disposals	-	-	(83,833)	-	-	(8,699)	-	-	(100)	-	(92,632)
Write off	-	-	(153,673)	-	-	(147,815)	-	-	(1,371,741)	-	(1,673,229)
At 31 December 2008											
	-	8,549,465	131,406,345	6,599,751	2,494,533	1,526,775	1,303,012	-	2,711,987	-	154,591,868
Carrying amounts											
At 1 January											
2007	28,831,484	59,640,555	126,074,115	2,916,610	1,895,399	900,419	684,881	4,869,623	2,862,669	547,657	229,223,412
At 31 December											
2007/ 1 January											
2008	34,153,688	62,927,462	140,463,164	3,147,025	2,301,543	2,441,549	681,103	23,973,761	3,158,884	5,023,944	278,272,123
At 31 December 2008											
	49,772,725	89,031,212	207,832,017	2,054,171	2,112,059	2,771,590	992,004	2,131,554	4,589,042	-	361,286,374

NOTES TO THE FINANCIAL STATEMENTS

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

	Freehold land RM	Building RM	Plant and machinery RM	Motor vehicles RM	Factory renovation RM	Office furniture and equipment RM	Building under construction RM	Total RM
Company								
Cost/valuation								
At 1 January 2007	5,688,582	13,497,981	43,023,911	3,454,773	133,158	2,284,816	251,642	68,334,863
Additions	-	-	2,140,361	152,500	-	62,256	1,587,726	3,942,843
Disposals	-	-	(77,000)	(211,628)	-	-	-	(288,628)
At 31 December 2007/								
1 January 2008	5,688,582	13,497,981	45,087,272	3,395,645	133,158	2,347,072	1,839,368	71,989,078
Additions	-	-	2,379,934	-	-	1,231,766	1,363,946	4,975,646
Disposals	-	-	(287,204)	-	-	-	-	(287,204)
Write off	-	-	(72,466)	-	-	(1,258,909)	-	(1,331,375)
Transfers	-	3,203,314	-	-	-	-	(3,203,314)	-
At 31 December 2008	5,688,582	16,701,295	47,107,536	3,395,645	133,158	2,319,929	-	75,346,145
Representing items at:								
Cost	849,786	7,103,091	47,107,536	3,395,645	133,158	2,319,929	-	60,909,145
Valuation	4,838,796	9,598,204	-	-	-	-	-	14,437,000
At 31 December 2008	5,688,582	16,701,295	47,107,536	3,395,645	133,158	2,319,929	-	75,346,145
Accumulated depreciation								
At 1 January 2007	-	2,856,595	24,813,086	2,419,932	126,715	1,592,755	-	31,809,083
Charge for the year	-	273,624	3,050,728	392,959	5,175	143,854	-	3,866,340
Disposals	-	-	(77,000)	(211,628)	-	-	-	(288,628)
At 31 December 2007/								
1 January 2008	-	3,130,219	27,786,814	2,601,263	131,890	1,736,609	-	35,386,795
Charge for the year	-	305,520	2,961,600	373,513	1,268	186,038	-	3,827,939
Disposals	-	-	(61,497)	-	-	-	-	(61,497)
Write off	-	-	(72,466)	-	-	(1,227,811)	-	(1,300,277)
At 31 December 2008	-	3,435,739	30,614,451	2,974,776	133,158	694,836	-	37,852,960
Carrying amounts								
At 1 January 2007	5,688,582	10,641,386	18,210,825	1,034,841	6,443	692,061	251,642	36,525,780
At 31 December 2007/								
1 January 2008	5,688,582	10,367,762	17,300,458	794,382	1,268	610,463	1,839,368	36,602,283
At 31 December 2008	5,688,582	13,265,556	16,493,085	420,869	-	1,625,093	-	37,493,185

NOTES TO THE FINANCIAL STATEMENTS

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

3.1 Property, plant and equipment acquired on hire purchase plans

Net book values of property, plant and equipment held under hire purchase arrangements are as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Plant and machinery	78,087,684	43,389,593	1,719,866	4,210,099
Motor vehicles	1,111,572	1,933,107	103,135	294,551
	79,199,256	45,322,700	1,823,001	4,504,650

3.2 Security

The net book value of the following property, plant and equipment have been pledged to the banks for borrowings granted to the Group and the Company as referred to in Note 13:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Freehold land and building	30,214,851	30,831,481	11,896,708	12,139,498

3.3 Property, plant and equipment under the revaluation model

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

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

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Freehold land and buildings	8,261,247	8,379,699	6,409,129	6,503,452

NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENTS IN SUBSIDIARIES

	Company	
	2008 RM	2007 RM
Unquoted shares, at cost	8,241,963	8,241,963

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest	
			2008 %	2007 %
Kossan Latex Industries (M) Sdn. Bhd.	Malaysia	Manufacturing of latex examination gloves	100	100
Perusahaan Getah Asas Sdn. Bhd.	Malaysia	Manufacturing of latex examination gloves	100	100
Hibon Corporation Sdn. Bhd.	Malaysia	Manufacturing and marketing of rubber based parts and products	100	100
Doshin Rubber Products (M) Sdn. Bhd.	Malaysia	Manufacturing and dealing in rubber products	70	70
Ideal Quality Sdn. Bhd.	Malaysia	Investment holding	100	100
Kossan Engineering (M) Sdn. Bhd.	Malaysia	Fabrication and installation of machinery	100	100
Top Calibre Sdn. Bhd.	Malaysia	Investment holding	100	100
Subsidiary of Doshin Rubber Products (M) Sdn. Bhd.				
Quality Profile Sdn. Bhd.	Malaysia	Manufacturing and dealing in rubber products	70	70
Subsidiary of Ideal Quality Sdn. Bhd.				
Normandin Pacific Holdings Corp. # *	United States of America	Trading of latex examination gloves	51	51
Subsidiary of Kossan Engineering (M) Sdn. Bhd.				
Envi-Care Sdn. Bhd.	Malaysia	Investment holding	100	100
Subsidiary of Envi-Care Sdn. Bhd.				
Wear Safe (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing of surgical, procedure and examination gloves	100	100

The financial statements of the sub-subsiary are consolidated based on management account. This sub-subsiary is not required to be audited in its country of incorporation.

* Not audited by KPMG.

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENTS IN ASSOCIATES

	Group	
	2008 RM	2007 RM
Unquoted shares outside Malaysia, at cost	-	112,272
Share of post-acquisition reserves	-	(10,476)
	-	101,796
Exchange adjustments	-	27,577
	-	129,373

The associate is Kossan Europa AG, a company incorporated in Switzerland in which the Group holds nil (2007 - 48%) of its issued equities. The associate is principally involved in trading of industrial rubber products.

The associate company had commenced members' voluntary liquidation on 28 December 2007 and it was completed on 22 September 2008.

6. OTHER INVESTMENTS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Investment in club membership, at cost	116,000	116,000	116,000	116,000

7. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2008 RM	2007 RM	2008 RM	2007 RM	2008 RM	2007 RM
Group						
Property, plant and equipment	-	-	(25,626,163)	(20,589,380)	(25,626,163)	(20,589,380)
Revaluation on properties	-	-	(723,915)	(772,690)	(723,915)	(772,690)
Unabsorbed capital allowance	48,462	1,456,238	-	-	48,462	1,456,238
Unutilised reinvestment allowance	16,940,710	19,403,723	-	-	16,940,710	19,403,723
Tax loss carry-forwards	521,036	1,149,134	-	-	521,036	1,149,134
Tax assets/(liabilities)	17,510,208	22,009,095	(26,350,078)	(21,362,070)	(8,839,870)	647,025
Set off	(15,819,681)	(16,477,103)	15,819,681	16,477,103	-	-
Net tax assets/(liabilities)	1,690,527	5,531,992	(10,530,397)	(4,884,967)	(8,839,870)	647,025

NOTES TO THE FINANCIAL STATEMENTS

7. DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

Recognised deferred tax assets and liabilities (cont'd)

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

	Assets		Liabilities		Net	
	2008 RM	2007 RM	2008 RM	2007 RM	2008 RM	2007 RM
Company						
Property, plant and equipment	-	-	(3,778,248)	(3,574,446)	(3,778,248)	(3,574,446)
Revaluation on properties	-	-	(690,830)	(739,605)	(690,830)	(739,605)
Net tax liabilities	-	-	(4,469,078)	(4,314,051)	(4,469,078)	(4,314,051)

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

Unrecognised deferred tax assets

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

	Group	
	2008 RM	2007 RM
Taxable temporary differences	(2,995,334)	(2,823,907)
Unabsorbed capital allowance	4,255,174	4,239,340
Unutilised reinvestment allowance	1,628,377	1,998,653
Tax losses carry-forwards	728,241	728,241
	3,616,458	4,142,327

The unabsorbed capital allowance, unutilised reinvestment allowance and tax losses carry-forwards do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items in the balance sheets of certain subsidiaries as the Group is uncertain of the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

7. DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

Movement in temporary differences during the year

	Property, plant and equipment RM	Revaluation on properties RM	Unabsorbed capital allowance RM	Unutilised reinvestment allowance RM	Tax loss carry-forwards RM	Total RM
Group						
At 1 January 2007	(18,510,021)	(961,907)	1,626,166	14,659,011	1,237,529	(1,949,222)
Recognised in income statement	(2,079,359)	21,153	(169,928)	4,744,712	(88,395)	2,428,183
Recognised in equity	-	168,064	-	-	-	168,064
At 31 December 2007	(20,589,380)	(772,690)	1,456,238	19,403,723	1,149,134	647,025
Recognised in income statement	(5,036,783)	48,775	(1,407,776)	(2,463,013)	(628,098)	(9,486,895)
At 31 December 2008	(25,626,163)	(723,915)	48,462	16,940,710	521,036	(8,839,870)

	Property, plant and equipment RM	Revaluation on properties RM	Total RM
Company			
At 1 January 2007	(3,680,518)	(961,907)	(4,642,425)
Recognised in income statement	106,072	21,153	127,225
Recognised in equity	-	201,149	201,149
At 31 December 2007	(3,574,446)	(739,605)	(4,314,051)
Recognised in income statement	(203,802)	48,775	(155,027)
At 31 December 2008	(3,778,248)	(690,830)	(4,469,078)

8. GOODWILL ON CONSOLIDATION

	Group	
	2008 RM	2007 RM
Acquisition of a subsidiary company	864,456	864,456

The aggregate carrying amount of goodwill allocated to the operating unit is for automotive rubber products.

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 goodwill impairment test was based on value in use and was determined by the management.

NOTES TO THE FINANCIAL STATEMENTS

9. INVENTORIES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Raw material	33,736,983	30,893,352	10,204,739	10,757,346
Work-in-progress	4,014,182	3,740,307	2,247,409	2,090,151
Finished goods	74,251,659	52,139,348	6,292,657	6,173,555
	112,002,824	86,773,007	18,744,805	19,021,052

10. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Trade					
Trade receivables		153,338,943	127,499,622	12,804,625	16,576,500
Less: Allowance for doubtful debts		(1,051,051)	(638,026)	(769,494)	(638,026)
		152,287,892	126,861,596	12,035,131	15,938,474
Amount due from subsidiaries	10.1	-	-	15,357,636	16,020,191
Amount due from related parties	10.1	1,095,878	619,560	518,009	552,289
		153,383,770	127,481,156	27,910,776	32,510,954
Non-trade					
Amount due from ultimate holding company	10.2	911	2,224	911	2,224
Amount due from subsidiaries	10.1	-	-	45,488,677	42,565,001
Sundry debtors		2,578,603	2,455,177	3,895	523,936
Refundable deposits		1,315,011	1,924,499	474,556	799,597
Prepayments		3,643,125	5,312,414	1,927,492	1,519,082
		7,537,650	9,694,314	47,895,531	45,409,840
		160,921,420	137,175,470	75,806,307	77,920,794

The credit term granted for trade debtors range from 30 to 60 days (2007 - 30 to 60 days)

10.1 Amount due from subsidiaries and related parties

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

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

10.2 Amount due from ultimate holding company

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

NOTES TO THE FINANCIAL STATEMENTS

10. RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

10.3 Currency exposure profile of receivables, deposits and prepayments is as follows:

Functional currency	Currency	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
RM	USD	135,357,859	107,202,982	2,629,570	5,301,167
RM	RM	24,774,171	27,774,182	72,537,022	71,474,734
RM	EUR	528,658	1,466,251	528,658	587,819
RM	SGD	-	428,769	-	428,769
RM	AUD	242,023	259,247	92,348	84,266
RM	CHF	18,709	38,447	18,709	38,447
RM	GBP	-	5,592	-	5,592
		160,921,420	137,175,470	75,806,307	77,920,794

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Short term deposits with licensed banks	10,691,301	15,598,365	-	-
Cash and bank balances	5,090,791	11,871,059	405,788	359,855
	15,782,092	27,469,424	405,788	359,855

Included in deposits with licensed banks of the Group are amounts of RM691,301 (2007 - RM598,365) pledged to the banks for banking facilities granted to the Group.

12. CAPITAL AND RESERVES

Share capital

	Group and Company			
	Amount 2008 RM	Number of shares 2008	Amount 2007 RM	Number of shares 2007
Authorised:				
Ordinary shares of RM0.50 each	150,000,000	300,000,000	150,000,000	300,000,000
Issued and fully paid:				
Ordinary shares of RM0.50 each	79,933,488	159,866,976	79,933,488	159,866,976

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

NOTES TO THE FINANCIAL STATEMENTS

12. CAPITAL AND RESERVES (CONT'D)

Share premium

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

Translation reserve

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

Revaluation reserve

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

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its distributable reserves at 31 December 2008 if paid out as dividends.

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

13. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's and the Company's interest-bearing loans and borrowings. For more information about the Group's and the Company's exposure to interest rate and foreign currency risk, see Note 22.

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Non-current				
Term loans				
- secured	20,217,336	14,128,314	-	-
- unsecured	6,909,410	9,777,736	-	-
Hire purchase liabilities	27,218,329	13,536,860	257,709	728,566
	54,345,075	37,442,910	257,709	728,566
Current				
Term loans				
- secured	4,528,094	4,078,249	-	-
- unsecured	38,089,197	37,735,854	-	-
Hire purchase liabilities	21,254,044	13,178,082	553,574	1,189,098
Bank overdraft - unsecured	3,257,437	8,503,921	1,271,908	1,643,701
Trade finance - unsecured	105,430,913	84,768,025	8,742,686	12,048,516
	172,559,685	148,264,131	10,568,168	14,881,315
	226,904,760	185,707,041	10,825,877	15,609,881

NOTES TO THE FINANCIAL STATEMENTS

13. LOANS AND BORROWINGS (CONT'D)

13.1 Security

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

13.2 Terms and debt repayment schedule

	Year of maturity	Carrying amount RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
Group						
2008						
Term loans						
- secured	2012 - 2014	24,745,430	4,528,094	5,062,718	12,240,330	2,914,288
- unsecured	2010 - 2012	44,998,607	38,089,197	2,970,000	3,939,410	-
Bank overdraft						
- unsecured	2009	3,257,437	3,257,437	-	-	-
Trade finance						
- unsecured	2009	105,430,913	105,430,913	-	-	-
		178,432,387	151,305,641	8,032,718	16,179,740	2,914,288
2007						
Term loans						
- secured	2011-2013	18,206,563	4,078,249	3,361,957	8,796,799	1,969,558
- unsecured	2011-2012	47,513,590	37,735,854	2,790,000	6,987,736	-
Bank overdraft						
- unsecured	2008	8,503,921	8,503,921	-	-	-
Trade finance						
- unsecured	2008	84,768,025	84,768,025	-	-	-
		158,992,099	135,086,049	6,151,957	15,784,535	1,969,558
Company						
2008						
Bank overdraft						
- unsecured	2009	1,271,908	1,271,908	-	-	-
Trade finance						
- unsecured	2009	8,742,686	8,742,686	-	-	-
		10,014,594	10,014,594	-	-	-
2007						
Bank overdraft						
- unsecured	2008	1,643,701	1,643,701	-	-	-
Trade finance						
- unsecured	2008	12,048,516	12,048,516	-	-	-
		13,692,217	13,692,217	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

13. LOANS AND BORROWINGS (CONT'D)

13.3 Significant loans and borrowings covenants

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

- i) the Group shall submit its financial statements and/or audited financial statements within 6 months of the financial year end,
- ii) the Group immediately notify the bank of any changes in its paid-up capital, in its substantial shareholdings and the nature and scope of the Group's business.
- iii) the Group shall not without the written consent of the Bank (which consent shall not be unreasonably withheld) sell, transfer, assign or otherwise dispose of all or substantial portion of its assets, property, undertaking or its shareholding in any of its subsidiaries.

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

13.4 Hire purchase liabilities

Hire purchase liabilities are payable as follows:

	Minimum lease payments 2008 RM	Interest 2008 RM	Principal 2008 RM	Minimum lease payments 2007 RM	Interest 2007 RM	Principal 2007 RM
Group						
Less than one year	23,288,513	(2,034,469)	21,254,044	14,323,399	(1,145,317)	13,178,082
Between one and five years	28,478,401	(1,260,072)	27,218,329	14,213,959	(677,099)	13,536,860
	51,766,914	(3,294,541)	48,472,373	28,537,358	(1,822,416)	26,714,942
Company						
Less than one year	584,079	(30,505)	553,574	1,262,047	(72,949)	1,189,098
Between one and five years	269,285	(11,576)	257,709	762,337	(33,771)	728,566
	853,364	(42,081)	811,283	2,024,384	(106,720)	1,917,664

NOTES TO THE FINANCIAL STATEMENTS

14. PAYABLES AND ACCRUALS

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Trade					
Trade payable		78,499,086	66,605,125	2,892,522	6,053,365
Amount due to related parties	14.1	66,828	133,454	66,828	120,705
		78,565,914	66,738,579	2,959,350	6,174,070
Non-trade					
Amount due to ultimate holding company	14.2	8,543	8,543	-	-
Amount due to subsidiaries	14.3	-	-	14,399,511	-
Amount due to related parties	14.1	2,967,519	1,803,668	-	-
Other payables and accruals		33,397,714	24,092,014	4,108,717	4,416,067
		36,373,776	25,904,225	18,508,228	4,416,067
		114,939,690	92,642,804	21,467,578	10,590,137

The credit term granted for trade payables range from 30 to 60 days (2007 - 30 to 60 days).

14.1 Amount due to related parties

The trade payables due to related parties are subject to the normal trade terms.

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

14.2 Amount due to ultimate holding company

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

14.3 Amount due to a subsidiary

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

14.4 Currency exposure profile of payables and accruals is as follows:

		Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Functional currency	Currency				
RM	USD	23,309,179	14,505,411	-	532,856
RM	RM	91,630,511	78,137,393	21,467,578	10,057,281
		114,939,690	92,642,804	21,467,578	10,590,137

NOTES TO THE FINANCIAL STATEMENTS

15. REVENUE

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Sales of goods	897,194,335	702,590,211	92,377,602	90,058,182
Dividend income	-	-	-	19,600,072
Services rendered	-	47,045	-	-
	897,194,335	702,637,256	92,377,602	109,658,254

16. PROFIT BEFORE TAX

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Profit before tax is arrived at after charging:				
Allowance for doubtful debts	414,025	638,026	131,468	638,026
Auditors' remuneration	178,500	170,000	60,900	58,000
Bad debts written off	-	568,182	-	505,448
Depreciation (Note 3)	25,602,670	22,753,099	3,827,939	3,866,340
Interest expense on:				
- Bank overdraft	165,523	151,572	62,303	50,902
- Term loans	3,395,928	4,743,425	-	-
- Trade finance	5,764,270	4,032,853	516,436	534,409
- Hire purchase	1,205,451	1,308,589	79,331	119,521
Loss on liquidation of an associate	17,101	-	-	-
Personnel expenses (including key management personnel):				
- Contributions to Employees' Provident Fund	3,304,082	2,321,088	1,132,978	803,425
- Wages, salaries and others	82,898,322	71,973,072	17,907,479	17,322,719
Property, plant and equipment written off	59,439	4,602	31,098	-
Rental of premises	1,731,000	2,147,664	827,040	896,100
Hire of equipment	108,016	47,440	-	-
Write down of inventories	-	827,553	-	-
Profit before tax is arrived at after crediting:				
Interest on short term deposits received	1,187,607	801,689	5,427	189,611
(Loss)/Gain on disposal of property, plant and equipment	(215,044)	224,349	(220,707)	45,930
Rental income	138,500	135,000	204,000	204,000
(Loss)/Gain on foreign exchange				
- realised	(12,665,436)	1,282,612	(1,241,926)	648,242
- unrealised	(2,770,747)	1,827,000	(92,584)	-

NOTES TO THE FINANCIAL STATEMENTS

17. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Directors				
- Fees	120,000	120,000	120,000	120,000
- Salaries and allowances	5,359,640	4,960,880	1,933,955	1,759,000
	5,479,640	5,080,880	2,053,955	1,879,000
Other key management personnel:				
- Salaries and allowances	2,200,192	1,790,673	1,439,002	1,272,956

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

18. TAX EXPENSE

Recognised in the income statements

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Current tax expense				
Current year	4,390,500	5,273,884	1,403,701	3,556,721
(Over)/Under provision in prior year	(155,156)	388,089	(161,638)	361,531
	4,235,344	5,661,973	1,242,063	3,918,252
Deferred tax expense				
Origination and reversal of temporary differences	8,642,432	(2,359,408)	280,092	18,783
Under/(Over) provision in prior year	844,463	(68,775)	(125,065)	(146,008)
	9,486,895	(2,428,183)	155,027	(127,225)
Total tax expense	13,722,239	3,233,790	1,397,090	3,791,027

NOTES TO THE FINANCIAL STATEMENTS

18. TAX EXPENSE (CONT'D)

Reconciliation of effective tax expense

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Profit before tax	72,905,836	58,318,333	5,367,086	27,340,525
Tax at Malaysian tax rate of 26% (2007 - 27%)	18,955,518	15,745,950	1,395,442	7,381,942
Effect of lower tax rate for certain subsidiaries*	(139,241)	(141,947)	-	-
Effect of change in tax rate**	(375,015)	(472,405)	-	(262,316)
Non-deductible expenses	1,402,476	817,383	258,544	95,494
Tax incentives	(7,062,626)	(12,005,585)	-	-
Income not subject to tax	(3,926)	-	-	(3,639,616)
Recognition of previously unrecognised temporary difference	(33,690)	(1,028,920)	-	-
Others	289,436	-	29,807	-
	13,032,932	2,914,476	1,683,793	3,575,504
Under/(Over) provided in prior years				
- income tax expense	(155,156)	388,089	(161,638)	361,531
- deferred tax expense	844,463	(68,775)	(125,065)	(146,008)
	13,722,239	3,233,790	1,397,090	3,791,027

* With effect from year of assessment 2004, companies with paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to corporate tax at 20% on chargeable income up to RM500,000.

** The corporate tax rates are 26% for year of assessment 2008 and 25% for the subsequent years of assessment. Consequently deferred tax assets and liabilities are measured using these tax rates.

19. EARNINGS PER ORDINARY SHARE

The basic earnings per share is calculated by dividing the profit for the year attributable to the equity holders of the Company of RM58,639,125 (2007 - RM55,084,543) by the weighted average number of 159,866,976 (2007 - 159,866,976) ordinary shares in issue during the financial year.

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

NOTES TO THE FINANCIAL STATEMENTS

20. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM	Date of payment
2008			
First and final 2007 ordinary, less tax 26%	2.96	4,732,063	11.08.2008
First and final 2007, tax-exempt	4.0	6,394,679	11.08.2008
Total amount		<u>11,126,742</u>	
2007			
First and final 2006 ordinary, less tax 27%	1.8	2,917,572	10.08.2007
First and final 2006, tax-exempt	4.0	6,394,679	10.08.2007
Total amount		<u>9,312,251</u>	

After the balance sheet date, the Directors recommended a final ordinary dividend in respect of the year ended 31 December 2008 of 3.5 sen per ordinary share, less tax at 25% and 2.5 sen per ordinary share, tax-exempted, totalling RM8,193,183. These dividends will be recognised in subsequent financial reports upon approval by the shareholders.

21. SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

There is no segmental revenue analysis by geographical location as the Group's operations are principally located in Malaysia and the customer base does not reflect the actual location of the shipments/deliveries. The exports are principally to the United States of America, Asia and European countries.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

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

Inter-segment pricing is determined on a negotiation basis.

Business segments

The Group comprises the following main business segments:

- Technical rubber products
- Gloves
- Others

NOTES TO THE FINANCIAL STATEMENTS

21. SEGMENT REPORTING (CONT'D)

	Technical rubber products		Gloves		Others		Total	
	2008 RM	2007 RM	2008 RM	2007 RM	2008 RM	2007 RM	2008 RM	2007 RM
Business segments								
Total external revenue	108,285,427	105,517,222	788,898,829	597,072,989	10,079	47,045	897,194,335	702,637,256
Segment result	8,137,463	8,923,150	75,597,685	60,214,159	(298,140)	(582,537)	83,437,008	68,554,772
Finance costs							(10,531,172)	(10,236,439)
Tax expense							(13,722,239)	(3,233,790)
Profit for the year							59,183,597	55,084,543
Segment assets	106,883,605	104,842,667	545,336,373	428,273,862	1,476,095	3,633,688	653,696,073	536,750,217
Investment in associate	-	-	-	-	-	129,373	-	129,373
Total assets							653,696,073	536,879,590
Segment liabilities	30,004,166	38,936,891	318,663,689	244,026,648	5,169,561	2,114,249	353,837,416	285,077,788
Total liabilities							353,837,416	285,077,788
Capital expenditure	12,213,908	8,717,213	96,919,569	64,161,181	-	-	109,133,477	72,878,394
Depreciation	6,202,115	5,587,024	19,400,555	17,166,075	-	-	25,602,670	22,753,099
Non-cash expenses other than depreciation	629,069	1,188,208	-	832,057	-	18,000	629,069	2,038,265

22. FINANCIAL INSTRUMENTS

Exposure to market, credit, interest rate and foreign currency risks arises in the normal course of the Group's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates.

Market risk

The Group has in place policies to manage the Group's exposure to fluctuations in the selling price of the Group's products and purchase prices of the key raw materials used in the operations. The Group enters into the fixed price contracts to establish determinable prices for raw materials used. Management conducts constant survey of the global market price and trend in order to determine selling price.

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL INSTRUMENTS (CONT'D)

Credit risk

The Group's primary exposure to credit risk arises from trade receivables. 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 requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

At the balance sheet date, there were no significant concentrations of credit risk other than 34% (2007 - 29%) of the Group's trade debts owed by 4 (2007 - 3) trade customers, which fall within the credit period and received subsequent to year-end. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Interest rate risk

The Group's fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's investments in variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their average effective interest rates at the balance sheet date and the periods in which they mature, or if earlier, reprice.

	Note	Average effective interest rate %	Total RM	Less than 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM
2008									
Group									
Fixed rate instruments									
Short term deposits	11	3.00 – 3.80	10,691,301	10,691,301	-	-	-	-	-
Hire purchase liabilities	13	2.90 – 3.37	(48,472,373)	(21,254,044)	(18,326,040)	(8,865,107)	(27,182)	-	-
			(37,781,072)	(10,562,743)	(18,326,040)	(8,865,107)	(27,182)	-	-
Floating rate instruments									
Term loans									
- secured	13	6.75 – 7.50	(24,745,430)	(24,745,430)	-	-	-	-	-
- unsecured	13	6.33 – 7.50	(44,998,607)	(44,998,607)	-	-	-	-	-
Bank overdraft									
- unsecured	13	7.30 – 7.38	(3,257,437)	(3,257,437)	-	-	-	-	-
Trade finance									
- unsecured	13	3.63 – 4.80	(105,430,913)	(105,430,913)	-	-	-	-	-
			(178,432,387)	(178,432,387)	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL INSTRUMENTS (CONT'D)

	Note	Average effective interest rate %	Total RM	Less than 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM
2008									
Company									
Fixed rate instrument									
Hire purchase liabilities	13	3.37	(811,283)	(553,574)	(257,709)	-	-	-	-
Floating rate instruments									
Bank overdraft									
- unsecured	13	7.38	(1,271,908)	(1,271,908)	-	-	-	-	-
Trade finance									
- unsecured	13	4.27	(8,742,686)	(8,742,686)	-	-	-	-	-
			(10,014,594)	(10,014,594)	-	-	-	-	-
2007									
Group									
Fixed rate instruments									
Short term deposits	11	3.00 – 3.80	15,598,365	15,598,365	-	-	-	-	-
Hire purchase liabilities	13	1.88 – 5.13	(26,714,942)	(13,178,082)	(8,490,674)	(3,980,730)	(1,043,924)	(21,532)	-
			(11,116,577)	2,420,283	(8,490,674)	(3,980,730)	(1,043,924)	(21,532)	-
Floating rate instruments									
Term loans									
- secured	13	6.75 – 7.50	(18,206,563)	(18,206,563)	-	-	-	-	-
- unsecured	13	6.33 – 7.50	(47,513,590)	(47,513,590)	-	-	-	-	-
Bank overdraft									
- unsecured	13	7.25 – 7.50	(8,503,921)	(8,503,921)	-	-	-	-	-
Trade finance									
- unsecured	13	3.58 – 5.22	(84,768,025)	(84,768,025)	-	-	-	-	-
			(158,992,099)	(158,992,099)	-	-	-	-	-
Company									
Fixed rate instrument									
Hire purchase liabilities	13	1.88 – 3.35	(1,917,664)	(1,189,098)	(728,566)	-	-	-	-
Floating rate instruments									
Bank overdraft									
- unsecured	13	7.25 – 7.50	(1,643,701)	(1,643,701)	-	-	-	-	-
Trade finance									
- unsecured	13	3.96 – 5.22	(12,048,516)	(12,048,516)	-	-	-	-	-
			(13,692,217)	(13,692,217)	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL INSTRUMENTS (CONT'D)

Foreign currency risk

The Group is exposed to foreign currency risk on sales that are denominated in a currency other than the Group's functional currency. The currency giving rise to this risk is primarily USD.

The Group uses forward exchange contracts to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than one year after the balance sheet date. Where necessary, the forward 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.

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies are not recognised in the income statement.

Hedged item

	Currency	Amount to be received	Average contract rate	Equivalent RM
31.12.2008				
Trade receivables	USD	31,979,327	3.3712	107,808,563
31.12.2007				
Trade receivables	USD	49,633,671	3.3565	166,597,402

Fair values

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

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.

The carrying amount of floating rate term loans approximate fair values as their effective interest rates change accordingly to movements in the market interest rate.

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL INSTRUMENTS (CONT'D)

Fair values (cont'd)

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

	2008		2007	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Group				
Financial assets				
Other investments	116,000	116,000	116,000	116,000
Financial liabilities				
Hire purchase liabilities	48,472,373	46,329,685	26,714,942	26,372,061
Forward exchange contract	-	(3,335,588)	-	2,030,017

23. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Property, plant and equipment				
Within one year:				
Contracted but not provided for	-	25,109,047	-	1,194,500

24. CONTINGENCIES

As at 31 December 2008, the Company has outstanding unsecured contingent liabilities amounting to RM167,613,394 (2007 - RM165,481,248) being corporate guarantees given to banks for banking facilities granted to certain subsidiaries.

25. LITIGATION

In the previous year, the Group received a letter from the United States International Trade Commission ('ITC') on complaints and allegations by Tillotson Corporation ('Tillotson'), a company incorporated in the United States of America, on the Group's alleged patent infringement of certain nitrile gloves under section 337 of the United States Tariff Act of 1930. Tillotson was seeking a general exclusion order which if granted, would block the importation of infringing nitrile gloves. The ITC, however, was not authorised to award monetary damages. During the year, on 22 December 2008, ITC has determined that there was no violation of intellectual property infringement by the Company as alleged by Tillotson Corporation.

NOTES TO THE FINANCIAL STATEMENTS

26. RELATED PARTIES

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

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

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

	Transactions amount for the year ended 31 December			
	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Group				
Transactions with Kossan Holdings (M) Sdn. Bhd. and its subsidiaries				
<i>Kossan Chemical Industries (M) Sdn. Bhd.</i>				
Rental payable	(1,077,600)	(1,037,280)	(574,560)	(534,240)
<i>Kossan Japan Rollers Sdn. Bhd.</i>				
Sales*	300	660	300	660
<i>Pleasure Latex Products Sdn. Bhd.</i>				
Sales*	2,184	368	2,184	368
Rental receivable*	120,000	120,000	120,000	120,000
Services rendered receivables*	-	9,465	-	-
<i>Kossan Paint (M) Sdn. Bhd.</i>				
Sales*	386,317	322,029	386,317	322,029
Purchase of consumables	(403,980)	(389,121)	(42,229)	(114,550)
Purchase of raw materials	(1,141,253)	(667,424)	-	-
Purchase of property, plant and equipment	(32,264)	(33,644)	-	-
<i>Pan Asian Corporation Sdn. Bhd.</i>				
Rental payable	(535,080)	(535,080)	(297,960)	(297,960)

NOTES TO THE FINANCIAL STATEMENTS

26. RELATED PARTIES (CONT'D)

	Transactions amount for the year ended 31 December			
	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Transaction with corporation in which Directors have financial interest				
<i>HT Ceramics (M) Sdn. Bhd.</i>				
Purchase of consumables	(2,692,294)	(2,074,914)	-	-
Purchase of property, plant and equipment	(5,267,878)	(5,520,718)	-	-
Service rendered*	-	34,000	-	-
Sales*	483	3,122	483	3,122
<i>Kossan F.R.P. Industries (M) Sdn. Bhd.</i>				
Purchase of consumables	(360,740)	(259,949)	(13,081)	(27,139)
Sales*	6,520	-	6,520	-
Services rendered*	-	2,980	-	-
Purchase of property, plant and equipment	(5,610,650)	(2,955,901)	-	-
<i>Chemtube (M) Sdn. Bhd.</i>				
Sales*	266,053	27,624	266,053	27,624

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

Balances with ultimate holding company and its subsidiaries and related parties at the balance sheet date are disclosed in Note 10 and Note 14 to the financial statements.

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

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the financial statements set out on pages 29 to 66 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company at 31 December 2008 and their financial performances and cash flows for the year ended on that date.

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

Lim Kuang Sia

Lim Kuang Yong

Klang, Selangor Darul Ehsan

Date : 22 April 2009

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Lee Hon Chee, the officer primarily responsible for the financial management of Kossan Rubber Industries Bhd., do solemnly and sincerely declare that the financial statements set out on pages 29 to 66 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Klang, Selangor Darul Ehsan on 22 April 2009.

Lee Hon Chee

Before me:

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KOSSAN RUBBER INDUSTRIES BHD.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Kossan Rubber Industries Bhd, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 29 to 66.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as of 31 December 2008 and of their financial performances and cash flows for the year then ended.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KOSSAN RUBBER INDUSTRIES BHD.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

OTHER MATTERS

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

KPMG

Firm Number: AF 0758
Chartered Accountants

Lee Yee Keng

Approval Number: 2880/04/11(J)
Chartered Accountant

Petaling Jaya,
Date : 22 April 2009

LIST OF PROPERTIES

AS AT 31 DECEMBER 2008

Location	Description	Date of Acquisition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2008 RM
No 14 Lrg Sg Puloh Tmn Klang Utama 42100 Klang	1 unit double storey link house	3/24/1995*	15 yrs	990 sq.ft	Freehold	Staff quarters	78,599
No 16 Lrg Sg Puloh Tmn Klang Utama 42100 Klang	1 unit double storey link house	3/24/1995*	15 yrs	990 sq.ft	Freehold	Staff quarters	78,599
Lot 754 Jalan Hj Sirat 42100 Klang	Factory	3/24/1995*	14 yrs	246,550 sq.ft	Freehold	Factory	10,125,602
Lot 782 Jalan Hj Sirat 42100 Klang	Factory and office 5 storey office	3/24/1995*	Factory-21 yrs Office-14 yrs 1 yr	47,480 sq.ft	Freehold	Factory and office For Office use	2,523,038 3,187,678
Lot 16632 Batu 5 1/4 Jalan Meru 41050 Klang	Single storey detached factory	3/24/1995*	19 yrs	65,175 sq.ft	Freehold	Factory and office	2,543,108
Lot 2401 Batu 17 Jln Sungai Sembilang 45800 Jeram	Factory	1/31/1995	10 yrs	106,177 sq.ft	Freehold	Factory	2,929,677
GM 554 Lot 2796 Mukim of Jeram District of Kuala Selangor	Factory	1/31/1995	6 yrs	213,916 sq.ft	Freehold	Factory	4,540,923
Lot 1365 Batu 17 Jln Sungai Sembilang 45800 Jeram	Factory	1/3/1995	10 yrs New factory 1 yr	217,800 sq.ft	Freehold	Factory and office For factory	6,511,520 3,449,700
HS (M) 15410 & 15405 PT 21715 & 15708 24 Jln Pengasah 4 Off Jln Kapar 42100 Klang	1 unit 1 1/2 storey light industrial building	4/3/2003	15 yrs	174 sq.mtr	Freehold	Store	231,833
HS (M) 1168 PT 476 Batu 15 1/4 Jalan Kapar Mukim Jeram	Staff quarters	2/27/2003	5 yrs	5,527 sq.mtr	Freehold	Staff quarters	1,268,085
Lot 1366 Batu 17 Jalan Kapar Mukim Jeram	Factory	8/28/2003	5 yrs	152,460 sq.ft	Freehold	Factory	7,587,879

LIST OF PROPERTIES

AS AT 31 DECEMBER 2008

Location	Description	Date of Acquisition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2008 RM
Geran 40417, Lot 4761 Mukim Jeram Kuala Selangor	Factory	5/19/2004	4 yrs	7 acres 1 rood 14.67 poles	Freehold	Factory	4,550,269
Lot 6129, 5 1/4 Miles Jln Hj Abdul Manan, Jln Meru 41050 Klang	Factory	28/01/05	2 yrs	434,145 sq.ft	Freehold	Factory and office	27,705,774
HS (D) 116842 PT 54925 Mukim Kapar Daerah Klang	Vacant land	5/30/2005	nil	10.77 acres	Freehold	Vacant	4,864,117
HS (D) 116841 PT 54924 Mukim Kapar Daerah Klang	Vacant land	5/30/2005	nil	11.25 acres	Freehold	Vacant	5,023,856
Lot PT 13726 Jln Hj Abdul Manan, Jln Meru 41050 Klang	Factory	9/26/2005	1 yr	5.392 acres	Freehold	Factory and office	15,553,572
Lot 6135 GM 2993 Mukim Jeram District of Kuala Selangor	Factory	10/22/2007	1 yr	0.6107 ha	Freehold	For factory	3,880,139
Lot 6130, 5 1/4 Miles Jln Hj Abdul Manan, Jln Meru 41050 Klang	Factory	3/21/2008	Completed in 2008	10.0 acres	Freehold	Factory	32,169,969
							138,803,937

STATISTICS ON SHAREHOLDINGS

AS AT 30 APRIL 2009

Authorised Share Capital	:	RM150,000,000
Issued and Fully Paid-up	:	RM79,933,488
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One vote per ordinary share

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	200	7.28	12,075	0.01
100 - 1,000	556	20.23	453,031	0.28
1,001 - 10,000	1,437	52.27	6,578,432	4.12
10,001 - 100,000	447	16.26	13,028,892	8.15
100,001 to less than 5% of issued shares	107	3.89	74,259,026	46.45
5% and above of issued shares	2	0.07	65,535,520	40.99
Total	2,749	100.00	159,866,976	100.00

DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	Direct Interest	No. of Shares		%
			%	Indirect Interest	
1	Y. Bhg. Dato' Haji Mokhtar Bin Hj. Samad	-	-	-	-
2	Lim Kuang Sia - Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Lim Kuang Sia (PB)	190,944	0.12	83,087,544	51.97
3	Lim Kuang Yong	-	-	82,728,120	51.75
4	Lim Kuang Wang	359,424	0.22	82,728,120	51.75
5	Lim Kwan Hwa	-	-	82,728,120	51.75
6	Heng Bak Tan	-	-	14,448	*
7	Y. Bhg. Dato' Tai Chang Eng @ Teh Chang Ying	149,760	0.09	-	-
8	Tong Siew Choo	14,976	0.01	-	-
9	Lim Leng Bung	-	-	82,728,120	51.75

* Non-meaningful

SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders	No. of Shares	%
1	Kossan Holdings (M) Sdn Bhd - 2,216,600 shares held through own name - 56,996,784 shares held through own name - 8,538,736 shares held through own name - 7,776,000 shares held through Malaysia Nominees (Tempatan) Sdn Bhd - 7,200,000 shares held through EB Nominees (Tempatan) Sdn Bhd	82,728,120	51.75

STATISTICS ON SHAREHOLDINGS

AS AT 30 APRIL 2009

No.	Name of Shareholders	No. of Shares	%
1	KOSSAN HOLDINGS (M) SDN BHD	56,996,784	35.65
2	KOSSAN HOLDINGS (M) SDN BHD	8,538,736	5.34
3	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR KOSSAN HOLDINGS (M) SDN BHD (05-00042-000)	7,776,000	4.86
4	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR KOSSAN HOLDINGS (M) SDN BHD (PKG)	7,200,000	4.50
5	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND KG33 FOR AIM ASIA PACIFIC GROWTH FUND	7,048,900	4.41
6	LEMBAGA TABUNG HAJI	4,505,000	2.82
7	RUBY TECHNIQUE SDN BHD	3,143,520	1.97
8	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC ISLAMIC OPTIMAL GROWTH FUND	2,250,000	1.41
9	KOSSAN HOLDINGS (M) SDN BHD	2,216,600	1.39
10	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC ISLAMIC BALANCED FUND	2,094,100	1.31
11	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SUSY DING (CEB)	2,000,080	1.25
12	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC INDEX FUND	1,814,500	1.14
13	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC ISLAMIC OPPORTUNITIES FUND	1,768,300	1.11
14	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG FOR HIDDEN JEWELS FUND	1,692,200	1.06
15	RUBY TECHNIQUE SDN BHD	1,582,080	0.99
16	CHIA FEI KUNG	1,391,000	0.87
17	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD CIMB-PRINCIPAL SMALL CAP FUND 2	1,302,200	0.81
18	MAYBAN NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (LIFE PAR FUND)	997,100	0.62

STATISTICS ON SHAREHOLDINGS

AS AT 30 APRIL 2009

No.	Name of Shareholders	No. of Shares	%
19	YEE CHEK MUN	887,000	0.55
20	MALAYSIAN TRUSTEES BERHAD PACIFIC MATUAL FUND BERHAD FOR GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR1)	800,140	0.50
21	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD CIMB ISLAMIC SMALL CAP FUND	763,000	0.48
22	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR MORGAN STANLEY & CO. INCORPORATED (CLIENT)	715,100	0.45
23	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR MAAKL-HDBS FLEXI FUND (270519)	696,000	0.44
24	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD EXEMPT AN FOR KUMPULAN SENTIASA CEMERLANG SDN BHD (TSTAC/CLNT)	640,000	0.40
25	TENG CHOON KWANG	633,792	0.40
26	CHIA BAK LANG	610,000	0.38
27	MAYBAN NOMINEES (TEMPATAN) SDN BHD MALAYSIAN TRUSTEES BERHAD FOR AMB SMALLCAP TRUST FUND (240165)	554,920	0.35
28	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN LIFE ASSURANCE BERHAD (PAR FUND)	554,900	0.35
29	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN LIFE ASSURANCE BERHAD (NON-PAR FUND)	550,000	0.34
30	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC ISLAMIC SELECT TREASURES FUND	527,500	0.33
	Total	122,249,452	35.48

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty Ninth (29th) Annual General Meeting of the Company will be held at Concorde II, Level 2, Concorde Hotel Shah Alam, 3, Jalan Tengku Ampuan Zabedah C 9/C, 40100 Shah Alam, Selangor Darul Ehsan on Friday, 19 June 2009 at 10.30 a.m. for the following purposes:

AGENDA

1. To receive and consider the audited financial statements for the year ended 31 December 2008 and the Reports of the Directors' and the Auditors thereon.

(Ordinary Resolution 1)

2. To approve payment of a final dividend of 3.5 sen gross less 25% income tax and a tax exempt dividend of 2.5 sen per ordinary share of RM0.50 each for the financial year ended 31 December 2008.

(Ordinary Resolution 2)

3. To approve the payment of directors' fee of RM120,000 for the financial year ended 31 December 2008. (2007 : RM120,000)

(Ordinary Resolution 3)

4. To re-elect the following Directors retiring by rotation pursuant to Article 108 of the Articles of Association, and being eligible, offers themselves for re-election:

- (i) Mr. Lim Kuang Yong

(Ordinary Resolution 4)

- (ii) Mr. Lim Kuang Wang

(Ordinary Resolution 5)

- (iii) Mr. Lim Kwan Hwa

(Ordinary Resolution 6)

5. To re-appoint KPMG as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

(Ordinary Resolution 7)

6. SPECIAL BUSINESS

To consider and if thought fit, to pass the following as Ordinary resolutions:

- (a) Authority for Directors to allot and issue shares in general pursuant to Section 132D of the Companies Act 1965 – ESOS Allotment

"That pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised with full powers to issue shares in the Company from time to time under the existing Executive Share Option Scheme of the Company ("the Scheme") provided that the aggregate number of the shares to be issued pursuant to this resolution does not exceed the amount approved under the Scheme and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued"

(Ordinary Resolution 8)

- (b) Authority for Directors to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965- General allotment.

Ordinary(Resolution 9)

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

NOTICE OF ANNUAL GENERAL MEETING

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

"That, subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its subsidiaries shall be mandated to enter into the categories of recurrent related party transactions of a revenue or trading nature specified in Section 2.4 of the Circular to Shareholders dated 26 May 2009 with the following related parties:-

- (1) Kossan Holdings (M) Sdn. Bhd. and its subsidiaries
(Ordinary Resolution 10)
- (2) Kossan FRP Industries (M) Sdn. Bhd.
(Ordinary Resolution 11)
- (3) HT Ceramics (M) Sdn. Bhd.
(Ordinary Resolution 12)

Subject further to the following:

- i) the transactions are in the ordinary course of business and are on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and
- ii) the Proposed RRPT Mandate will take effect from the date of the passing of the Ordinary Resolutions proposed at the Annual General Meeting ("AGM") until the next AGM of the Company and shall apply in respect of the recurrent related party transactions to be entered into from the date of the forthcoming AGM until the next AGM of the Company. The proposed RRPT Mandate is subject to annual renewal. Any authority conferred by the mandate shall only continue to be in force until:-
 - (a) the conclusion of the first annual general meeting of the Company following the general meeting at which such Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

- (b) the expiration of the period within which the next annual general meeting is required to be held pursuant to section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to section 143 (2) of the Act); or

- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier; and

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

- 7 To transact any other business of which due notice shall have been given.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that the final dividend of 3.5 sen less income tax at 25% and a tax exempt dividend of 2.5 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2008, if approved by members at the Annual General Meeting to be held on Friday, 19 June 2009, will be paid on 11 August 2009. The entitlement date for the dividend will be 17 July 2009.

A depositor shall qualify for entitlement only in respect of:

- (a) Shares transferred to the depositor's securities account before 4.00 p.m. on 17 July 2009 in respect of ordinary transfer; and
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

KOSSAN RUBBER INDUSTRIES BHD.

CHIA ONG LEONG

CHIA YEW NGO

Company Secretaries

26 May 2009

Klang

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company, a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies in a particular case. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Wisma Kossan, Lot 782, Jalan Sungai Putus, Off Batu 3 $\frac{3}{4}$, Jalan Kapar, 42100 Klang not less than forty-eight hours before the time for holding the meeting.
3. If the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.
4. Authority to directors to issue shares pursuant to Section 132D
 - (a) Ordinary Resolution 8
The purpose of this Resolution is to enable the Directors of the Company to allot shares to those executives who have exercised their option under the Executive Share Option Scheme.
 - (b) Ordinary Resolution 9
In line with the Company's plan for expansion/diversification, the Company is actively looking into prospective areas so as to broaden its operation base and earnings potential. As the expansion/diversification may involve the issue of new shares, the Directors, under present circumstances, would have to call for a general meeting to approve the issue of new shares even though the number involved is less than 10% of the issued and paid up share capital. In order to avoid any delay and cost involved in convening a general meeting to approve such issue of shares, it is thus considered appropriate that the Directors be empowered to issue shares in the Company up to an amount not exceeding in total 10% of the issued and paid up share capital of the Company for the time being for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting will expire at the next Annual General Meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors who are standing for re-election at the Twenty Ninth (29th) Annual General Meeting of the Company are:-

- (i) Mr. Lim Kuang Yong
- (ii) Mr. Lim Kuang Wang
- (iii) Mr. Lim Kwan Hwa

The profile of the Directors standing for re-election are on pages 8 to 10.

2. Details of Attendance of Directors at Board Meetings.

Five (5) Board Meetings were held during the financial year ended 31 December 2008. Details of attendance of Directors at the Board Meetings are as follows:-

Name of Director	No. of meeting attended
Mr. Lim Kuang Sia	5/5
Mr. Lim Kuang Yong	5/5
Mr. Lim Kuang Wang	5/5
Mr. Lim Kwan Hwa	5/5
Mr. Heng Bak Tan	5/5
Dato Haji Mokhtar Bin Haji Samad	5/5
Dato' Tai Chang Eng @ Teh Chang Ying	4/5
Mdm Tong Siew Choo	5/5

3. Place, date and time of the Board of Directors' Meeting.

All the Board Meetings, were held at Wisma Kossan, Lot 782 Jalan Sungai Putus, Off Batu 3¾, Jalan Kapar, 42100 Klang.

Date	Time
25.02.08	4.00 p.m.
18.04.08	4.00 p.m.
28.05.08	4.00 p.m.
22.08.08	4.00 p.m.
20.11.08	4.00 p.m.

PROXY FORM

KOSSAN RUBBER INDUSTRIES BHD (48166-W)
ANNUAL REPORT 2008

I/We _____
of _____
being a member of KOSSAN RUBBER INDUSTRIES BHD, hereby appoint _____
_____ of _____
or _____
failing him, _____
of _____
as my/our proxy to vote for me/us and on my/our behalf at the Twenty Ninth (29th) Annual General Meeting of the Company to be held at Concorde II, Level 2, Concorde Hotel Shah Alam, 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Friday, 19 June 2009 at 10.30 a.m. or at any adjournment thereof.

ORDINARY BUSINESS		FOR	AGAINST
Adoption of Financial Statements and Reports	Ordinary Resolution 1		
Declaration of Dividend	Ordinary Resolution 2		
Approval of Directors' fees	Ordinary Resolution 3		
Re-election of directors under Article 108 (i) Mr. Lim Kuang Yong (ii) Mr. Lim Kuang Wang (iii) Mr. Lim Kwan Hwa	Ordinary Resolution 4 Ordinary Resolution 5 Ordinary Resolution 6		
Re-appointment of Messrs KPMG as the Company's Auditor for the ensuing year.	Ordinary Resolution 7		
SPECIAL BUSINESS			
Authority for Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965 - ESOS Allotment	Ordinary Resolution 8		
Authority for Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965 - General allotment	Ordinary Resolution 9		
Mandate for renewal of RRPT with:- (i) Kossan Holdings (M) Sdn. Bhd. and its subsidiaries (ii) Kossan FRP Industries (M) Sdn. Bhd. (iii) HT Ceramics (M) Sdn. Bhd.	Ordinary Resolution 10 Ordinary Resolution 11 Ordinary Resolution 12		

As witness my hand this _____ day of _____ 2009

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

NO. OF SHARES HELD

Signature(s) of Shareholder(s)

Notes

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

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STAMP

The Secretary
KOSSAN RUBBER INDUSTRIES BHD (48166-W)

Wisma Kossan
Lot 782, Jalan Sg. Putus
Off Batu 3 ³/₄, Jalan Kapar
42100 Klang, Selangor Darul Ehsan
Malaysia

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