



STRETCHING LIMITS • SINCE 1979

KOSSAN RUBBER INDUSTRIES BHD.

Integrated Annual Report 2022

**CREATING SUSTAINABLE
SHARED VALUES**







Creating Sustainable Shared Values

As KOSSAN evolves to meet the demands of the modern era, one key consideration sits at the heart of our strategic thinking and execution: sustainability.

Being a manufacturer of gloves and technical rubber products with a global supply chain and customer base, it is of vital importance that we source, produce and distribute our products in ways that minimise negative impacts on the environment, all while uplifting the people and communities that we work with in every way possible.

This overarching aim – which unites our diverse operations and business divisions – is best encapsulated by the theme of this year's report: **Creating Sustainable Shared Values**.

We have progressively taken significant strides on our sustainability journey, such as by launching our Sustainability Policy in 2022. The policy contains twelve Sustainability Principles which we have embedded in our day-to-day operations to deliver value across the Environmental, Social and Governance ("ESG") spectrum. Collectively termed L.I.V.E, they reflect our belief that real value, in the lives of real people, is what matters most.

With this holistic and human purpose in mind, we invite you to peruse this year's report and discover the many ways that we have integrated sustainability at the very heart of our business and our thinking.



Scan this QR code to view the online version of Integrated Annual Report 2022

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Proxy Form

43rd

ANNUAL GENERAL MEETING



DATE: 25 MAY 2023



TIME: 10.30 A.M.

CORPORATE INFORMATION



REGISTERED AND CORPORATE OFFICE

Wisma Kossan,
Lot 782,
Jalan Sungai Putus,
Off Batu 3¼ Jalan Kapar,
42100 Klang, Selangor Darul Ehsan.
Tel: +603-3291 2657
Fax: +603-3291 2903
E-mail: kossan@kossan.com.my
Website: www.kossan.com.my

INVESTOR RELATIONS

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

COMPANY SECRETARIES

Chia Ong Leong (MIA 4797)
(SSM Practicing Certificate No. 201908000832)
Chia Yew Ngo (LS 0001831)
(SSM Practicing Certificate No. 202008000487)

PRINCIPAL BANKERS

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

SHARE REGISTRAR

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

STOCK EXCHANGE LISTING

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

AUDITORS

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

BASIS OF THIS REPORT

Dear Stakeholders,

On behalf of the Board of Directors of Kossan Rubber Industries Bhd. ("KOSSAN" or "Group"), we are pleased to present our Integrated Annual Report ("IAR"). In adopting integrated reporting, we aim to provide a cohesive and balanced assessment of our strategies, performance and progress towards generating sustainable financial and non-financial value through our business activities.

SCOPE AND BOUNDARY

This Integrated Annual Report ("IAR") covers the reporting period from 1 January 2022 to 31 December 2022. Information presented relates to the activities of the Company and its subsidiaries. Extending beyond financial reporting, this IAR includes our non-financial performance, risk and mitigation, outcomes associated with our key stakeholders and any other factors that may have a significant influence on our ability to create value.

REPORTING FRAMEWORK

This IAR is prepared in accordance with local and international standards and relevant frameworks, guidelines, and requirements, including:

- The International Integrated Reporting Council ("IIRC") <IR> Framework
- Bursa Malaysia's Main Market Listing Requirements ("MMLR")
- International Financial Reporting Standards ("IFRS")
- Malaysian Financial Reporting Standards ("MFRS")
- Malaysian Code of Corporate Governance ("MCCG") 2021
- Companies Act 2016 (Malaysia)
- Global Reporting Initiative ("GRI") Standards

FORWARD-LOOKING STATEMENTS AND DISCLAIMER

This IAR contains certain forward-looking statements that are, by nature, contingent and may be rendered inaccurate by changes in underlying assumptions due to emergent risks or unforeseen developments. As such, there could be a variation between actual results and expectations proposed by the statements. Therefore, these statements are not conclusive, and should not be construed as absolute guarantees or predictions of the Group's future outcomes.

ASSURANCE

This IAR is prepared in accordance with good governance practices. KOSSAN's financial statements for the financial year ended 31 December 2022 have been audited by our external auditors, KPMG PLT, and are disclosed in this report.

BOARD OF DIRECTORS ("BOARD") APPROVAL

The Board has collectively reviewed this IAR and acknowledges its responsibility in ensuring the integrity of this report. In the Board's opinion, this report addresses all material issues and matters, and fairly presents the financial and non-financial performance of the Group for the financial year ended 31 December 2022.

How To Navigate Our Report



Financial Capital



Manufactured Capital



Human Capital



Intellectual Capital



Social and Relationship Capital



Natural Capital



Employees



Customers



Shareholders, Investors, Analysts & Bankers



Authorities & Regulators



Local Communities & Society



Vendors/Suppliers



Guides you where you can find more information within the Integrated Annual Report



Guides you where you can find more information online

Approved by the Board and acknowledged on behalf of the Board by:

**MOHAMED SHAFEEI
BIN ABDUL GAFFOOR**
Chairman

**TAN SRI DATO'
LIM KUANG SIA**
Group Managing Director/
Chief Executive Officer

2022 KEY HIGHLIGHTS



Financial Capital

Revenue
RM2.34 billion

Profit Before Tax
RM213.52 million

Dividend payout per share
2.5 sen
(in respect of FY2022 and paid on
22 March 2023)



Manufactured Capital

Increased operational efficiency of our
production activities

Gained clear oversight of our
manufacturing
processes in order to
carry out streamlining
in future



Human Capital

127,736
learning and development
hours across our
workforce

96%
of our manufacturing
facilities have obtained
the ISO 45001 certification
for Occupational Safety
and Health



Intellectual Capital

14
types of glove products
received Halal certification from
bodies in Malaysia and the
United Arab Emirates ("UAE")

Doshin Rubber Products (M)
Sdn. Bhd. won the
**"Best Engineering
Product Award"**
at the MRPMA IRICE22
Industry Awards



Social and Relationship Capital

43
community-based
projects carried out, at
a total investment of
RM534,765

All of our gloves factories
received **WRAP GOLD**
certification for humane and
ethical manufacturing



Natural Capital

Scope 1 & 2 carbon
emission of our
Gloves division has
decreased by 20.4%
against FY2021

74%
of our manufacturing
facilities certified with
ISO14001:2015 (EMS)

OUR BUSINESS OVERVIEW

The KOSSAN Story

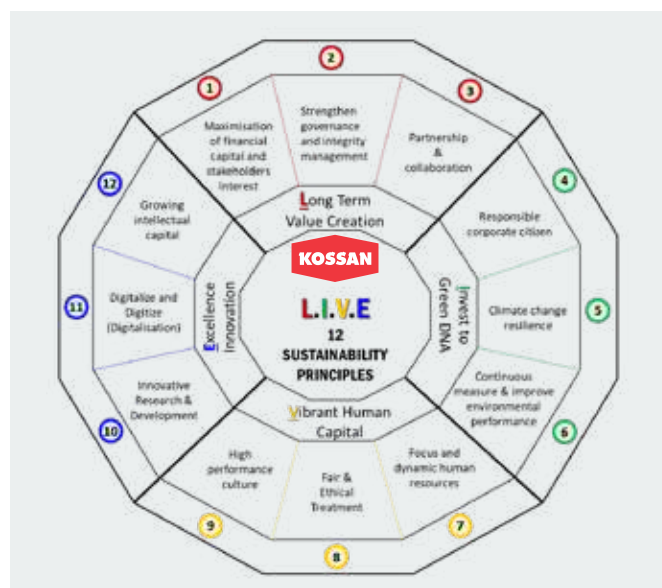
Kossan Rubber Industries Bhd. ("KOSSAN") was established in 1979, with its initial business involved in the manufacturing of technical rubber products ("TRP"). We then ventured into glove manufacturing in 1989 with the establishment of our first factory in Klang, Selangor.

Since being listed on Kuala Lumpur Stock Exchange in 1996, KOSSAN has grown into one of the largest manufacturers of disposable gloves in the world and one of the largest technical rubber products manufacturers in Malaysia, with a broad-based market reach globally.

We offer a wide range of products equipped with solid manufacturing capabilities and automation potential. A preferred Original Equipment Manufacturer ("OEM") and business partner, we are recognised for our capabilities in bringing forth innovative products with consistency in quality, backed by professional business ethics and a robust financial track record.

As one of the leading global rubber product manufacturers, KOSSAN acknowledges the importance of ESG, as we know our business activities may impact the environment and our surrounding communities. On this consideration, the KOSSAN's Sustainability Policy with the objective of **"Creating Shared Values Through Sustainable Ecosystem"** was launched in 2022. Our Policy includes a set of principles that we call our **L.I.V.E 12 Sustainability Principles**.

Our journey continues with future-proofing initiatives whilst we continue to adapt to the ever-changing landscape of the industry and marketplace. Therefore, KOSSAN will continue to forge solid partnerships and strategic client relations, and remains committed in serving the needs of the healthcare, cleanroom and safety sectors through our Gloves, TRP and Cleanroom divisions.



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

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



INSPIRED

Life-changing achievements start out as unrealistic ideas. We deliver passionately because we are inspired by vision and excellence.

CARING

We understand and care about people's needs and circumstances. So we take proud ownership of our responsibilities and relationships.

INNOVATIVE

We believe in providing the best possibilities, so we keep taking unbeaten paths toward unprecedented solutions.

HONOURABLE

Honesty and professional ethics are badges we proudly wear.

COMMITTED

We are dedicated to every customer entrusted to us. We strive to make our final product ideal, and the extra mile that we walk for them is imperative.

Our Business Overview (Cont'd)



Produced the first
patented glove with

**LOW
DERMATITIS
POTENTIAL**

(clearance by U.S. FDA in 2016)



More than

**6,000
WORKFORCE**

in 2022



Produced the
first gloves to be

**CERTIFIED
HALAL**

by Jabatan Kemajuan
Islam Malaysia
(in 2017)



Produced the first nitrile gloves that offer

PROTECTION AGAINST FENTANYL

First Malaysian glove
company to obtain Indonesia
Badan Penyelenggara Jaminan
Produk Halal ("BPJPH")
Halal certification
(in 2019)

First glove company to
obtain United Arab Emirates
("UAE") Ministry of Industry
and Advanced Technology
("MoIAT") Halal certification
(in 2022)

First glove company to
obtain Dermatest 5-star seal
from an independent German
dermatology institute
(in 2022)

Our Business Overview (Cont'd)

OUR THREE MAIN BUSINESS DIVISIONS

GLOVES

We manufacture a wide range of gloves for the healthcare and other key industries - including manufacturing, janitorial services, public services, research & development, food handling and the beauty industry - meeting a diverse range of hand protection needs.

KEY PRODUCTS:

- Intouch Surgical & Examination Gloves
- Shirudo Examination & Disposable Gloves
- Confidenz Halal Examination & Disposable Gloves
- OEM Nitrile Examination & Disposable Gloves with LD Technology
- OEM Latex Examination & Disposable Gloves

TECHNICAL RUBBER PRODUCTS

We leverage customised manufacturing capabilities and an in-house independent testing laboratory to produce technical rubber products that meet the specialised needs of the engineering, construction, mining and transport industries, amongst others.

KEY PRODUCTS:

- Lead Rubber Bearing (Seismic Isolator)
- Marine Fender

CLEANROOM

Cleanroom products are utilised by sectors such as microelectronics, semiconductors and biotechnology to achieve a high degree of control over contamination in the manufacturing process, and our gloves, wipes and face masks play a key role in ensuring the integrity of this high precision environment.

KEY PRODUCTS:

- Cleanera Nitrile Cleanroom Glove with LD Technology
- Cleanera Latex Cleanroom Glove

OUR GLOBAL PRESENCE

2022

Export
Countries

Our products are exported to over

90 countries

in every corner of the globe, meeting the need for protection and safety in a wide variety of personal, commercial, and industrial applications.

Our Business Overview (Cont'd)

AWARDS & CERTIFICATIONS 2022

Our pursuit of excellence has been recognised with these esteemed awards and certifications, earmarking us as a trusted and innovative organisation at the industry and international levels.

**Asia Pacific Enterprise Awards 2022:**

- Entrepreneur of the Year
Tan Sri Dato' Lim Kuang Sia

**The Edge Billion Ringgit Club & Corporate Awards 2022:**

- Highest Growth in Profit After Tax Over Three Years (Healthcare Sector)
Kossan Rubber Industries Bhd.

**Consumers' Recommended Award:**
Shirudo

A brand of Cleanera (Malaysia) Sdn. Bhd.

**General Motors' Supplier Quality Excellence Award 2021**

Kossan Industries Sdn. Bhd.

**MRPMA IRICE22 Industry Awards:**
• Best Engineering Product Award 2022

Doshin Rubber Products (M) Sdn. Bhd.

MRPMA IRICE22 Industry Awards:
• Best Innovation Award for large company category

Kossan Rubber Industries Bhd.



Our Business Overview (Cont'd)

ACCREDITED LABORATORY



Skim Akreditasi
Makmal (SAMM)
No. 464



International
Laboratory
Accreditation
Cooperation

Kossan Laboratory
Kossan Industries Sdn. Bhd.



Skim Akreditasi
Makmal (SAMM)
No. 1038



International
Laboratory
Accreditation
Cooperation

Analytical Services, R&D Centre
Kossan International Sdn. Bhd.



Skim Akreditasi
Makmal (SAMM)
No. 372



International
Laboratory
Accreditation
Cooperation

E-Lab Testing & Research Center
Doshin Rubber Products (M) Sdn. Bhd.

ENVIRONMENTAL MANAGEMENT SYSTEM



ISO14001

Lloyd's Register Quality Assurance Limited

Kossan Industries Sdn. Bhd.
Hibon Corporation Sdn. Bhd.



ISO14001

BSI Assurance UK Limited

Kossan Latex Industries (M) Sdn. Bhd.
Wear Safe (Malaysia) Sdn. Bhd.
Perusahaan Getah Asas Sdn. Bhd.
Ideal Quality Sdn. Bhd.

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM



ISO45001

BSI Assurance UK Limited

Kossan Latex Industries (M) Sdn. Bhd.
Wear Safe (Malaysia) Sdn. Bhd.
Perusahaan Getah Asas Sdn. Bhd.
Ideal Quality Sdn. Bhd.



ISO45001

Lloyd's Register Quality Assurance Limited

Kossan Industries Sdn. Bhd.

Our Business Overview (Cont'd)

QUALITY MANAGEMENT SYSTEM



IATF 16949

Lloyd's Register Quality Assurance Limited

Hibon Corporation
Sdn. Bhd.


ISO9001

Lloyd's Register Quality Assurance Limited

Hibon Corporation
Sdn. Bhd.


ISO9001 & IATF 16949

TUV Rheinland Malaysia Sdn. Bhd.

Kossan Industries
Sdn. Bhd.


ISO9001

TUV Rheinland Malaysia Sdn. Bhd.

Doshin Rubber Products (M)
Sdn. Bhd.
Quality Profile Sdn. Bhd.


BS EN 681: Pt.1

IKRAM QA Service Sdn. Bhd.

Kossan Industries
Sdn. Bhd.

(EN 15129, EN1337-3,
EN 1337-5 & EN1337-7)
Certificate of
Constasy of Performance
TZUS Cert

Doshin Rubber
Products (M) Sdn. Bhd.

ISO13485 & EN ISO13485
BSI Assurance UK Limited

Kossan International Sdn. Bhd.
Kossan Latex Industries (M)
Sdn. Bhd.

Wear Safe (Malaysia) Sdn. Bhd.
Perusahaan Getah Asas
Sdn. Bhd.
Ideal Quality Sdn. Bhd.


ISO9001

BSI Assurance UK Limited

Kossan International Sdn. Bhd.
Kossan Latex Industries (M)
Sdn. Bhd.

Wear Safe (Malaysia) Sdn. Bhd.
Perusahaan Getah Asas Sdn. Bhd.
Ideal Quality Sdn. Bhd.

Medical Device Single Audit
Program (MDSAP)
BSI Group America Inc

Kossan International
Sdn. Bhd.

EU Quality Assurance Certificate
BSI Group The Netherlands B.V.

Sterile Natural Rubber
Latex and Polyisoprene
Surgical Gloves
Sterile Nitrile and
Natural Rubber Latex
Examination Gloves
Kossan International Sdn. Bhd.

UKCA Certificate
BSI Assurance UK Limited

Sterile Natural Rubber
Latex Surgical
Sterile Nitrile
Examination Gloves
Kossan International Sdn. Bhd.


MS 2636:2019

**Jabatan Kemajuan Islam
Malaysia (JAKIM)**

Kossan International
Sdn. Bhd.
Wear Safe (Malaysia)
Sdn. Bhd.
Perusahaan Getah Asas
Sdn. Bhd.


HAS 23000

**Badan Penyelenggara Jaminan
Produk Halal (BPJPH)**

Kossan International
Sdn. Bhd.
Wear Safe (Malaysia)
Sdn. Bhd.
Perusahaan Getah Asas
Sdn. Bhd.


Halal National Mark

**United Arab Emirates Ministry of
Industry & Advanced Technology**

Kossan International Sdn. Bhd.
Wear Safe (Malaysia)
Sdn. Bhd.
Perusahaan Getah Asas
Sdn. Bhd.

**BRC Global Standard
SGS United Kingdom Limited**

Wear Safe (Malaysia)
Sdn. Bhd.

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

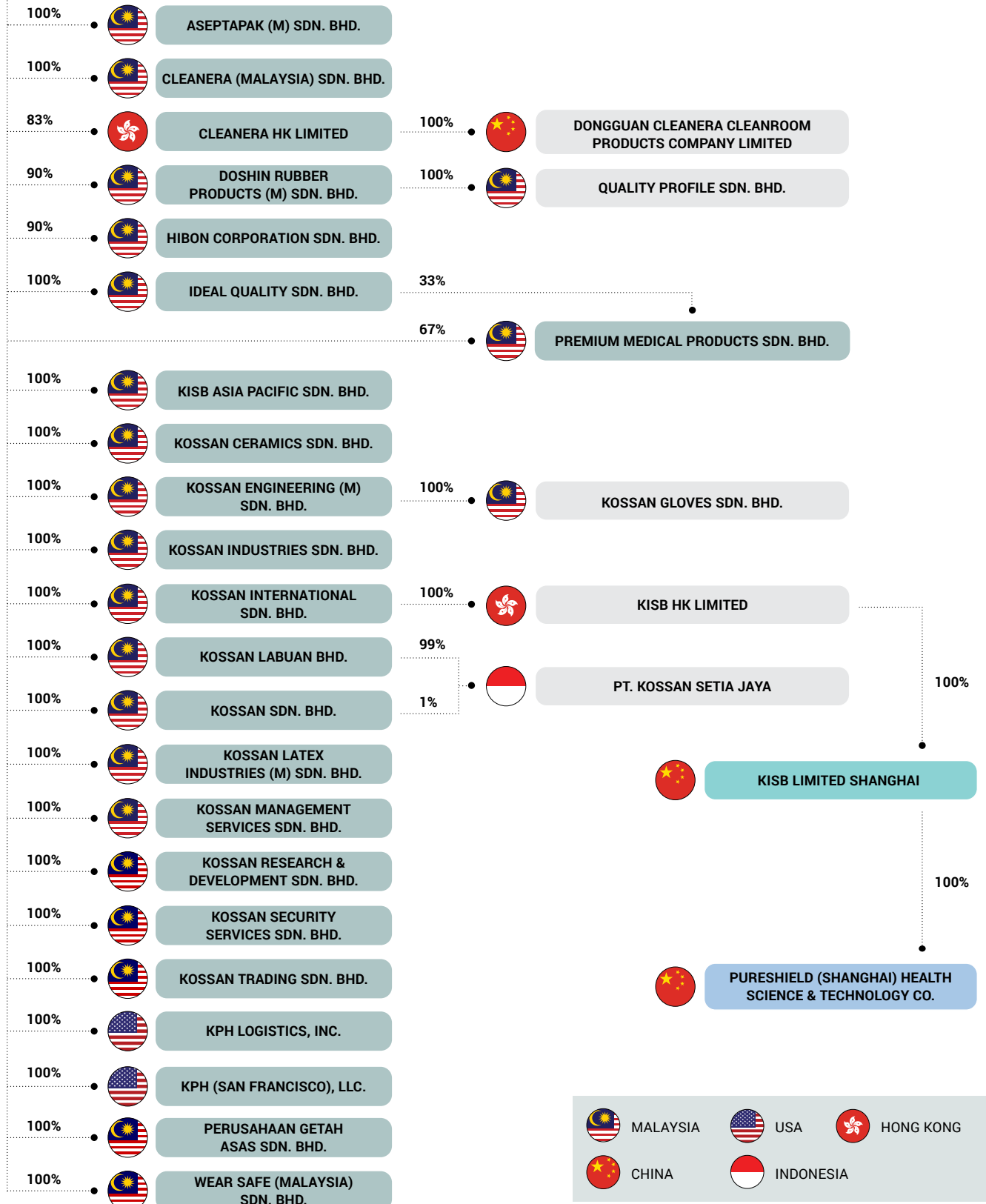
Wear Safe (Malaysia)
Sdn. Bhd.

CORPORATE STRUCTURE



STRETCHING LIMITS • SINCE 1979

KOSSAN RUBBER INDUSTRIES BHD.

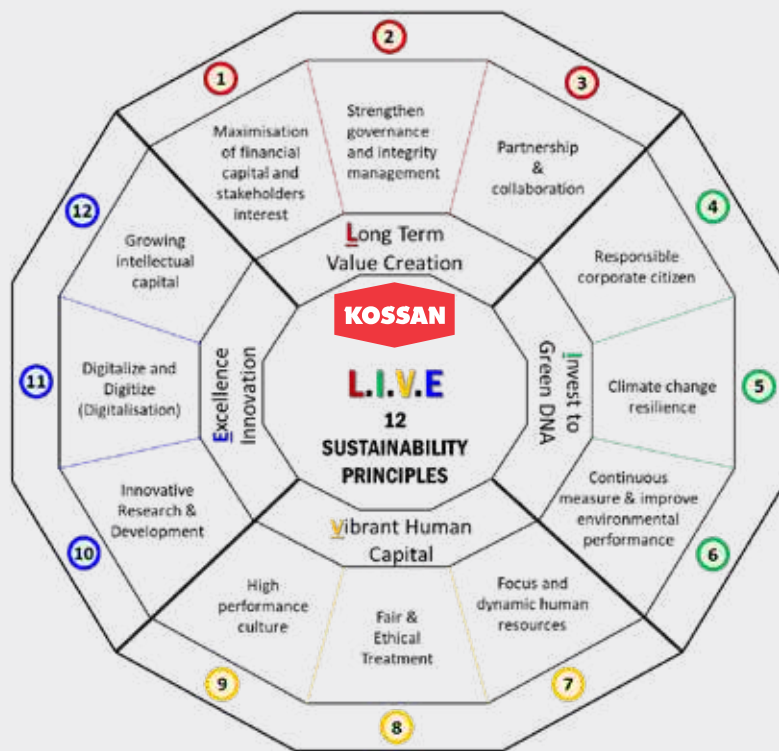


OUR SUSTAINABILITY FRAMEWORK

Our Sustainability Framework

With the objective of delivering sustainable shared values between our businesses and the people, communities and environments that we impact, we have developed our Sustainability Policy in 2022.

The policy encompasses a set of principles that we call the **L.I.V.E 12 Sustainability Principles**, which have been integrated into our strategy and our operational processes. They are geared towards embedding sustainability in our DNA, with the overarching objective of “**Creating Shared Values Through Sustainable Ecosystem**”.



Below are the outcome from the L.I.V.E 12 Sustainability Principles:

<div> <div>L</div> Long Term Value Creation </div>		
KOSSAN Sustainability Principles	Strategy	Outcomes
1. Maximisation of financial capital and stakeholders' interest	Consistently achieve our economic performance targets	Revenue: RM2.34 billion Profit Before Tax: RM213.52 million
2. Strengthen governance and integrity management	Upholding the highest integrity standards while maintaining compliance with rules and regulations and a zero-tolerance policy towards bribery and corruption	Cases of bribery and corruption: <ul style="list-style-type: none"> Zero cases of bribery and corruption in FY2021 Zero cases of bribery and corruption in FY2022
3. Partnership & collaboration	Driving internal and external collaborations towards creating and sharing good values and best practices	Collaborated with our strategic partner on Greening Value Chain ("GVC") Programme for KOSSAN's suppliers

Our Sustainability Framework (Cont'd)

I Invest to Green DNA

KOSSAN Sustainability Principles	Strategy	Outcomes
1. Responsible corporate citizen	Produce sustainable and eco-friendly products that cause no harm to the environment, biodiversity and to local communities	Preliminary study of our life cycle assessment
2. Climate change resilience	Driving carbon neutral readiness	Launched our 3S Strategy, which includes: <ul style="list-style-type: none"> • Sustaining Landfill • Sustaining Energy • Sustaining Water
3. Continuous measure & improve environmental performance	Delivering high performance levels in ESG stewardship	FTSE Russell rating: <ul style="list-style-type: none"> • 3 stars for FY2021 & FY2022 CDP Rating: <ul style="list-style-type: none"> • FY2021 – not rated • FY2022 – 'D' rating

V Vibrant Human Capital

KOSSAN Sustainability Principles	Strategy	Outcomes
1. Focus and dynamic human resources	Nurture a work culture that drives high performance levels and embraces diversity, thereby translating into positive results	Breakdown of workforce by gender: <ul style="list-style-type: none"> • FY2021: Male: 80.5%; Female: 19.5% • FY2022: Male: 79.1%; Female: 20.9%
2. Fair & Ethical Treatment	Be a responsible and caring employer	Gloves factories which are WRAP GOLD certified: <ul style="list-style-type: none"> • FY2021: 13% certified • FY2022: 63% certified <p><i>Note: As at Jan 2023, 100% of our gloves factories are WRAP GOLD certified.</i></p> <p><i>(The WRAP certification audit inspects the entire production process to ensure compliance with the WRAP Principles, providing customers with assurance that goods are ethically produced.)</i></p>
3. High performance culture	Nurture high performing employees who align with our vision and mission	Learning and development hours: <ul style="list-style-type: none"> • FY2021: 89,806 training hours • FY2022: 127,736 training hours

E Excellence Innovation

KOSSAN Sustainability Principles	Strategy	Outcomes
1. Innovative Research & Development	Leverage new competitive advantages to lead the market in the right direction	The first Halal gloves manufacturer to obtain UAE Ministry of Industry and Advanced Technology ("MoIAT") Halal Certification The first Glove company to obtain Dermatest 5-star seal from an independent German dermatology institute
2. Digitalize and Digitize (Digitalisation)	Drive transformation to create excellent strategies that meet industrial revolution demands	Implemented data integration system
3. Growing Intellectual Capital	Registered products trademark	142 product trademarks

IN CONVERSATION WITH THE CHAIRMAN

Dear Valued Stakeholders,

On behalf of the Board of Directors ("Board"), it is my pleasure to introduce to you the Integrated Annual Report from Kossan Rubber Industries Bhd. ("KOSSAN" or "Group"), covering the financial year ended 31 December 2022 ("FY2022"). By adopting this new framework and methodology for our integrated reporting, we hope to provide greater transparency and accountability regarding our strategies, initiatives and actions, and in turn illustrate how our business is creating sustainable shared values for our people, local communities and natural environments.



KOSSAN's leap into integrated reporting comes at a unique juncture in our history and that of the glove industry. With the world moving beyond the challenges of the pandemic, there has been a natural gravitation away from the products that we provide, leading to a natural reduction in our sales volumes and revenue. Yet, in a different sense, the collective experience of the pandemic has attuned people and businesses to the sheer necessity of gloves and personal protective equipment ("PPE") as a tool to control infection and protect against nature-borne dangers. Simply put, the permanence of our products as an essential aspect of the human experience has been secured for the long-term.

Looking beyond the business strategies that we will execute to capitalise, in this statement I shall outline what this "new normal" means for KOSSAN as a responsible producer of gloves, technical rubber products and cleanroom.

To be specific, I will delve into our enriched and enhanced sustainability, safety and employment policies, as we strive to craft a new era for KOSSAN where business growth is mirrored fully by the value we create for others.

Mohamed Shafeii Bin Abdul Gaffoor
Chairman



In Conversation with the Chairman (Cont'd)



Revenue

FY2022

RM2.34 billion

FY2021: RM6.63 billion



Profit Before Tax

FY2022

RM213.52 million

FY2021: RM3.75 billion

PROTECTING OUR SHARED RESOURCES

Conscious of our responsibility as one of the world's leading glove producers, we have taken purposeful steps to enhance environmental protection during FY2022.

First and foremost, we leveraged our Environmental Management System ("EMS") Framework, which is guided by ISO 14001 Environmental Management System, towards achieving significant reductions in our electricity consumption, natural gas consumption and carbon emissions.

These cohesive efforts reflect a resource management-centric approach to environmental impact that will remain a cornerstone of our sustainability efforts moving forward. We have setup a comprehensive action plan to track and monitor Group-wide carbon emissions under KOSSAN's carbon management and operation efficiency strategy. This sustainability initiative provides opportunities for different plants to work on effective carbon reduction projects and encourage involvement from all levels. We have expanded the carbon management effort to include full coverage of Scope 1 and Scope 2, whereas Scope 3 will be segregated in a few phases as to ensure everyone has the technical understanding and readiness to execute the action plan. KOSSAN is excited to embark on this journey, marking the next step in its progressively robust approach to sustainability.

Having said that, KOSSAN is taking action in the arena of emissions through the Greening Value Chain ("GVC") Programme. Launched in partnership with our strategic partner, the GVC empowers our SME suppliers to achieve emission reductions through a carbon accounting solution, whereby they can measure their carbon emissions. Those suppliers who participate can then receive funding to carry out emission reduction strategies – such as adopting renewable energy – from Bank Negara Malaysia's Low Carbon Transition Facility ("LCTF").

PUTTING OUR PEOPLE FIRST

KOSSAN is committed to provide a safe, secure and rewarding work environment where our employees' needs are prioritised. On this note, I am proud to say that we have stepped up our employment policies and practices in FY2022.

Most notably, KOSSAN launched our Workplace Health Programme ("WHP"), a wide-ranging initiative that promotes holistic employee wellbeing across the physical, mental and social dimensions. Through a calendar of employee wellness events spanning the year, our employees are now provided with the tools – and crucially, the support system – to seek greater balance between their professional and personal lives, an imperative that we support wholeheartedly.

As part of KOSSAN's employee facility improvement initiative, we have installed two Automated Teller Machines ("ATMs") at two of our plant locations. The installation of the ATMs provide convenience and allow our employees at all our nearby subsidiaries to safely withdraw money within our protected compound.

Further to this, we continue to take steps to protect the interests of our employees, who comprise a crucial component of our workforce. In FY2022, we became a founding member of the Responsible Glove Alliance ("RGA"), joining key glove buyers and suppliers across Malaysia and internationally in committing to responsible recruitment and employment practices and the utmost rejection of any and all forced labour practices. Being part of the RGA also avails our employees of the Suara Kami Helpline, an independent third-party channel through which they can anonymously lodge grievances related to their employment, health, safety and other important issues, with the guarantee that all grievances received will be dealt with in a fair and non-discriminatory manner.



More information on GVC is available at <https://www.bnm.gov.my/-/cop27-gvc-lctf>

In Conversation with the Chairman (Cont'd)

STEPPING UP ON OCCUPATIONAL SAFETY AND HEALTH

During the past year, our priority has been on effectively standardising and implementing the requirements of the ISO 45001:2018 Occupational Health and Safety Management System.

Parallel to this, it is our policy that all employees are paid no less than the minimum wage as set by local labour laws, be allowed to be in possession of their personal documents at all times, be free to associate with and participate in lawful group activities.

In doing so, our Group-level Safety and Health Working Group ("SHWG") have examined our practices at all levels of operation, driving specific changes to practices wherever necessary in order to enhance safety.

In addition, we have pursued strategic collaborations with various regulatory authorities and government. Specifically, we partnered with the Department of Occupational Safety and Health ("DOSH") and the Social Security Organisation ("SOCSO") to deliver awareness talks and provide consultations to our workforce and management on relevant safety and health issues. We have also worked with SOCSO and the Malaysia Institute of Road Safety Research ("MIROS") to introduce our Work-Related Road Safety Program ("WRRS"), which raises the road safety awareness, and motivates the adoption of safer road behaviour within our workforce.

Further to this, we continuously strive to improve our response to potential disasters that may occur across our operations, including conducting engagements with representatives from the Fire and Rescue Department (commonly known as "Bomba"), Polis DiRaja Malaysia ("PDRM"), Jabatan Pertahanan Awam Malaysia ("JPAM") and the Ministry of Health ("MOH").

DIVIDENDS

In line with our Dividend Policy Statement to declare and pay a dividend payout ratio of not less than 30% of the Group's profit after tax and minority interest excluding any exceptional items, I am pleased to announce that on 16 February 2023, the Board has approved an interim ordinary dividend of 2.5 sen per share in respect of FY2022, totalling RM63,790,491, which has been paid on 22 March 2023.

ACKNOWLEDGEMENTS

The past year has been one of considerable change at the Company, industry and global level, enabling me to see the quality and character of our people and our partners at its fullest. To you – our valued and loyal employees – thank you for staying the course during good and bad times alike. Your resilience strengthens my faith that the next stage in our story will be our most rewarding yet.

To our Management and Board of Directors, thank you for your sterling and always consistent leadership and direction. With your guidance and expertise, we will navigate the uncertainties of today and pave the way to a brighter tomorrow.

In particular, I would like to pay tribute to Mr. Lim Leng Bung, who has retired from the Board as an Executive Director on 19 May 2022. We wish him all the best in his future endeavours and in turn welcome Ms. Sharon Shanthi a/p Dorairaj who was appointed to the Board as an Independent Non-Executive Director on 1 November 2022.

And lastly, to our customers, business partners, associates, suppliers, consultants and bankers, your continued support and faith is invaluable to me and the Group. I commit to you that we will do everything in our power to deliver greater, more sustainable, shared value for all in the years to come.

MOHAMED SHAFIEI BIN ABDUL GAFFOOR
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Dear Valued Stakeholders,

2022 has been a challenging year for Kossan Rubber Industries Bhd. ("KOSSAN" or "Group"), mainly driven by unfavourable market conditions, including the overall supply-demand imbalance of gloves, and the continuous decline in Average Selling Price ("ASP"). Despite the uncertainties, KOSSAN has persevered and navigated through these challenges, and delivered RM2.34 billion in Group Revenue and a profit before tax of RM213.52 million for the financial year ended 31 December 2022 ("FY2022").

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

OPERATING AND FINANCIAL OVERVIEW

As countries around the world successfully rolled out vaccination programmes, the world was able to breathe a collective sigh of relief, making a return to relative normalcy after the disruptions brought about by the COVID-19 pandemic. Therefore, we had anticipated that the vaccination rollout would have an impact on our performance. Having said that, FY2022 presented additional market factors beyond our control that affected our overall sales performance. For FY2022, KOSSAN's group revenue at RM2.34 billion has declined by 64.66% against last year's group revenue at RM6.63 billion.

The pandemic has created opportunities in terms of high demand for gloves, but it has also increased the competition within the industry. Whilst the existing players have ramped up their expansion to meet the pandemic-era glove demand, new players have also emerged and entered the market, which contributed to a surge in capacity. This was further compounded by the inventory destocking from customers, causing the ASP to fall significantly.

However, looking beyond revenue and profit, KOSSAN has been well supported by total assets of RM4.33 billion, and total equity of RM3.90 billion, as at 31 December 2022. The balance sheet comprised liquid assets of cash and cash equivalents and other investment assets of RM2.07 billion. With our balance sheet strength, KOSSAN is in a good position to capitalise on business growth opportunities, whilst also weathering through the challenging operating environment.

Review of Segmental Performance

Gloves Division

Revenue

RM2.00 billion

FY2021: RM6.26 billion

Technical Rubber Products ("TRP") Division

Revenue

RM197.01 million

FY2021: RM169.89 million

Cleanroom Division

Revenue

RM145.16 million

FY2021: RM204.13 million

Management Discussion and Analysis (Cont'd)

KOSSAN's business segments are segmented into the Gloves division, Technical Rubber Products ("TRP") division and Cleanroom division. All of our manufacturing plants are located in Malaysia, with the exception of the plant for cleanroom products which is located in Dongguan, China. The analysis of business performance by divisions is as follows:

Gloves Division

KOSSAN's Gloves division is the largest contributor to the Group's business in terms of revenue and profit. Our glove products are exported to global markets including North America, Europe, Asia-Pacific region, etc.

The Gloves division has generated revenue of RM2.00 billion in FY2022, which was lower by 68.01% against last year's revenue of RM6.26 billion. Lower revenue in Gloves division was mainly affected by the lower ASP and volume sold in FY2022. The Gloves division has recorded a segment profit of RM184.76 million in FY2022, which was lower by 95.02% against last year's segment profit of RM3.71 billion. The decline in segment profit was mainly due to market competition, customer destocking post pandemic as well as higher labour costs, and higher energy costs due to the increase in natural gas tariffs.

Technical Rubber Products ("TRP") Division

The TRP division is involved in the manufacturing and distribution of high technical engineering rubber products, which are used in a wide array of industries, including infrastructure, automotive and industrial applications. For FY2022, the majority of division's products were exported to South America, Australia and Asia-Pacific region.

The revenue generated from the TRP division in FY2022 has increased by RM27.12 million to RM197.01 million, as compared to last year's revenue of RM169.89 million. The segment profit of the TRP division in FY2022 was RM23.31 million, which was higher by 39.97% against last year's segment profit of RM16.66 million. Better performance was delivered in FY2022, as the TRP division had secured overseas construction projects to supply base isolation high damping rubber bearings for hospitals and buildings.

Cleanroom Division

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

For FY2022, the revenue of RM145.16 million which was derived from the Cleanroom division, has declined against last year's revenue of RM204.13 million by 28.89%. The Cleanroom division recorded a segment profit of RM5.26 million in FY2022 as compared to last year's segment profit of RM26.16 million.

REPOSITIONING FOR NEW GROWTH OPPORTUNITIES

While navigating turbulent market conditions over the past 12 months, we have also remained steadfastly focused on the bigger picture; that of a global market which offers tremendous growth and innovation opportunities for rubber producers.

Over the longer-term, global gloves demand is expected to remain on a growth path as a result of a shift in gloves usage due to higher healthcare standards and greater hygiene awareness precipitated in part by the collective experience of the pandemic. With the current oversupply situation expected to be short-to-medium-term, this paints a stronger outlook for the industry.

Specifically, we anticipate that growth will be driven by emerging economies where there is currently relatively low per capita usage of gloves. In addition, gloves usage will increase in non-medical sectors across developed and emerging economies, fulfilling a broader range of applications and meeting increasingly stringent health and safety regulatory standards.

RECEIVING ACCOLADES AND AWARDS

Reflecting our commitment to deliver market-leading products across our business divisions, FY2022 saw a continuation of our proud record of receiving industry awards and accolades.

At the Group level, we took home the Highest Growth in Profit After Tax Over Three Years award under the Healthcare sector of The Edge Billion Ringgit Club Corporate Awards, our seventh triumph in this category, while I was personally honoured with the Entrepreneur of the Year award at the Asia Pacific Entrepreneur Awards 2022.

Management Discussion and Analysis (Cont'd)

In our TRP division, we received two awards at the Malaysian Rubber Products Manufacturers' Association ("MRPMA") IRICE Industry Awards 2022. Kossan Rubber Industries Bhd. was the recipient of The Best Innovation Award for large company category. Meanwhile, KOSSAN's subsidiary, Doshin Rubber Products (M) Sdn. Bhd. won The Best Engineering Product Award for its newly-launched seismic isolator, which assists in delivering structural protection against earthquake threats. Reflecting their excellent work during the year, Kossan Industries Sdn. Bhd. received General Motors' Supplier Quality Excellence Award, marking the third year in a row that they have been recognised for their attainment of quality in delivering parts to the automotive industry.

In our Cleanroom division, Shirudo, a brand by Cleanera (Malaysia) Sdn. Bhd. was the proud recipient of the Consumers' Recommended Award by Majlis Tindakan Pengguna Negara ("MTPN"). This award showcases our commitment in delivering products that protect lives and conducting our operating activities in a responsible manner to people, planet and profits.

BUILDING THE PLANT OF THE FUTURE

Our pursuit of new growth opportunities is being executed in tandem with concerted, Group-wide operational efficiency initiatives that are helping us to reduce our production cost per unit and enhance our competitiveness in an increasingly cluttered market.

In FY2022, we took further steps on our ongoing automation journey, embedding robotics technology across our entire production process, from processing to packing. Through increasing use of robotics, we have been able to reduce our reliance on manual labour, freeing space for investments in building a skills-centric, knowledge-based workforce that is geared towards driving innovation.

Our automation journey is supported by our progressive implementation of Enterprise Resource Planning ("ERP") system, which integrates our financial, supply chain, operations, commerce, reporting and manufacturing activities under a single platform, providing us with a bird's eye view of our operations towards ensuring efficient allocation of resources in meeting our production targets and delivering value for all.

The integration of Industry 4.0 approaches will continue to be a key area of focus moving forward as we fully realise the potential of the Internet of Things ("IoT"), big data and Artificial Intelligence ("AI") in delivering value and maintaining our market leadership position. Ultimately, our

goal is to build the gloves plant of the future, characterised by purpose-fit technologies and the availability of specific insights at each stage of our production processes, thereby enabling continuous enhancements to quality and efficiency.

PLACING SUSTAINABILITY AT THE HEART

With investors, business partners and customers increasingly treating sustainability as a key consideration in their assessments, we have continued to invest in initiatives and actions that deliver long-term, shared value across the ESG spectrum.

In FY2022, we launched our Sustainability Policy, centred around a set of principles that we call the L.I.V.E 12 Sustainability Principles. The principles encompass our Group-wide ESG commitments, spanning our drive to invest in a greener DNA, develop vibrant human capital, deliver excellence in innovation and, ultimately, to create long-term value. They embody our commitment to integrate corporate responsibility and sustainability across every aspect of our business, towards delivering purposeful rubber products that benefit our bottom line, our people, local communities and the planet.

In FY2022, we initiated our Workplace Health Programme ("WHP"), which includes a series of initiatives that promote well-rounded physical and mental wellbeing amongst all members of our workforce. Supporting this, we collaborated with the Suara Kami Helpline, providing all employees with a trustworthy third-party channel through which they can raise issues pertaining to their employment, health, safety and mental health, amongst other issues.

KOSSAN is proud to be a founding member of the Responsible Glove Alliance ("RGA"), a collaborative initiative comprising buyers and suppliers of gloves in Malaysia and internationally. The RGA aims to institute responsible recruitment and employment practices that respect the rights and dignity of workers and prevent the occurrence of forced labour at all points across the gloves manufacturing value chain.

On the theme of collaboration, we are also excited to be working with our strategic partner to launch Malaysia's first Greening Value Chain ("GVC") Programme. The GVC provides our SME suppliers with a carbon accounting solution that enables them to measure and manage their carbon emissions, thereby aiding the reduction of emissions across our value chain. By participating in the programme, our suppliers become eligible for Bank Negara Malaysia's Low Carbon Transition Facility ("LCTF"), which provides them with financing for capital expenditure that they can use to transition to low carbon and sustainable operations.

Management Discussion and Analysis (Cont'd)

Finally, acknowledging the importance of climate action, we have set up a comprehensive action plan to track and monitor Group-wide carbon emissions under KOSSAN carbon management and operation efficiency strategy. This is an important step in our sustainability journey, as this has open opportunities for different plants to work on effective carbon reduction projects and encourage involvement from all levels. We have expanded the carbon management effort to include full coverage of Scope 1 and Scope 2, whereas Scope 3 will be segregated in a few phases as to ensure that everyone has the technical understanding and readiness to execute the action plan.



More information on GVC is available at <https://www.bnm.gov.my/-/cop27-gvc-lctf>

CHARTING THE PATH FORWARD

At the time of the publishing of this statement, the global economy remains in a state of flux. However, this does not mean that our strategies need to be equally uncertain.

While the pandemic recovery and the oversupply of gloves in the market precipitated a downturn in our financial performance during the year in review as well as the headwinds affecting the glove sector, the Group expects the performance for FY2023 to be severely challenging. However, the Group remains positive on the glove industry and will continue to focus on effective cost management and accelerating the transformation into digitalisation and automation across the operations to increase productivity and efficiency.

Nevertheless, we retain a cautious future outlook, conscious of the potential for further market shocks. On that note, we have decided to temporarily put on hold our near-term expansion plans, due to the prevailing demand-supply situation. Therefore, this allows us to focus on driving operational efficiency across our existing manufacturing facilities without the risk that comes with installing additional capacity.

Looking further into the future, we see an evolution in the glove landscape towards specialist products that meet the hygiene and protection needs, as well as regulatory requirements of specific industries and applications. In meeting these needs, we will invest further in our research and development capabilities and launch a wider range of glove products. Technology will be a key differentiator in this future landscape, and through our continuous investment in plant improvements and the integration of technologies, we are ideally placed to capitalise on the growth opportunities that will be in store.

Lastly, this is a good time for us to align our focus and strategies, as we reorganise our resources to continue strengthening KOSSAN, and prepare for the better future ahead.

Tan Sri Dato' Lim Kuang Sia

Group Managing Director/Chief Executive Officer

THE MARKET AND TRENDS THAT SHAPE US

Operating Environment

A Challenging Macroeconomic Environment

The sluggish global economy of 2022 is expected to carry through into 2023, resulting in a global growth rate of 2.9%¹. This is reflected in significant slowdowns amongst the world's largest economies, including the USA, the Eurozone and China.

High inflation is also expected to persist into 2023, albeit at a lower level. A global inflation rate of 6.6% is expected for the year, followed by a tapering to 4.3% in 2024², which nevertheless remains significantly higher than levels seen across the past two decades. As a result, national governments are expected to raise or maintain higher interest rates, thereby increasing the cost of borrowing and dampening business investment sentiment.

These factors, alongside continued supply chain disruptions, the damaging Russia-Ukraine conflict and weakened consumer spending power due to the global cost-of-living crisis, amount to a challenging macroeconomic environment that will continue to affect export-led companies in the short-to-medium-term.

Market Trends

Glove industry is strongly influenced by global and local market trends.

The New Normal

Over the course of 2022, the world's major economies undertook a relaxation of COVID-19 restrictions. This led to a resurgence in spending and a pronounced recovery in key sectors including finance, tourism and manufacturing, while workplaces returned to normal or hybrid work arrangements.

The post-pandemic recovery has led to a sharp decline in demand for personal protective equipment ("PPE"), severely impacting the revenue of glove producers. Moreover, inventory destocking from customers, together with the existing players who ramped up their expansion to meet the pandemic-era glove demand, and new players that emerged and entered the market, have contributed to the surge in capacity. This has resulted in lower Average Selling Price ("ASP") which should persist over the short-to-medium-term.

On a more positive note, the pandemic has raised public awareness of hygiene, and this should lead to a strong rebound in demand for gloves once the oversupply situation has corrected, boding well for the long-term health of the industry.

Increasing Awareness of Health and Hygiene

The pandemic created awareness of the importance of proper hygiene practices while accelerating demand for PPE, with producers of gloves and face masks benefitting significantly.

While the pandemic has now subsided, the risk of further global health challenges remains, and businesses and individuals have continued to prioritise high quality healthcare and proper hygiene. This can be seen in heightened safety and health standards across workplaces, a continued stream of new hygiene products launched by fast moving consumer goods players, and increased government investment in healthcare across the world.

The Globally Ageing Population

Driven by advancement in medical science, improvements in public health and better living conditions, global life expectancy has increased dramatically over the past few decades, and now stands at 73 years as of 2023³.

This phenomenon is having various effects, ranging from rising retirement ages to greater dependency on younger generations to support their older relatives. Most importantly, the ageing population places pressure on existing medical infrastructure around the world, forcing governments to invest in increasing the capacity of existing facilities and in new healthcare technologies. As a by-product, demand for gloves and other PPE is set to rise steadily in the years and decades to come.

Wider Applications of Gloves Across Industries

Once the preserve of the medical industry, gloves have since become widely adopted across a variety of sectors including electronics, manufacturing, food service, cleaning and automotive. This is being driven by increasingly stringent health and safety, and product quality regulations, wherein gloves are an essential means of preventing the spread of infections, reducing the risk of hazards, and minimising exposure to germs and bacteria. Meanwhile, with technology continuing to be key driver of innovation and value creation, gloves will be in high demand to prevent contamination in research and development labs.

In totality, the increased demand for gloves across key sectors presents a major growth opportunity for glove manufacturers.


Source:


1 & 2 IMF: World Economic Outlook Report January 2023, <https://www.imf.org/en/Publications/WEO/Issues/2023/01/31/world-economic-outlook-update-january-2023>


3: Macrotrends: World Life Expectancy 1950-2023, <https://www.macrotrends.net/countries/WLD/world/life-expectancy>

STAKEHOLDER ENGAGEMENT




We engage with our stakeholders to gain a clear and comprehensive picture of our impacts as an organisation. The insights we gain from these engagements aid us in developing strategies that deliver sustainable shared values for all.

Employees		As needed	Ongoing	Annually
 <p>Why They Are Important</p> <p>Our employees and the skills they offer are vital to the current and future success of the Group, as reflected in "Vibrant Human Capital" being one of our sustainability principles.</p>	<p>Key Areas of Concern</p> <ul style="list-style-type: none"> • Compensation and benefits • Exit and retirement benefits • Transparent performance reviews • Career advancement • Health, Safety and Environment policies and approaches 	<p>Engagement Method & Frequency</p> <ul style="list-style-type: none"> • Employee engagement survey • Performance appraisal • Volunteer programmes • Wellness programmes • Company intranet 		
	<p>Our Response</p> <ul style="list-style-type: none"> • Launching our Wellness Centre to provide physical and mental health support to our employees • Initiating our Workplace Health Programme to support holistic wellbeing amongst our employees 	<p>Link to Material Matters</p> <ul style="list-style-type: none"> • People Development • Social Compliance & Labour Practice • Workplace Safety • Health & Wellness 		

Customers		As needed	Ongoing	Annually
 <p>Why They Are Important</p> <p>Our customers are the heart of our business, and their continued satisfaction is core to our ability to deliver sustainable shared values.</p>	<p>Key Areas of Concern</p> <ul style="list-style-type: none"> • Product and service quality • Timely delivery of products and services • Workplace safety and security • Ethical business conduct 	<p>Engagement Method & Frequency</p> <ul style="list-style-type: none"> • Corporate announcements • Media announcements • Meetings • Company website • Tradeshows • Satisfaction survey • Social compliance audits 		
	<p>Our Response</p> <ul style="list-style-type: none"> • Continuing to actively engage our customers on key matters related to product and service delivery • Continuing to keep customers informed on product updates 	<p>Link to Material Matters</p> <ul style="list-style-type: none"> • Product Quality & Safety • Ethical Business • Partnership & Collaboration • Social Compliance & Labour Practice • Workplace Safety • Climate Change 		

Shareholders, Investors, Analysts & Bankers		As needed	Ongoing	Annually
 <p>Why They Are Important</p> <p>Our shareholders are our source of capital, and they expect that we will deliver continued profitability, leading to significant monetary benefits.</p>	<p>Key Areas of Concern</p> <ul style="list-style-type: none"> • Economic and financial performance • Dividend and growth prospects • Sustainability performance and tracking 	<p>Engagement Method & Frequency</p> <ul style="list-style-type: none"> • General meetings • Corporate announcements • Investors conference and analysts briefings • Media release and interview • Company website 		
	<p>Our Response</p> <ul style="list-style-type: none"> • Providing regular updates on our performance across: <ul style="list-style-type: none"> - Dividends growth prospects - Sustainability, social investment and corporate governance - Investment in automation and digitalisation 	<p>Link to Material Matters</p> <ul style="list-style-type: none"> • Ethical Business • Product Quality & Safety • Climate Change • People Development • Partnership & Collaboration 		

Stakeholder Engagement (Cont'd)

Authorities & Regulators		As needed	Ongoing	Annually
 <p>Why They Are Important</p> <p>Authorities and regulators are our gateway to key markets and opportunities. As such, it is vital that we work closely with relevant bodies at the federal, local and municipal level.</p>	<p>Key Areas of Concern</p> <ul style="list-style-type: none"> Adhering to regulatory requirements Adhering to government policies Delivering strong economic performance Addressing key environmental issues Engaging with the public and local communities 	<p>Engagement Method & Frequency</p> <ul style="list-style-type: none"> Meetings Industry association meetings Reporting on regulatory requirements and compliances Site inspections and visits Correspondences 		
	<p>Our Response</p> <ul style="list-style-type: none"> Continuing to conduct regular engagements with various government and regulatory authorities on issues related to our businesses 	<p>Link to Material Matters</p> <ul style="list-style-type: none"> Waste Management Climate Change Water & Effluents Management Workplace Safety Health & Wellness Ethical Business 		
Local Communities & Societies		As needed	Ongoing	Annually
 <p>Why They Are Important</p> <p>As a sustainable and community-oriented organisation, we believe that our operations should provide social and economic benefits to local communities.</p>	<p>Key Areas of Concern</p> <ul style="list-style-type: none"> Economic wellbeing of local communities Sustainable and meaningful employment opportunities Workplace safety and health Delivering positive impact to surrounding communities and natural environments 	<p>Engagement Method & Frequency</p> <ul style="list-style-type: none"> Corporate social responsibility programmes Company website Local council meetings Project launches 		
	<p>Our Response</p> <ul style="list-style-type: none"> Driving community development through financial assistance, charity programmes, and sponsorship of relevant initiatives Conducting CSR programmes 	<p>Link to Material Matters</p> <ul style="list-style-type: none"> Partnership & Collaboration Community Wellness 		
Vendors/Suppliers		As needed	Ongoing	Annually
 <p>Why They Are Important</p> <p>Our suppliers and vendors provide us with the materials and services we require enabling our businesses to serve the customers and communities.</p>	<p>Key Areas of Concern</p> <ul style="list-style-type: none"> Payment terms Contract terms and conditions Future business dealings 	<p>Engagement Method & Frequency</p> <ul style="list-style-type: none"> Meetings and briefings 		
	<p>Our Response</p> <ul style="list-style-type: none"> Ensuring our suppliers and vendors understand our business needs Clearly communicating our stance on integrity, labour and human rights, inclusivity, health and safety, and the environment 	<p>Link to Material Matters</p> <ul style="list-style-type: none"> Climate Change Ethical Business 		

IDENTIFYING OUR MATERIAL MATTERS

In 2022, material sustainability matters were identified to understand factors that are critical to KOSSAN's business and the level of importance to our stakeholders.

The process of materiality assessment was guided by the Global Reporting Initiative ("GRI") sustainability standards, a widely adopted global standards for sustainability reporting, and Bursa Malaysia Sustainability Reporting Guide (3rd Edition). In addition, we have also adopted several goals under the United Nations Sustainable Development Goals ("UN SDGs") Agenda which are important and relevant to KOSSAN.

GLOBAL REPORTING INITIATIVE

GRI is an independent international organisation which helps businesses and governments worldwide understand and communicate their impact on critical sustainability issues. GRI Standards are the most widely adopted global standards for sustainability reporting and are designed to enhance the global comparability and quality of information on these impacts, thereby enabling greater organisational transparency and accountability.

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

UN SDGs are 17 interconnected and equally valued initiatives aimed to build a sustainable and inclusive world by 2030. Unanimously committed by 193 nations in 2015, the 17 sustainability goals contain 169 proposed targets with implementation strategies for countries to adopt.

Based on the assessment process in FY2022 (Identification, Prioritisation, Respond and Management), we have conducted a review and reassessment in FY2022.

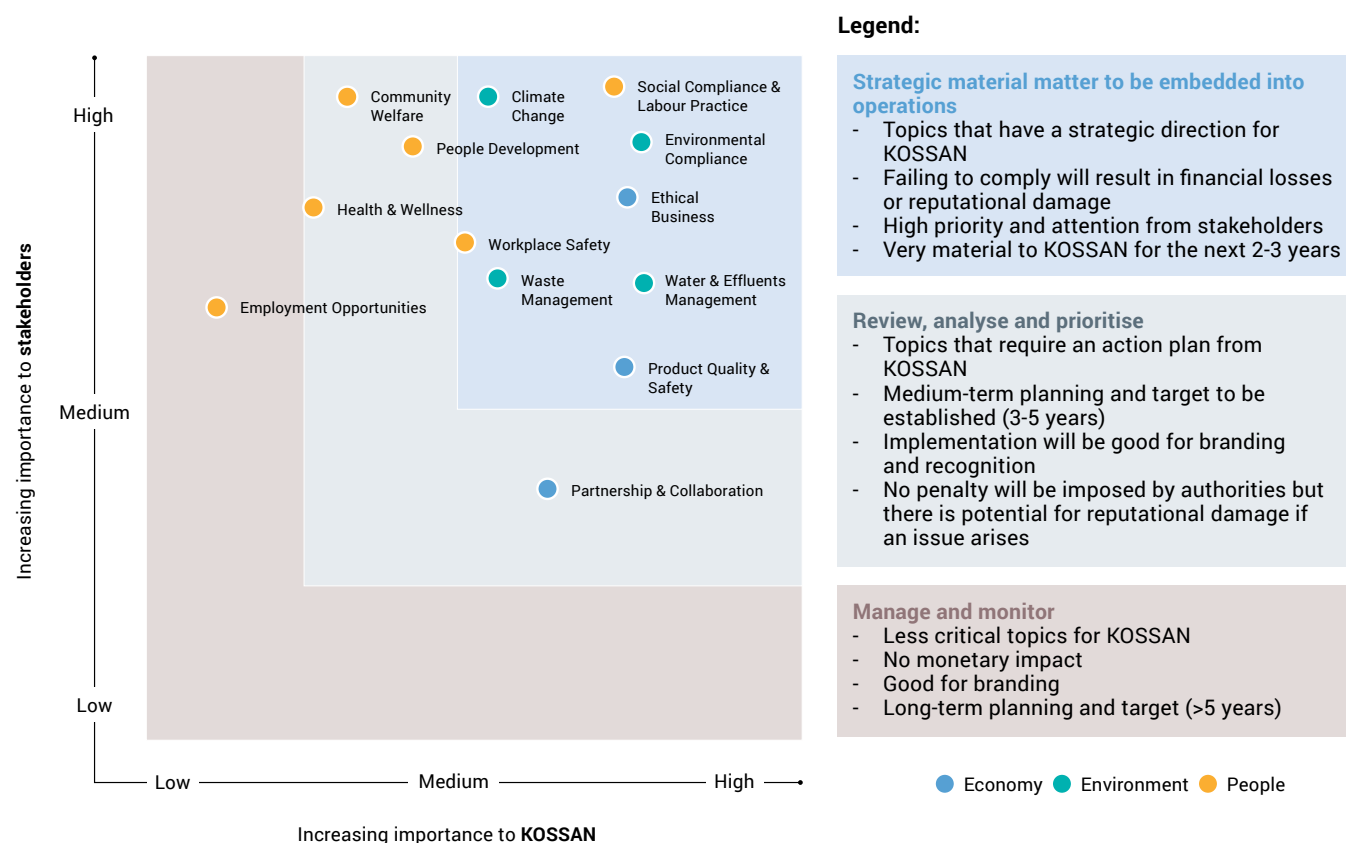
The following are the reassessment process of our materiality profile:



13 topics were identified and reviewed. In FY2021, the assessment was done to identify, analyse and recommend action to the Management.

Identifying Our Material Matters (Cont'd)

In FY2022, the matrix was introduced and mapping the material matters to the matrix was done based on the same foundation i.e. level of importance to the stakeholders and business and ranked it Low to High Importance quadrant.



The identified sustainability matters were categorised into three (3) wide sustainability factors, based on GRI standards – Economy, Environment and People. From thereon, the most material sustainability matters are categorised under “Strategic & Embed”:

KOSSAN's Most Material Sustainability Matters	
● Climate Change	● Workplace Safety
● Social Compliance & Labour Practice	● Waste Management
● Environmental Compliance	● Water & Effluents Management
● Product Quality & Safety	● Ethical Business

Changes made upon completion of the review process (as compared to FY2021):

1. Pollution Management renamed to **Waste Management**.
2. Energy & Emission renamed to **Climate Change**.
3. Partnership with Schools renamed to **Partnership and Collaboration**.
4. New inclusion of material matters i.e. **Environmental Compliance** was included.
5. Water Management renamed to **Water & Effluents Management**.

Other material matters remain the same.

Identifying Our Material Matters (Cont'd)

Each of the 13 material matters identified for FY2022, and their importance to our business and our key stakeholders, is elaborated on below.

Material Matter	Description	Importance to the Group	Importance to Our Stakeholder Groups	Stakeholder Groups Affected
Generating Sustainable Economic Value				
Ethical Business	The policies and practices we institute to protect against unethical business conduct, including bribery and corruption, across our organisation.	As a responsible organisation, it is critical that we safeguard against the long-term damage that may be caused by any incidents of unethical business conduct.	Any incident of unethical business conduct would directly impact how our stakeholders view us, could lead to financial penalties, and would have a long-term impact on our reputation and business prospects.	<ul style="list-style-type: none"> • Customers • Shareholders, Investors, Analysts & Bankers • Authorities & Regulators • Vendors/Suppliers
Product Quality & Safety	The measures we enact to ensure strict compliance to product quality, safety and performance standards, including by way of product testing, accurate labelling and a “vigilance system” for stakeholders to report any product quality and safety incidents.	Any incidents that occur as a direct result of shortfalls in quality or safety standards could result in financial penalties, product recalls and loss of reputation in key markets.	Any incidents relating to product quality and safety may result in extensive negative media coverage, thereby impacting the perception of our organisation across our key stakeholders.	<ul style="list-style-type: none"> • Customers • Shareholders, Investors, Analysts & Bankers • Authorities & Regulators
Partnership & Collaboration	The impact we have on local economy development through partnerships with schools, reputable NGOs and other community-based organisations.	Through strategic partnerships we can deliver long-term value for local communities, enhance our reputation amongst the general public, and earmark ourselves as a progressive and responsible organisation.	Our impact in local communities and amongst vulnerable groups directly influences the impression that important stakeholders form of us.	<ul style="list-style-type: none"> • Shareholders, Investors, Analysts & Bankers • Authorities & Regulators
Managing Our Environmental Impact: Combating Climate Change				
Environmental Compliance	Policies, practices and processes introduced and maintained to ensure we comply fully with all relevant national, local and industry-specific environmental regulations.	As environmental regulations evolve in step with changing norms and expectations around environmental protection, any incidents of non-compliance could result in financial penalties and reputational damage.	Any incidence of non-compliance would attract the attention of the media, draw scrutiny from regulators and the government, and may lead our customers to switch to other competitors.	<ul style="list-style-type: none"> • Customers • Shareholders, Investors, Analysts & Bankers • Authorities & Regulators

Identifying Our Material Matters (Cont'd)

Material Matter	Description	Importance to the Group	Importance to Our Stakeholder Groups	Stakeholder Groups Affected
Managing Our Environmental Impact: Combating Climate Change				
Waste Management	Strategies to minimise waste as a result of our production processes, and to minimise their discharge to the surrounding environment.	Waste makes up a large component of our environmental impact, and therefore also affect our reputation in the market and our ability to achieve our business targets.	Our customers increasingly view environmental impact as a key factor in deciding which companies to work with, while local communities and their economic activities are directly affected by wastes that are released in their vicinity.	<ul style="list-style-type: none"> • Customers • Authorities & Regulators • Local Communities & Society
Climate Change	Sustainable actions taken to reduce the carbon emissions generated by our operations, and to respond to extreme weather events and other externalities which may be caused by climate change.	As a responsible, future-oriented organisation, it is incumbent on us to set a positive example for the industry and to contribute to the nation's goal of attaining carbon neutral by 2050.	As climate change has become a foremost global issue, climate action taken by companies has become a key consideration for customers, government authorities, shareholders and the media alike.	<ul style="list-style-type: none"> • Customers • Shareholders, Investors, Analysts & Bankers • Authorities & Regulators
Water & Effluents Management	Sustainable actions taken to reduce the use of water and ensure its responsible discharge across our organisation.	Water has become a scarce resource and, as an environmentally responsible organisation, it is our duty to implement production processes that maximise the efficiency of the water we use and adopt water recycling strategies.	Our stakeholders form their impression and outlook of our organisation based on our environmental management strategies, of which water and effluents makes up a key component.	<ul style="list-style-type: none"> • Customers • Authorities & Regulators • Local Communities & Society
Creating Value Through Social Engagement				
Social Compliance & Labour Practices	Practices adopted to ensure that the rights and dignity of our employees and especially our migrant workforce are respected at all times, in line with local labour laws and globally-recognised standards.	The glove manufacturing industry relies upon foreign labour and, as a responsible producer, we must ensure that we are guided by a fair, ethical and non-discriminatory approach at all times.	Potential employees treat the labour practices track record of companies as a key consideration when deciding where to work, while authorities may sanction companies or remove access to markets based on labour practice violations.	<ul style="list-style-type: none"> • Customers • Shareholders, Investors, Analysts & Bankers • Authorities & Regulators • Vendors/ Suppliers • Local Communities & Society

Identifying Our Material Matters (Cont'd)

Material Matter	Description	Importance to the Group	Importance to Our Stakeholder Groups	Stakeholder Groups Affected
Creating Value Through Social Engagement				
Workplace Safety	Initiatives launched and actions taken to ensure the safety of our employees when carrying out our business activities.	Any occupational safety and health dangers not only threaten our valued workforce but have the potential to lead to accidents that may damage our reputation and lead to financial ramifications.	Government authorities and regulators are taking an increasingly stringent stance on workplace hazards, with the media likely to amplify news of any incidents linked to inadequacies in occupational safety and health standards.	<ul style="list-style-type: none"> • Customers • Shareholders, Investors, Analysts & Bankers • Authorities & Regulators • Vendors/Suppliers • Local Communities & Society
Health & Wellness	Actions taken to promote the holistic wellbeing of our workforce across physical, mental and social dimensions.	By taking care of our employees, we can maximise their potential and realise long-term benefits within our business in the form of greater productivity and innovation.	The way that organisations treat their employees has a direct link on its reputation amongst its key stakeholders, with these stakeholders increasingly adopting a more broad-based view of what constitutes workplace health.	<ul style="list-style-type: none"> • Customers • Shareholders, Investors, Analysts & Bankers
People Development	Programmes and initiatives introduced to upskill our employees in areas relevant to their continuous professional development and in line with evolving market trends and technologies.	By delivering meaningful learning and development programmes, we can improve our ability to attract and retain talent while driving uplift in human capital, better enabling us to meet our objectives and targets as a business.	Human capital has a direct effect on our operational efficiency, which in turn impacts our competitiveness and our ability to attract customers, drive investment and maintain our reputation.	<ul style="list-style-type: none"> • Customers • Shareholders, Investors, Analysts & Bankers
Employment Opportunities	Our commitment to and actions towards maintaining diverse, equitable and inclusive workplaces across the dimensions of race, gender, religion, age, socio-economic group and culture.	A diverse workforce is a stronger workforce, bringing together a wider range of perspectives towards driving stronger business strategies for sustainable growth and value creation.	Stakeholders increasingly see the embrace of diversity as a key indicator of a company's progressiveness and sustainability.	<ul style="list-style-type: none"> • Shareholders, Investors, Analysts & Bankers • Authorities & Regulators
Community Welfare	The initiatives we launch to support at-risk communities and meet the needs of society during trying times.	By contributing to local communities, we can maximise the reach and impact of the value we create while building a long-term reputation as a caring and responsible organisation.	The government of Malaysia views community activity as an indicator of our contribution to national development, while the media will likely place more focus on organisations that are active in local communities.	<ul style="list-style-type: none"> • Shareholders, Investors, Analysts & Bankers • Authorities & Regulators

OUR VALUE CREATION MODEL



Financial Capital

- The funds we use to carry out business activities and pursue growth opportunities.



Manufactured Capital

- The physical infrastructure we use to carry out production activities, including our plants and equipment.



Human Capital

- Our experienced workforce and the competencies, skills and knowledge they use to create value for the Group and our stakeholders.



Intellectual Capital

- Our established systems and processes, intellectual property and collective know-how.



Social and Relationship Capital

- The collaborative, trust-based relationships we have nurtured with our stakeholders.



Natural Capital

- The natural resources we use to produce our goods, and the processes we have adopted to reduce our environmental impact.

KEY INPUTS



- Effective management of balance sheet
- Exports to over 90 countries worldwide



- Fully equipped, technologically manufacturing plants across Malaysia
- Efficient production capabilities for gloves, technical rubber products and cleanroom



- Experienced Board and Management with diversified industry and corporate knowledge
- Ingrained, ISO-compliant processes for workplace safety
- Comprehensive in-house human rights governance practices



- More than 30 years of experience in glove production
- Experienced and specialised research and development team trained in advanced analytical and testing techniques
- In-house Research and Development Centre and independent testing laboratory
- In-house Quality Assurance Department
- Wide range of certifications in environmental management and quality assurance



- Longstanding partnerships with NGOs, schools and other community-based organisations
- Yayasan Kossan, our foundation for community development



- Enhance resource efficiency, including optimise utilisation of energy, water, raw materials and reduce waste generation
- Explore sustainable resources

Our Value Creation Model (Cont'd)

INITIATIVES



- Capitalising on growing demand for gloves in non-medical sectors
- Strategically exploring growth opportunities in emerging markets
- Undertaking cost management initiatives



- Accelerating digitalisation and automation of our production processes
- Leveraging our Enterprise Resource Planning ("ERP") system to drive operational efficiency



- Launching our Workplace Health Programme to support holistic employee wellbeing
- Offering training on environmental management and carbon accounting to our employees
- Providing third-party training to our workers to drive awareness of their rights and benefits



- Digitalising and automating a wider range of our production processes
- Launching a seismic isolator under our Technical Rubber Products ("TRP") division for structural protection against earthquakes



- Carrying out initiatives including financial assistance for underprivileged students, donations to animal shelters, free health screenings and more, through Yayasan Kossan
- Becoming a founding member of the Responsible Glove Alliance ("RGA")
- Partnering with 15 schools and 73 NGOs/government agencies



- Adopting a 3S strategy to reduce environmental impact, focusing on "Sustaining Energy", "Sustaining Water" and "Sustaining Landfill"
- Adopting our Climate Action Mitigation Strategy, including by adopting a carbon accounting system and database
- Undertaking emissions tracking activities across our Gloves and TRP divisions
- Installing solar panels across three of our plants
- Adopting a variety of energy-efficiency measures across our plants
- Availing our suppliers of financing for carbon accounting through Greening Value Chain ("GVC") programme

OUR OUTCOMES FOR FY2022



- Revenue = RM2.34 billion
- Profit Before Tax = RM213.52 million
- Total assets = RM4.33 billion
- Shareholders' equity = RM3.90 billion
- Basic earnings per ordinary share = 6.16 sen
- Dividend payout per share = 2.5 sen (in respect of FY2022 and paid on 22 March 2023)



- Increased operational efficiency of our production activities
- Gained clear oversight of our manufacturing processes in order to carry out streamlining in future



- 127,736 learning and development hours across our workforce
- 96% of our manufacturing facilities have obtained the ISO 45001 certification for Occupational Safety and Health



- Added new testing for disinfectant chemicals on our Low Derma ('LD') gloves
- Increased list of chemotherapy drugs tested on our Low Derma ('LD') gloves
- 14 types of glove products received Halal certification from bodies in Malaysia and the United Arab Emirates ("UAE")
- Kossan Rubber Industries Bhd. won the "Best Innovation Award" for large company category at the MRPMA IRICE22 Industry Awards
- Doshin Rubber Products (M) Sdn. Bhd. won the "Best Engineering Product Award" at the MRPMA IRICE22 Industry Awards



- 43 community-based projects carried out, at a total investment of RM534,765
- 963 Kossanians volunteered for community-based causes
- All of our gloves factories received WRAP GOLD certification for humane and ethical manufacturing



- Scope 1 & 2 carbon emission of our Gloves division has decreased by 20.4% against FY2021
- Natural gas consumption and purchased electricity consumption of our Gloves division have declined by 23.4% and 12.1% respectively comparing to FY2021
- Overall waste generated of our Gloves division has dropped by 9.2% comparing to FY2021
- 74% of our manufacturing facilities certified with ISO14001:2015 (EMS)

RISK AND MITIGATION

As a glove manufacturer with a global presence, we are exposed to various risks that are inherent to the global macroeconomic environment, the legal and regulatory landscape, the employment market and more. These risks have the potential to affect not only our business but also how our stakeholders view us, and as such we adopt a proactive approach towards identifying, monitoring and managing relevant issues.

Based on our Group-wide risk management process, five key risks were identified in FY2022 as most relevant to our business and stakeholders. These risks and our corresponding mitigation actions are outlined below.



Cybersecurity

CONTEXT

With the cybersecurity landscape evolving and cyber attacks becoming more sophisticated in nature, insufficient protection of our systems or inadequate backup processes may lead to leaks in data, confidential information and intellectual property, thereby compromising our reputation and potentially resulting in financial losses.

MITIGATION ACTIONS

- Installing appropriate security solutions such as firewalls and antivirus software
- Housing our equipment in secure facilities with physical protection
- Utilising sophisticated backup systems to mitigate against data loss
- Adopting policies and procedures while driving IT security awareness



Social Compliance

CONTEXT

Non-compliance with laws and regulations adversely impacts our ability to market our products and attract and retain clients. There are also potential legal ramifications, while any incidents of non-compliance may also damage our reputation.

MITIGATION ACTIONS

- Establishing a task force to regularly monitor and ensure compliance throughout our operations
- Committing to the fair and ethical treatment of all employees
- Remaining alert and adaptive to changes to and/or new regulations
- Ensuring staff are kept abreast of new regulations and the potential impact of non-compliance



Health and Safety

CONTEXT

Failure to comply with laws and regulations governing health and safety and to ensure the highest standards of health and safety across the Group could result in accidents that lead to injuries or fatalities, claims against the Group and damage to our reputation.

MITIGATION ACTIONS

- Ensuring a safe workplace for our employees through appropriate health and safety policies, procedures and best practices, in line with prevailing laws and regulations
- Providing appropriate insurance coverage to all employees
- Implementing mandatory health and safety induction and training programmes

Risk And Mitigation (Cont'd)



Competition

CONTEXT

The pandemic has created opportunities in terms of high demand for gloves, but it has also increased the competition within the industry.

Whilst the existing players have ramped up their expansion to meet the pandemic-era glove demand, new players have also emerged and entered the market, which contributed to a surge in capacity.

The increased supply in the market has resulted in price competition and shrinking margin across the industry.

MITIGATION ACTIONS

- Investing in our research and development capabilities to meet the protection needs and regulatory requirements of specific industries and applications
- Investing in plant improvements and the integration of technologies to drive differentiation
- Positioning ourselves to capitalise on growing markets for gloves, with a particular focus on emerging markets with low per capita glove consumption
- Focusing on cost management and operational efficiency in order to maintain our margins and drive competitiveness



People

CONTEXT

Attracting and retaining a high quality workforce enhances our ability to meet customer service standards, ingrain a positive work culture, build leadership competencies and carry out effective succession planning.

If we fail to do this, our human capital would be harmed, thereby impeding our ability to achieve our business objectives.

MITIGATION ACTIONS

- Maintaining a structured and competitive rewards and benefits structure to attract and retain good talent
- Providing conducive environments for job satisfaction while making sure our people are equipped with the skills and equipment to carry out their roles to the best of their abilities
- Ensuring a robust succession plan is in place to meet our current and future needs

OUR APPROACH TO SUSTAINABILITY

ABOUT THIS SUSTAINABILITY STATEMENT

In accordance with our commitment to create sustainable shared values for our stakeholders, employees, local communities and natural environments, we are proud to present our sustainability statement.

This statement discloses our plans, progress and performance on our sustainability journey for the financial year ended 31 December 2022 ("FY2022") and aims to provide an in-depth account of our efforts to create value across the Environmental, Social and Governance ("ESG") spectrum.

Reporting Scope and Boundary

This statement covers our strategies, actions and outcomes for reporting period 01 January 2022 to 31 December 2022, covering our Gloves and Technical Rubber Products (TRP) divisions, both of which the core operation & business units are located in Malaysia and the Group has direct management control.

Reporting Framework

This statement has been prepared with reference to the Global Reporting Initiative ("GRI") Standards and Bursa Malaysia Sustainability Reporting Guide (3rd Edition), with material matters aligned with the United Nations Sustainable Development Goals ("UN SDGs").

Further to this, our sustainability reporting framework is in accordance with the following guidance and standards:

- Bursa Securities Main Market Listing Requirements
- Bursa Securities Sustainability Reporting Guide (3rd Edition)
- Malaysian Code on Corporate Governance 2021
- FTSE4GOOD Bursa Malaysia Index Rating Guide
- Sustainability Related Indices Criteria (FTSE Russell ESG ratings, CDP Guidance Documents)
- Greenhouse Gas ("GHG") Protocol

Assurance

To ensure that all information and data (financial and non-financial) are reported accurately, this Report adheres with stringent governance frameworks and reporting standards. We have not obtained external assurance for this report but may explore to do so as our sustainability reporting progresses over time.

Feedback



Please address all feedback to our Corporate Sustainability Team at sustainability@kossan.com.my. You may also scan this QR code to provide feedback.

OUR SUSTAINABILITY JOURNEY

With the overarching aim of "Creating Shared Value Through Sustainable Ecosystem", our sustainability journey has spanned the past seven years, beginning with our first report and progressively developing through the embedding of sustainability in our processes and infrastructure towards the launch of the Kossan Sustainability Strategy and Blueprint and other key initiatives.

2016 – 2020

Compliance-based Reporting

- Adopting yearly sustainability reporting based on the Bursa Malaysia Sustainability Reporting Guide
- Engaging with an external consultant to draft the Kossan Sustainability Framework

2021

Capacity Enhancement & Roll-out

- Identifying improvement areas while enhancing data collection and reporting
- Enhancing our sustainability reporting to include disclosure of carbon emissions data across certain business levels and products

2022

Process Enhancement & Strengthening of Sustainability Infrastructure

- Improving the Kossan Sustainability Policy & Framework
- Establishing the Kossan Sustainability Committee
- Establishing sustainability initiatives based on key prioritised areas and periodic reporting
- Enhancing our sustainability infrastructure, including people, process and system
- Setting up our carbon accounting mechanism while enhancing data collection and disclosure for Scopes 1, 2 and 3

2023

Transformation & Integration to Business Strategies

- Launching the Kossan Sustainability Strategy and Blueprint
- Driving continuous improvements to our reporting mechanism (i.e. tracking and monitoring)
- Setting up the Kossan Sustainability Centre of Excellence ("KSCE")
- Introducing sustainability-related KPIs for our management

Our Approach to Sustainability (Cont'd)

2022 SUSTAINABILITY HIGHLIGHTS

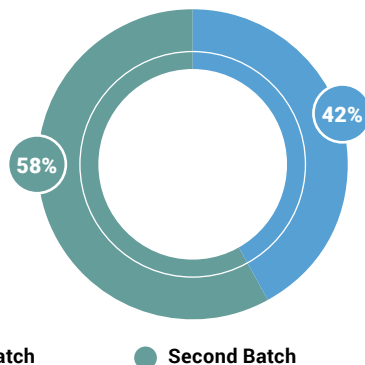
In FY2022, we made strides in our initiatives across the ESG spectrum, with key achievements including:

Participating in the Greening Value Chain programme

On 9 November 2022, Bank Negara Malaysia ("BNM") announced a strategic partnership with selected government agencies and private sector players to launch the Greening Value Chain ("GVC") programme. The programme was announced in conjunction with Finance Day at COP27 in Sharm El-Sheikh Egypt.

KOSSAN were selected to join the GVC Programme with the task of piloting private sector participation. Through the programme, our strategic SME supply chain partners are empowered to decarbonise their operations, with access to BNM's Low Carbon Transition Facility ("LCTF"), totalling RM2 billion.

Participation of our supply chain partners in the GVC programme



Driving operational efficiency via the digitalisation of our monitoring system

We recognise that operational efficiency is a key factor in achieving our sustainability targets. To this end, by ensuring a seamless monitoring system for our operations, we can drive process improvements and enable rectification actions to be carried out based on real-time data, translating to faster and more efficient actions.

This is the next step in our ongoing digitalisation journey, which has spanned over a decade and incorporated the use of Industrial Revolution 4.0 ("IR 4.0") technologies in our factories to optimise our business processes.

In 2022, we kicked-off projects in digitalising our monitoring system, with the aim of maximising product quality and output, as well as improving production lead times.



More information on GVC is available at <https://www.bnm.gov.my/-/cop27-gvc-lctf>



In-house factory operations platform

Objectives

Digitalisation of our stand-alone operating system into an integrated monitoring system

Investment Cost (RM)

In-house project management team



Lab Information Management System ("LIMS")

Objectives

Integrating laboratory data within our monitoring system

Investment Cost (RM)

RM1 million



Computerized Maintenance Management System ("CMMS")

Objectives

Enhancing our maintenance monitoring platform for faster rectification actions and new process improvement opportunities

Investment Cost (RM)

RM400,000

The digitalisation of our monitoring system will be conducted across 4 phases, and targeted to complete by 2025.

Safety, Health & Environment ("SHE") Management

As of FY2022:

96% of our plants have been certified with ISO45001:2018

74% of our plants have been certified with ISO14001:2015

In addition, FY2022 saw the launch of the Work Related Road Safety Program ("WRRS") in collaboration with the SOCSO and the Malaysian Institute of Road Safety Research ("MIROS") as a pilot project in one of our plants, in compliance with ISO 39001:2012.

Our Approach to Sustainability (Cont'd)



Driving awareness in Anti-Bribery & Corruption ("ABC")

In order to ensure continuous awareness of ABC, the Risk Management department distributed "Say NO to Corruption" posters to all 12 of our premises (including our plants and our corporate office). The poster was produced in four different languages to ensure it can be read and understood by all employees.

69 posters were distributed to 12 premises (plants and corporate office)

Driving glove innovation for shared value

In 2022, we launched our Low Derma ("LD") Technology sustainability initiative, #StayLOW, which is elaborated below:

THE LD™ TECHNOLOGY SUSTAINABILITY INITIATIVE

As a forward-looking company, unceasing innovation and the pursuit of sustainability initiative are key to our future, the health of glove users and the health of the environment.

Innovating towards
A leaner, more
Optimised
Formula

Reduces the use of unnecessary chemicals in a shorter, more streamlined manufacturing process that does not compromise on the protection/safety qualities. A leaner, more optimised formula also enables the proper formation of chemical bonds resulting in very little leaching of excessive chemicals during the glove manufacturing process. In turn, the waste treatment process is more efficient, and kinder to the environment.

Innovation for
Glove Users'
Health

Occupational hazards are unavoidable risks associated with specific industries. That's where gloves made with LD Technology play their part, by protecting users' health arising from common glove issues such as allergies, hand fatigue, motor skills diseases or unwanted injuries.

Innovating to
Give Back to Nature

As part of our #StayLOW green agenda, the goal is to develop and implement sustainable initiatives for the restoration of nature - on Land, under the Sea and in the Air.



Total Planted 200



Sea Exploring

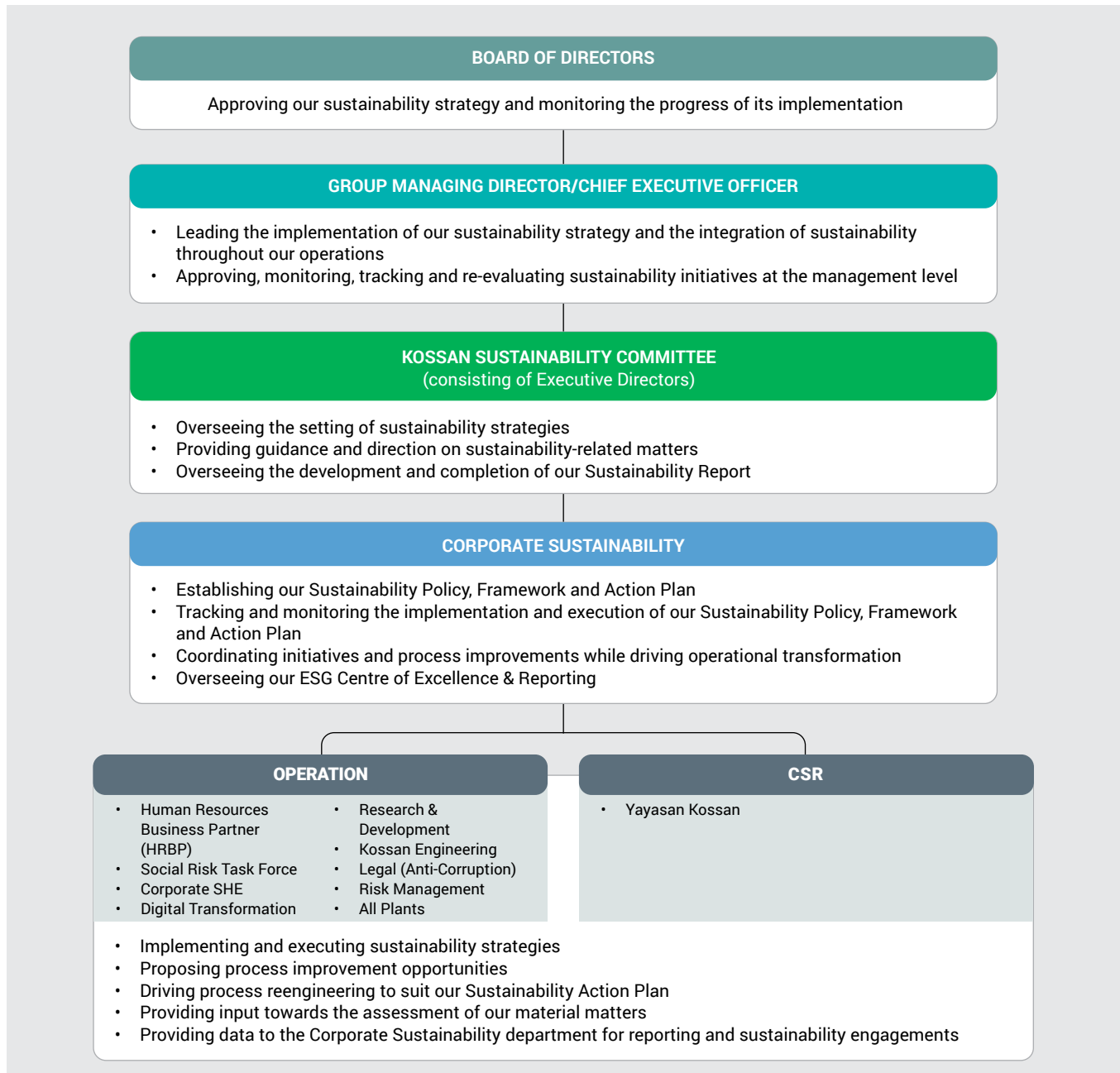


Air Exploring

Our Approach to Sustainability (Cont'd)

SUSTAINABILITY GOVERNANCE

KOSSAN Sustainability Governance structure is detailed below:



SUPPORTING THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS ("SDGs")

By aligning our sustainability strategies to relevant SDGs, we are able to benchmark our actions and their outcomes against global goals that have been identified as crucial to sustainable development around the world.



GENERATING SUSTAINABLE ECONOMIC VALUE

Generating Sustainable Economic Value

As one of the world's leading rubber glove producers, our operations deliver economic benefits to the local communities we operate in as well as our home country of Malaysia. However, in generating this value, we must make sure that we operate in ways that are responsible, always ensuring the quality and safety of our products while enforcing the standards of ethical business across our diverse workforce and supply chain. Equally, we strive to leverage our reputation and reach in developing meaningful partnerships and collaborations, enabling us to impact positive change beyond our business.



ETHICAL BUSINESS

In seeking to set a positive example in our industry, we take a stringent approach to ensure ethical business within our operations.

The Risk Management department took steps to drive awareness of what constitutes ethical business amongst our workforce, distributing “Say NO to Corruption” posters in four different languages to all 12 of our premises (including our plants and our corporate office). Through this awareness campaign, it is our hope that Kossanians will become more informed and empowered to report any incidents of unethical business practices they witness in the course of their day-to-day work.

Our Performance

In FY2022, we recorded zero cases of bribery and corruption.

PRODUCT QUALITY & SAFETY

At KOSSAN, we are driven to provide high quality, safe products and solutions that firmly align with market demand and the ever-evolving expectations of our customers around the world. To this end, both our gloves and technical rubber products are governed by high quality and safety standards.

By upholding our strict quality standards for our goods, services and overall operations, we are committed to playing our part in the value chain and upholding the trust that has been placed in us. Our strong Quality Management System (“QMS”) which makes sure that our quality standards comply with global regulatory requirements, serves as the direction for this.

We hold annual Management Review Meetings and Internal Quality Audits to evaluate the QMS’s successful implementation. Any gaps that are found are recorded and addressed as needed. In addition, follow-ups are carried out to ensure that closure has been achieved.

Generating Sustainable Economic Value (Cont'd)

Demonstrating the efficacy of our QMS, we continued to retain the following certifications during the year under review:

Certifications Related to QMS:

ISO 13485:2016 and EN ISO 13485:2016
MDSAP
ISO 9001:2015
CE 2797
UKCA 0086
MS 2636:2019 (JAKIM)
Malaysia MPPHM 2020, and MHMS 2020
Indonesia HAS 23000-1
UAE Halal National Mark, UAE.S 2055-4:2014
BRCGS CP Issue 4
MS 1500:2009
MS 2200:2013 Part 2
MDR (EU) 2017/745
PPER (EU) 2016/425 Module D
BS EN 681: Pt. 1
EN 15129, EN1337-3, EN1337-7
IATF16949:2016

Our gloves comply with quality management systems and regulations for medical devices, specifically ISO 13485:2016/EN ISO 13485:2016 Medical Device Quality Systems, US Food and Drug Administration Quality System Regulation (QSR), Europe Medical Device Regulation (EU) 2017/745, Canada Medical Device Regulation (SOR/98-282), Malaysia Medical Device Act (Act 737), Japanese Pharmaceutical Affairs Law (J-PAL), Australian Therapeutic Goods (Medical Devices) Regulations 2002 TG(MD)R, and UK MDR 2002.

Our stringent quality control system covers all phases of the product lifecycle, from raw materials to in-process and finished products, as well as products in research and development. It also includes detailed sampling plans, testing procedures, and acceptance and rejection criteria. In order to guarantee that our products are produced in a responsible and safe manner, our system also includes tools for detection, segregation and verification. In addition, our manufacturing processes include stringent inspection and testing procedures to identify any non-conforming products and prevent their distribution and unintended use. In supporting this, our dedicated regulatory assurance team ensures strict product compliance and accurate reporting at all times, and are updated with the latest regulations and requirements for our products, while our quality assurance team ensures that product quality, safety and performance requirements are met.

To ensure adherence to the technical and biological characteristics of various regulatory requirements, our products are tested in our in-house and external laboratories. Specifically, our TRP division is equipped with an in-house certified laboratory that is responsible for material design and product testing, enabling the delivery of products with internationally recognised technical quality. We also appoint accredited and experienced laboratories for clinical trials, with risk and impact assessments conducted and participant consent obtained prior to these clinical trials. On-going clinical trials are monitored by our regulatory assurance team to ensure that the trials are conducted ethically and in compliance with the Declaration of Helsinki.

During the year under review, we have added new testing for disinfectant chemicals based on the U.S Environment Protection Agency ("EPA") List N: Disinfectants for Coronavirus (COVID-19) and have improved protection by increasing list of chemotherapy drugs tested on our Low Derma gloves with consideration of the potential health risk that these drugs may cause to the glove users.

Demonstrating our consistent product quality standards, we retained the following certifications as a result of our extensive measures:

Certifications Related to Product Quality & Safety Standards:

US ASTM standards
Europe EN standards
Japan JIS standards
Australia and New Zealand AS/NZ Standard
International ISO standards
China GB Standards

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

Accurate product labelling is another key area of focus for us. To this end, we ensure that the labelling of all our products is accurate and in full compliance with the regulatory and safety requirements of importing countries, and strictly in adherence with our established labelling review process.

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

Generating Sustainable Economic Value (Cont'd)

Our Performance

In FY2022:

- We maintained our quality and regulatory standards, with no incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services.
- We achieved 93% customer satisfaction rate on our customer satisfaction survey covering four key areas: product quality, product innovation, services and regulatory compliances. Respondents of the survey contributed to 62% of accumulative sales in the year 2022. From the responses to the survey, analysis is conducted to identify areas for improvement and KOSSAN remains committed to constantly elevating customer experience and continuously improving the quality of our relationship with customers.
- We recorded zero incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labelling, and marketing communications, including advertising, promotion and sponsorship.

PARTNERSHIP AND COLLABORATION

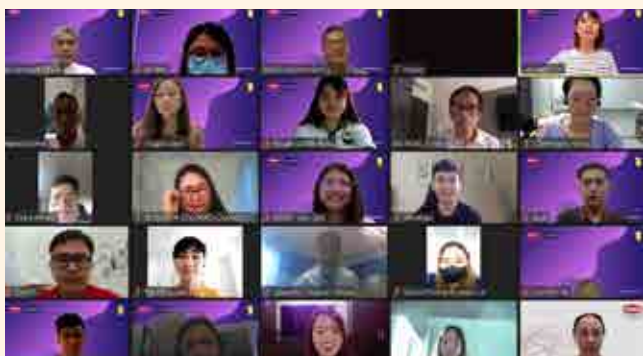
By collaborating with reputable NGOs, schools and other community-based organisations, we seek to maximise the reach of our sustainability initiatives and nurture the next generation of leaders. During FY2022, our efforts in this area focused on inspiring and upskilling students in tertiary education.

Through a career talk held at Kolej Vis Mechatronic in Taman Sri Muda, Shah Alam, our Corporate Human Resources department's talent acquisition team had the chance to meet 40 students from the Mechatronic Engineering department, delivering an hour programme on how to write an effective resume while also providing vital interview tips.



40 students from the Mechatronic Engineering department attended the career talk.

Meanwhile, our Research & Development team, held a virtual talk with students from Universiti Tunku Abdul Rahman (UTAR) on "Innovation of Sustainable Development to Shape the Future". The talk focused on innovation in the manufacturing and rubber industry and the importance of operating responsibly in line with climate change action. It was attended by more than 300 students.



Snapshots from the virtual talk at UTAR.

MANAGING OUR ENVIRONMENT IMPACT: COMBATING CLIMATE CHANGE

Managing Our Environment Impact: Combating Climate Change

We have a responsibility to act in ways that minimise our impact on the environment. With the aim of managing and preserving these valuable natural resources for current and future generations, we have adopted a comprehensive set of practices that drive environmentally responsible actions across the Group.

Our approach is guided at the highest level by our Environmental Management System (“EMS”) Framework, which is based on the ISO 14001 Environmental Management System standard. The EMS Framework contains six key components, which together drive a robust approach to managing our environmental impacts.



ENVIRONMENTAL COMPLIANCE

With environmental regulations changing in line with evolving expectations placed on manufacturers, we have adopted a stringent approach to compliance, striving to remain in tune and responsive to all national and local regulations that pertain to our industry, in addition to global standards and norms. Doing so not only creates long-term value for the environment, but also minimises our risk of incurring financial penalties and suffering reputational damage.

To this end, our environmental compliance commitment is prefaced on the need to conduct our business in a responsible manner, with the ultimate objective of preserving our planet and its resources for future generations. We are guided in this respect by our Group-wide framework. Aided by this structure, we carry out regular environmental assessments and audits that enable us to identify areas of non-compliance and formulate strategies to address these shortfalls.

KEY COMPONENTS OF KOSSAN'S EMS FRAMEWORK

- A ENVIRONMENTAL POLICY
- B ENVIRONMENTAL COMPETENT PERSONS
- C ENVIRONMENTAL ASSESSMENT
- D ENVIRONMENTAL OBJECTIVES AND TARGETS
- E ENVIRONMENTAL AUDITS
- F ENVIRONMENTAL TRAINING AND AWARENESS

A ENVIRONMENTAL POLICY

Within the framework, our Environmental Policy plays a central role. The policy is shared and communicated with all employees, vendors and other relevant stakeholders, outlining best practices in:

- ✓ Undertaking environmental protection actions
- ✓ Using natural resources and energy efficiently
- ✓ Managing emissions and waste
- ✓ Measuring and monitoring environmental indicators
- ✓ Reporting and resolving environmental issues
- ✓ Nurturing an environmentally conscious culture

Managing Our Environment Impact: Combating Climate Change (Cont'd)

B ENVIRONMENTAL COMPETENT PERSONS

At each of our plants, specific personnel are responsible for ensuring that our actions in managing industrial effluents and hazardous waste (or scheduled waste) remain in line with local environmental laws issued by the Department of Environment ("DOE").

The competent person for industrial effluents monitors real-time data and takes necessary measurements, with the aim of ensuring that discharge quality is compliant with local environmental regulations.

Meanwhile, the competent person for hazardous waste monitors waste disposal processes to ensure that waste is disposed safely and in accordance with local environmental regulations.

C ENVIRONMENTAL ASSESSMENT

To keep track of the environmental impact of our operations and develop mitigation measures in the event of any issue, Environmental Aspect and Significant Impact ("EASI") assessments are conducted on a regular basis. The results of these assessments guide our formulation of targets and enable us to develop timely mitigation measures to counter environmental issues.

D ENVIRONMENTAL OBJECTIVES & TARGETS

Guided by our Environmental Policy and the outcome of regular environmental data reviews, specific environmental targets are set to drive improvement in our performance. Our progress against these targets is monitored by plant-level Environment Departments and reported directly to plant-level Management, who then disseminate findings to Top Management at Group level.

E ENVIRONMENTAL AUDITS

Our plants and operations are subject to several environmental audits:

- Environmental audits conducted by the Internal Audit Department at Group level, with findings reported to the Audit Committee
- External audits conducted by the DOE, customers and other third parties (e.g. certification bodies)

In the aftermath of all audits, Management takes swift action to correct any areas of shortfall.

F ENVIRONMENTAL TRAINING & AWARENESS

To ensure that best practices are embedded throughout our workforce, employees are provided with role-specific training, with specific focus on the management of hazardous waste. Employees are also communicated on the outcomes of EASI assessments conducted, empowering them to carry through any mitigation measures which have been earmarked.

Specifically, we recognise that one of the biggest challenges facing the manufacturing industry lies in managing climate change. With the advent of IR4.0, emerging technologies such as automation, robotics, Artificial Intelligence (AI), Machine-to-Machine (M2M) communication and the Internet of Things (IoT), are changing the way the world operates. Nevertheless, all these technologies are leveraged by the KOSSAN Climate Mitigation Action Strategy.

With an overarching emphasis on operational efficiency, the strategy focuses on Sustaining Energy, Sustaining Water and Sustaining Landfill (3S).

SUSTAINABLE ECOSYSTEM TO CREATE OPERATION EFFICIENCY

SUSTAINING ENERGY

Improving energy efficiency by:

- Utilising alternative energy sources
- Conducting research and development on energy reduction mechanisms
- Introducing a new energy methodology to our operations

SUSTAINING WATER

Improving water footprint by:

- Reviewing water utilisation in our operations
- Utilising alternative water sources
- Improving our operating and maintenance procedures
- Undertaking process/operation analysis for reduction of water usage

SUSTAINING LANDFILL

Cultivating good waste management practices:

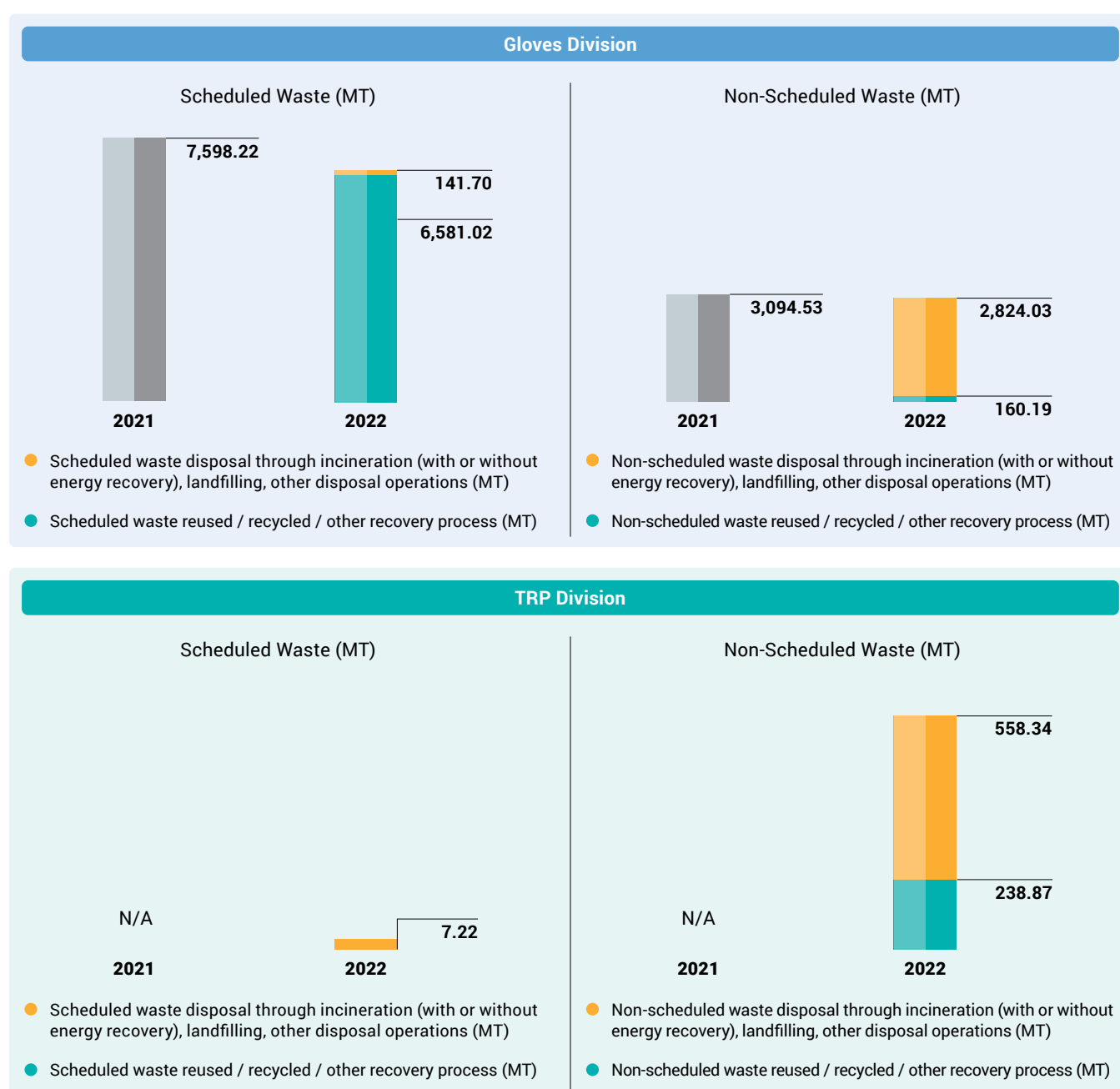
- Reducing
- Recycling
- Reusing
- Reengineering

Managing Our Environment Impact: Combating Climate Change (Cont'd)

WASTE MANAGEMENT

Waste management is one of our key focus areas in driving operational efficiency. We are equally cognisant that waste management is critical to address prevalent issues caused by landfills such as land contamination and heightened carbon emissions. To minimise environmental impact from our business activities, we are committed to reduce our overall waste generated and continuously enhance our waste management strategy.

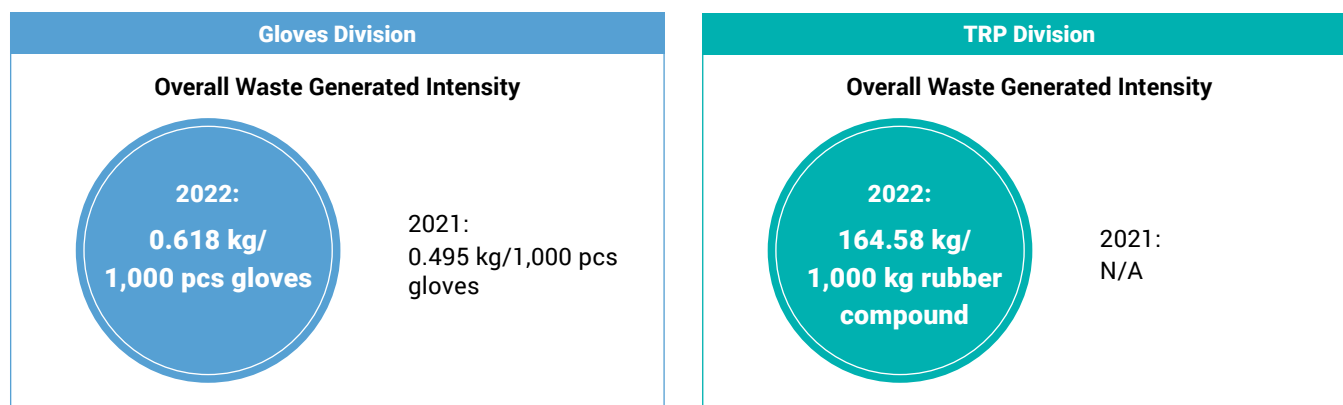
During the year under review, we commenced detailed tracking of our waste management performance across the Gloves and TRP divisions and have implemented extensive measures that is aligned to ISO 14001:2015 standards to drive our waste management strategy. Our measures primarily focus on constant monitoring, responsible consumption of resources and employing our 4R Strategy (Reducing, Recycling, Reusing and Reengineering) that enabled us to manage our waste systematically. Approximately 66.4% of overall waste generated from our operations in FY2022 was managed via recycling, reuse or through other recovery processes.



Managing Our Environment Impact: Combating Climate Change (Cont'd)

Our Performance

In terms of overall waste generated intensity, our Gloves division has recorded an increase from 0.495kg/1,000 pieces gloves in FY2021 to 0.618kg/1,000 pieces gloves in FY2022 due lower machines utilisation rate. Collection of performance data for the TRP division only commenced in FY2022, hence the following year's data will yield meaningful comparison.



Please refer to the Appendix page 66 for more data on our waste generated.

Scheduled waste generated within our operation mainly consists of sludge, which is a by-product of waste water treatment. As for non-scheduled waste, this largely comprises general waste, paper packaging, plastics, rubber dust, broken formers etc. Approximately 66.4% of our waste generated from operations have been managed via recycled, reused or through other recovery process.

Our scheduled waste is managed in accordance with the Department of Environment's ("DOE") Scheduled Wastes Regulations 2005 and is disposed through licensed contractors approved by the DOE. In addition, we report and disclose our scheduled waste generation via the relevant government portal, with no waste either imported or exported in FY2022.

In FY2022, we recorded 2 cases of non-compliance with fines relating to schedule waste labelling. We have taken immediate action to rectify the matters.

Responsible consumption of resources

Gloves Division

Raw Material	2021	2022
Latex Consumption Intensity	0.01007 MT/ 1,000 pcs gloves	0.01013 MT/ 1,000 pcs gloves
Nitrile Consumption Intensity	0.00772 MT/ 1,000 pcs gloves	0.00766 MT/ 1,000 pcs gloves

TRP Division

Raw Material	2021	2022
Natural Rubber & Synthetic Rubber Consumption Intensity	Disclosure begins in FY2022	424.899 kg/ 1,000 kg rubber compounded
Metal Components Consumption Intensity		503.657 kg/ 1,000 kg rubber compounded

As of FY2022, approximately 94% of our packaging (in terms of quantity) is made from recycled or recyclable materials. We will continually explore alternative materials to reduce reliances on non-recyclable items.

Managing Our Environment Impact: Combating Climate Change (Cont'd)

CLIMATE CHANGE

This material matter corresponds to the **Sustaining Energy** component of our Climate Mitigation Action Strategy.

As an issue that threatens the planet and all who live on it, climate change is a matter that must be considered and addressed by all corporate companies and especially those engaged in resource and emissions-intensive manufacturing activities. The urgency to take action on this front is only amplified by the Malaysian government's commitment to become a carbon neutral nation by 2050 and reduce carbon emissions intensity by 45% by 2030.

Throughout FY2022, we have placed focus on managing our impact of climate change on our operations, realising that immediate attention and action is needed in order to ensure that climate change will not disrupt our future operations and potential expansion. To this end, we are committed to reduce our carbon emissions via a 'reduce and optimise' strategy on energy consumption, which is in turn guided by our Climate Mitigation Action Strategy.

Kossan Engineering Sdn. Bhd. was tasked to look into the implementation and rolling out of renewable energy initiatives at our factories. As of 31 December 2022, three plants have successfully installed solar panels with the installed capacity of 3.16 MWp of solar energy, and we are presently exploring the feasibility of installing solar panels at other factories.

Realising the urgency of taking action, we have also introduced a comprehensive carbon accounting system and database, and have improvised our Green House Gas ("GHG") calculation methodology by taking Methane (CH₄) and Nitrous Oxide (N₂O) into consideration when calculating our emissions. In FY2022, emissions tracking commenced in our TRP division, while we also expanded our scope by tracking emissions from mobile combustion and other fuel sources that contribute to stationary combustion under Scope 1, as well as business travel and employee commuting under Scope 3. This expanded scope in emissions tracking will aid us in identifying our Group-wide emissions baseline, enabling us to develop plans aligned with the science-based reduction targets ("SBTi"), in line with the ambition of the Paris Agreement to limit global warming to 1.5°C and the Malaysian government's commitment to become a carbon neutral nation by 2050.

Our emissions reduction efforts are complemented by actions taken and processes adopted across our operations, including:

- ▶ Fitting all factories and offices with LED lights and solar-powered perimeter spotlights, while setting up lighting timers to reduce electricity consumption from lights
- ▶ Replacing diesel forklifts with electric forklifts and reach trucks
- ▶ Monitoring motors and promptly replacing inefficient ones
- ▶ Optimising oven settings and establishing parameters to maximise energy efficiency
- ▶ Taking actions to maximise heat loss prevention in dipping lines
- ▶ Installing various other production-related equipment and advanced technologies to optimise equipment efficiency, while optimising production parameters to reduce electricity consumption

Managing Our Environment Impact: Combating Climate Change (Cont'd)

For FY2022, natural gas consumption and purchased electricity consumption of our Gloves division have declined by 23.4% and 12.1% respectively comparing to FY2021. As a result of lower production demand in our Gloves division, gas consumption intensity and electricity consumption intensity has increased during FY2022. However, we are continuously looking into opportunities for operational transformation and reengineering in order to further reduce our energy consumption.

Beyond our operations, we are also taking action to assist our SME suppliers in their decarbonisation efforts through Bank Negara Malaysia's ("BNM") Greening Value Chain programme, through which suppliers can access a carbon accounting solution to measure their carbon emissions. Suppliers who participate can then receive funding to carry out emissions reduction strategies – such as adopting renewable energy – from BNM's Low Carbon Transition Facility ("LCTF").

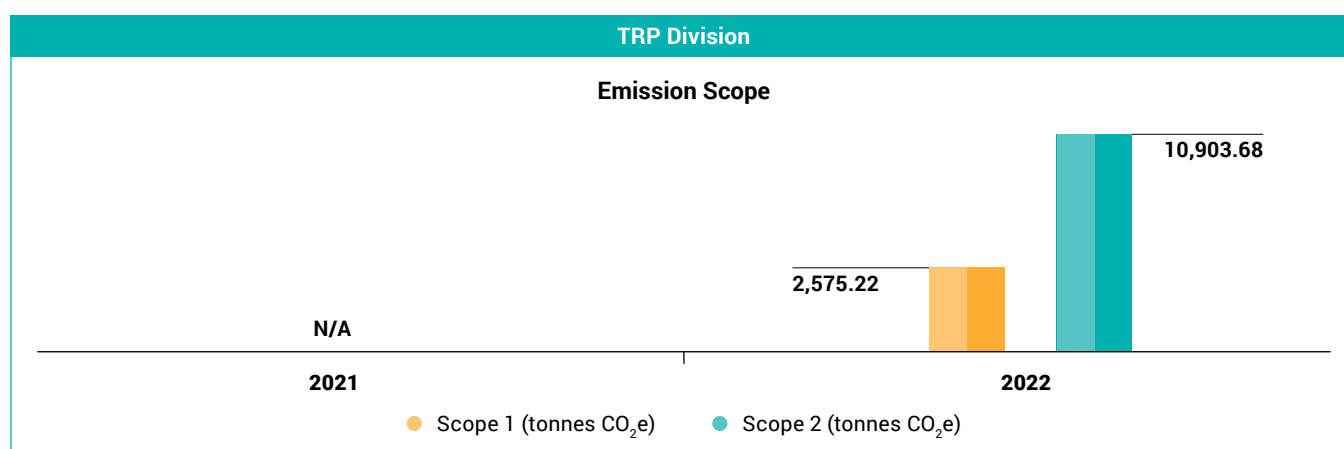
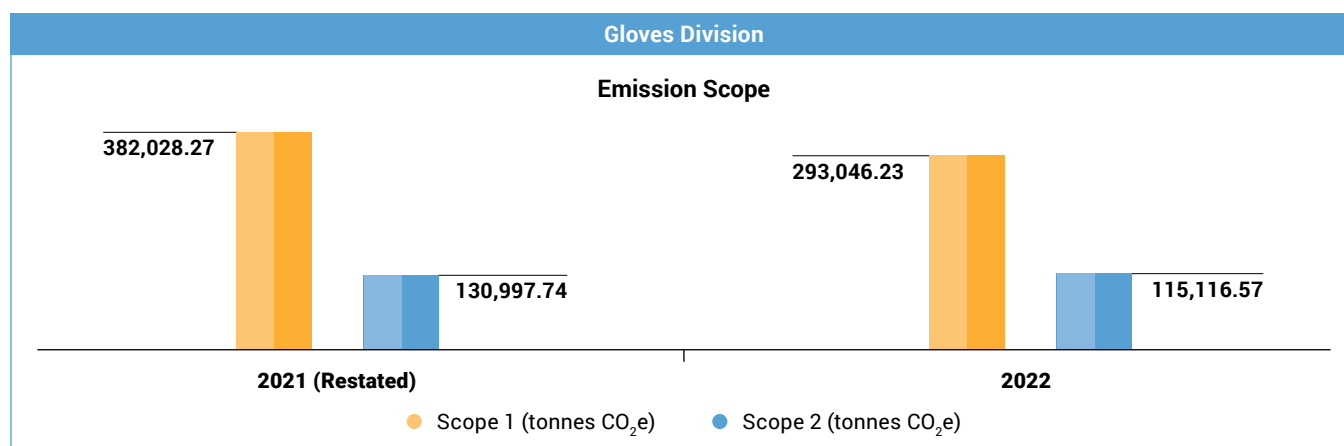
Moving forward and with the objective of minimising our emissions further, we will undertake further monitoring on our operational performance metrics, specifically in the areas of energy efficiency, water management and waste management, enabling us to identify the areas with the highest climate-related risks and develop feasible targeted approaches.



More information on GVC is available at <https://www.bnm.gov.my/-/cop27-gvc-lctf>

Our Carbon Footprint

As we only commenced the collection of emissions data in our TRP division during the year in review, FY2023 will yield meaningful analysis on the efficacy of our efforts.

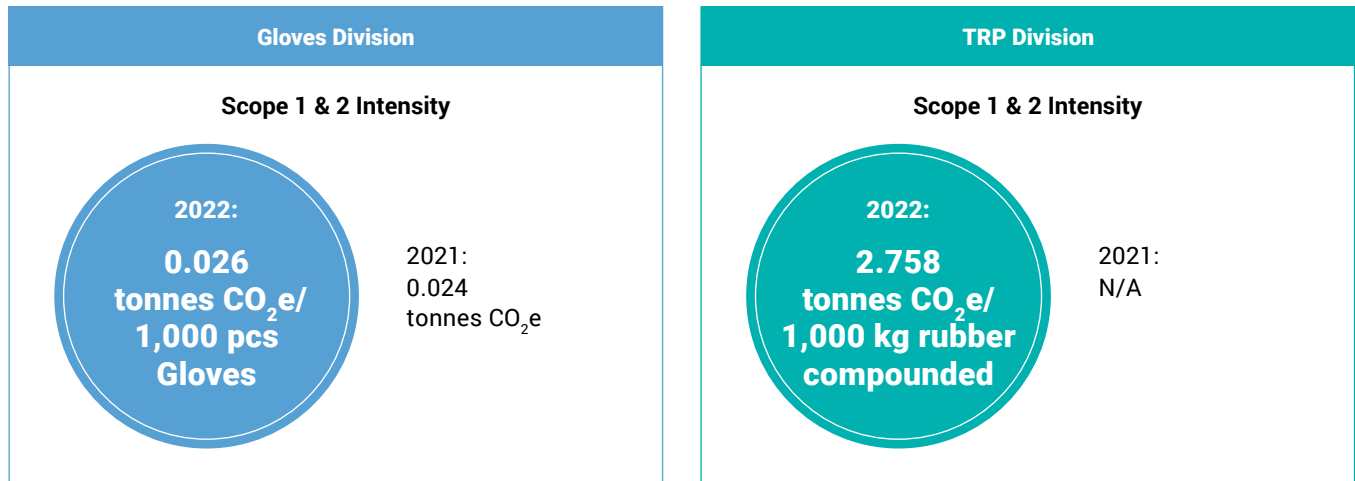


Managing Our Environment Impact: Combating Climate Change (Cont'd)

Scope 3 Emissions – 5,250.49 tonnes CO₂e

Note: Scope 3 emission comprises emission from business travels and employee commuting.

Due to lower production output during FY2022, the division's emissions intensity increased marginally.



Reduced Scope 1 emissions from stationary combustion in our Gloves division by

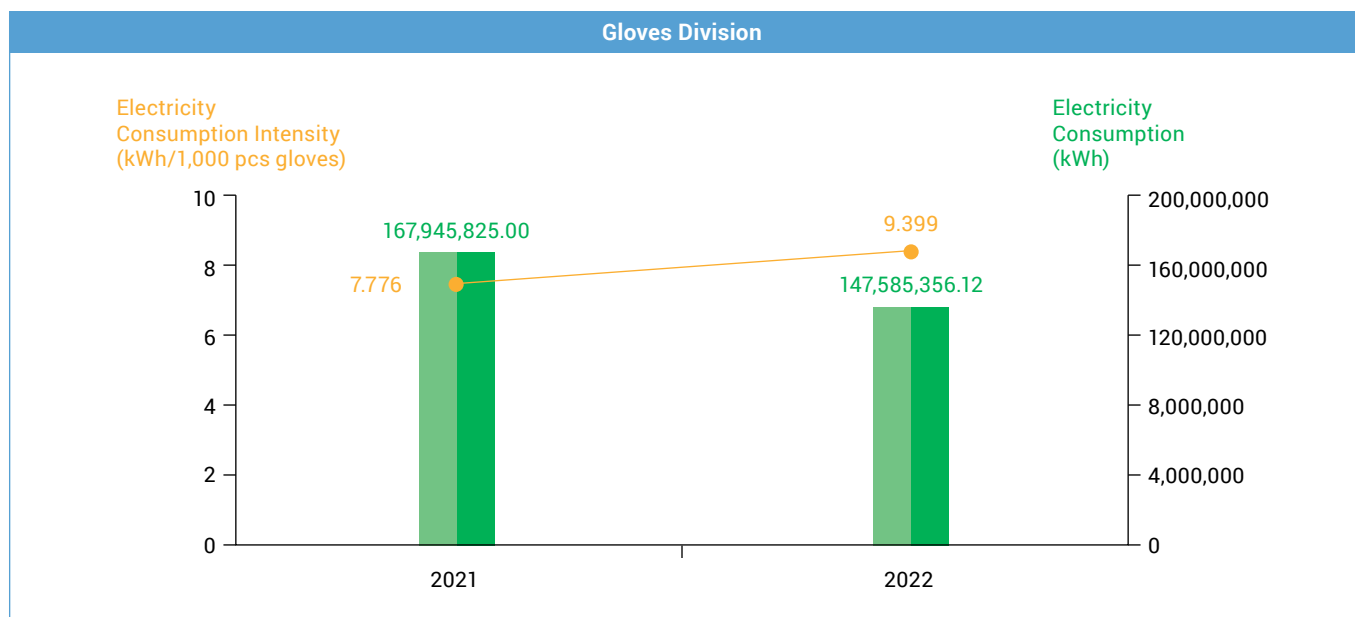
23.4%

Reduced Scope 2 emissions in our Gloves division by

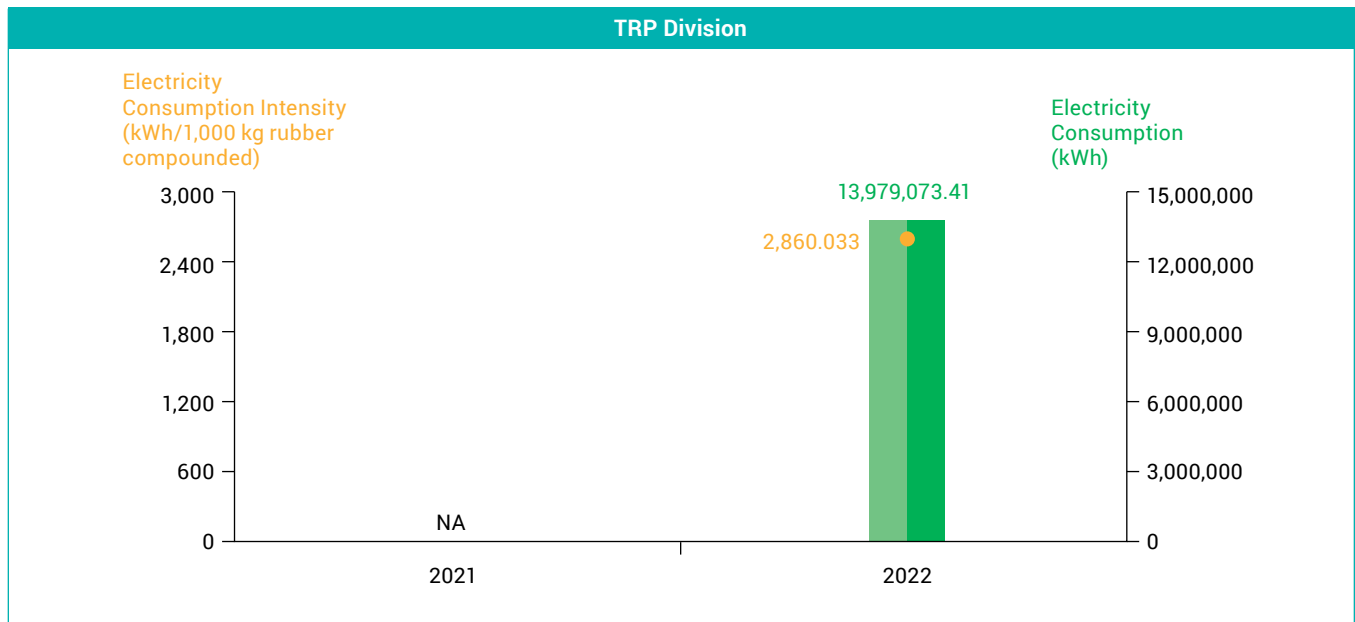
12.1%

🔍 Please refer to the Appendix page 67 for more data on our emission data.

Energy consumption of renewable and non-renewable fuels

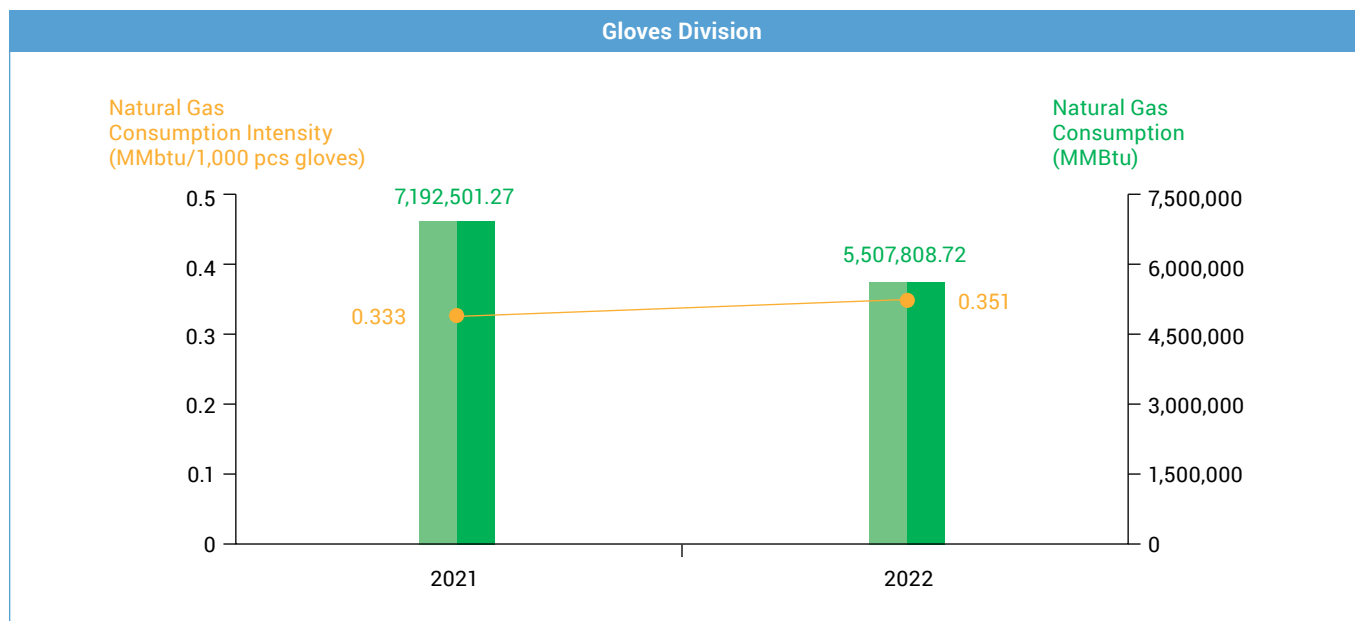


Managing Our Environment Impact: Combating Climate Change (Cont'd)

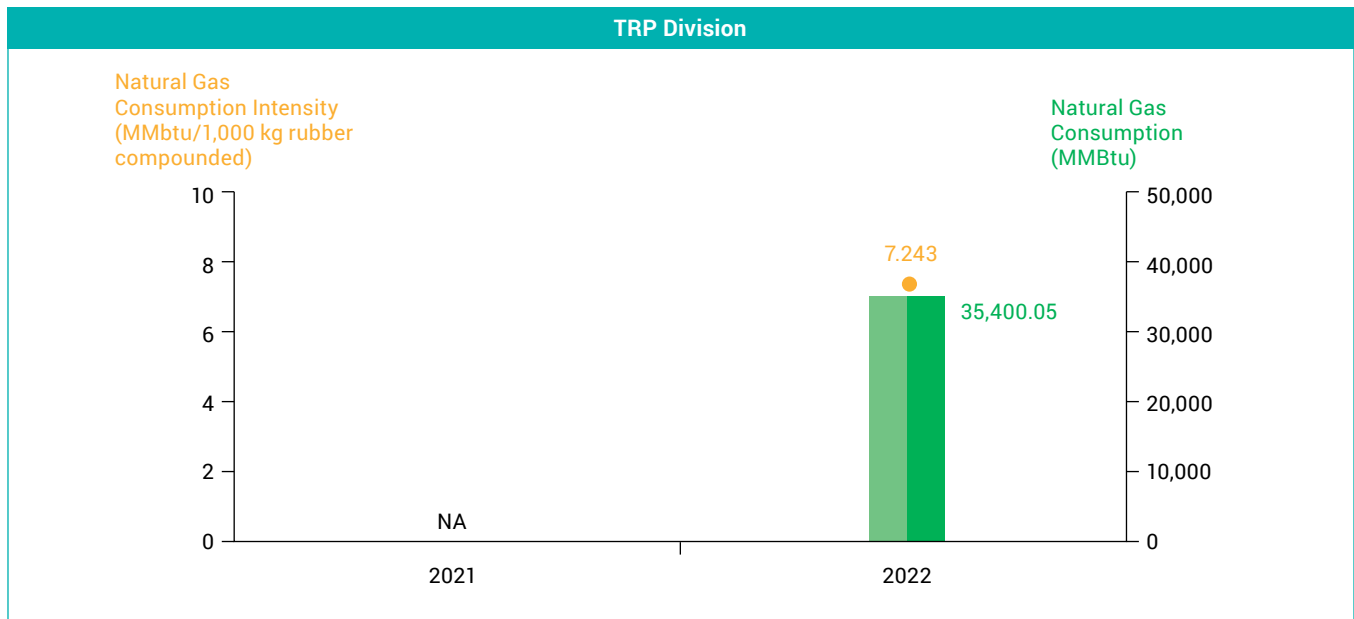


During the year in review, we also installed additional solar PV, supporting our renewable energy adoption journey.

- Increased our solar energy installed capacity by **0.55 MWp**



Managing Our Environment Impact: Combating Climate Change (Cont'd)



Please refer to the Appendix pages 68 to 69 for more data on our energy consumption.

WATER AND EFFLUENTS MANAGEMENT

Water is a key input in our manufacturing process and thus an area where we must place considerable attention within our overall environmental management agenda. Reflecting to our commitment to water stewardship, we strive to optimise the usage of water while minimising environment impact.

To reduce our reliance on municipal water sources, we began our first withdrawal of reclaimed water at certain manufacturing plants in year 2021. Accordingly, utilisation of reclaimed water has increased by approximate 60% from 0.71 million m³ in 2021 to 1.14 million m³ in FY2022. Overall, we recorded a total water withdrawal of 7.662 million m³, comprising approximately 85% water withdrawn from municipal water supply, while 15% of water withdrawal comprised of reclaimed water. Alongside this, we continue to explore alternative water sources as part of our water management strategy. In seeking to minimise water consumption and maximise water efficiency, we continuously review our production processes and introduce innovative methods to optimise water usage wherever relevant. Regular monitoring is carried out to track water withdrawal and water consumption intensity.

Our Performance

Raw Water Consumption

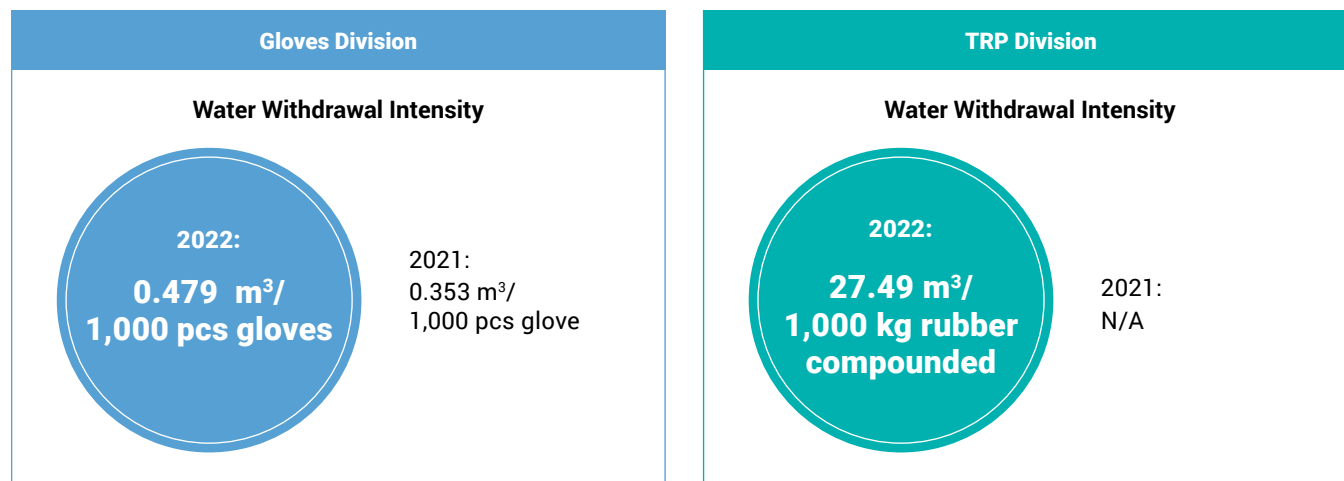
During the year under review, we witnessed a slight reduction in water consumption by our Gloves division, a trend which we intend to accelerate through effective water saving tactics moving forward.

- Reduced water consumption in our Gloves division by **0.7%**

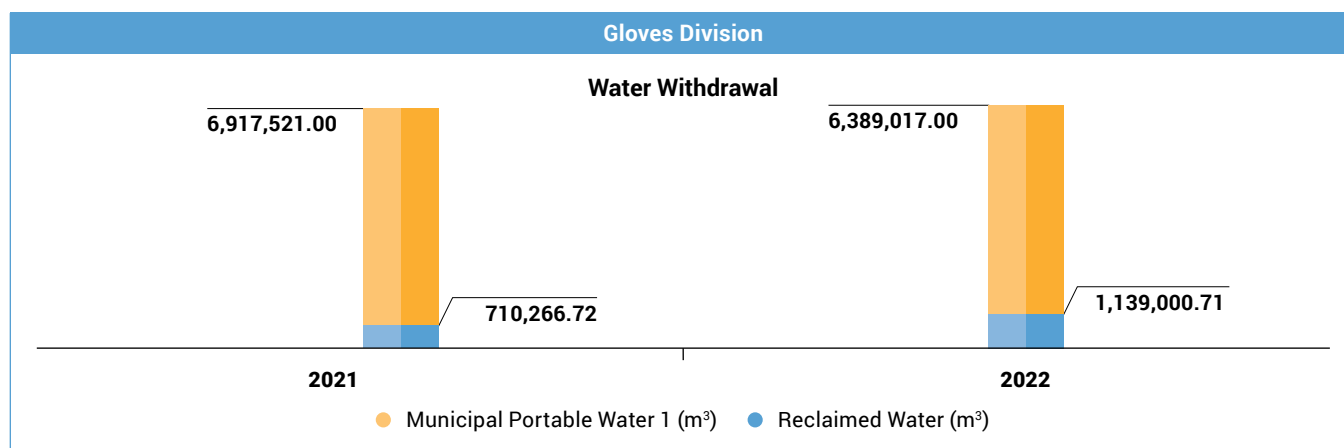
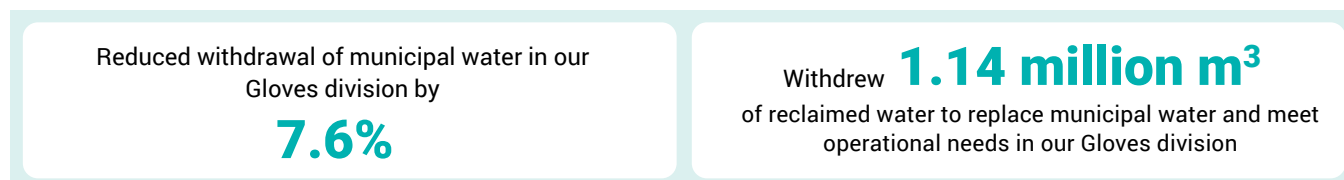
Managing Our Environment Impact: Combating Climate Change (Cont'd)

In our Gloves division, FY2022 also saw an increase in water withdrawal intensity from 0.153 m³/1000pcs gloves to 0.208 m³/1000 pcs gloves due to lower output demand.

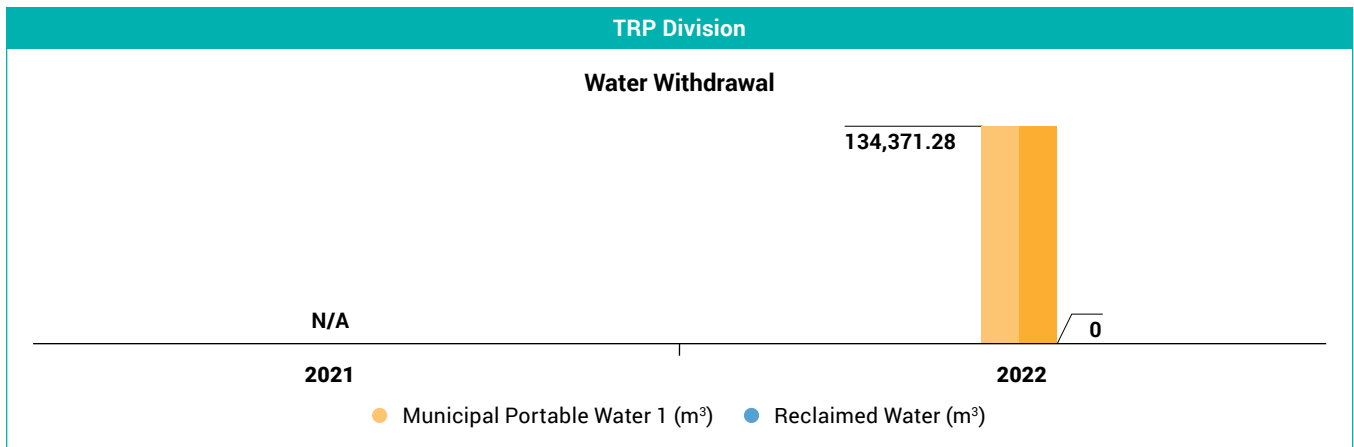
Meanwhile, with the commencement of water withdrawal data collection in our TRP division during the year under review, we will be equipped to develop strategies that minimise our impact in future.



Our withdrawal of reclaimed water to replace municipal water sources - as shown below - indicates strong progress in overall water stewardships across the Group. In FY2022, we commenced tracking of water withdrawal by sources in our TRP division, and hope to execute a similar transition to sustainable sources in this division over time.



Managing Our Environment Impact: Combating Climate Change (Cont'd)

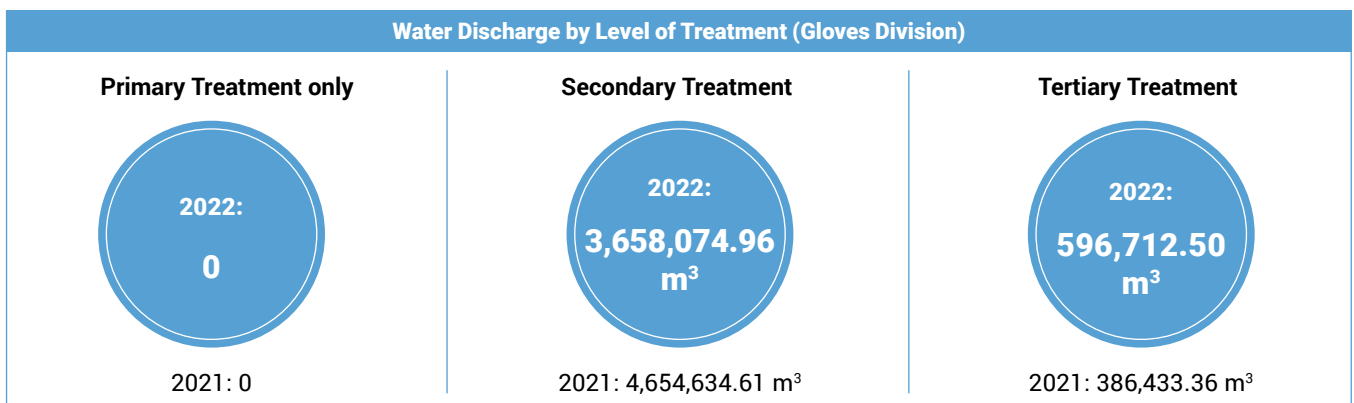


Driven by our dedicated teams of experts, our water management processes are in full compliance with ISO14001:2015 requirements. In managing wastewater discharge quality, constant monitoring is carried out to ensure our wastewater are adequately treated through our waste water treatment plant before discharge to the public drain. We have maintained Standard B for water discharged quality with relevant parameters pertain to biological oxygen demand (BOD), chemical oxygen demand (COD) and total suspended solids (TSS) meeting the standards set by the Malaysian Department of Environment (DOE) for effluent water discharge. Testament to our robust practices, we recorded zero reported incidents of non-compliance relating to effluents discharged during the financial year under review.

Driven by lower production levels in FY2022, our discharge of wastewater also decreased significantly.

- Reduced total wastewater discharge in our Gloves division by **15.6%**

During the year under review, a greater proportion of water discharged went to tertiary treatment, whereby inorganic compounds, bacteria, viruses and other contaminants are filtered and removed, making the water safe to the environment.



Note: There were no wastewater discharged by the TRP division



Please refer to the Appendix pages 69 to 70 for more data on our water consumption, withdrawal and discharge.

CREATING VALUE THROUGH SOCIAL ENGAGEMENT

Creating Value Through Social Engagement



In KOSSAN, we embrace people-first approach to create a positive workforce culture and quality relationship with the society. This includes providing a safe and conducive working environment, conducting community outreach programmes, established clear policy and guidelines as well as consistent engagement with the stakeholders.

SOCIAL COMPLIANCE AND LABOUR PRACTICES

In respecting the rights and dignity of our employees and recognising the particular challenges that migrant workers face in a foreign country, we strive to maintain a fair, ethical and non-discriminatory approach to all our employment practices while being continuously compliant to all local labour laws and international standards.

To this end, we have implemented a comprehensive in-house human rights governance approach that includes policies and standard operating procedures ("SOP") pertaining to human rights, our social management system and responsible recruiting procedures, with implementation and monitoring overseen by our Social Performance Team ("SPT") and our Social Committee.

Our approach on social compliance and labour practices is buttressed by the following commitments and actions:

Social Accountability Management System & Policy Roadmap

As part of KOSSAN Social Compliance initiatives, we introduced our Social Accountability Management System & Policy Roadmap in February 2020 to demonstrate our maturity as a responsible enterprise, building trust between our business and our clients, customers, shareholders and other stakeholders.

The system measures our state of compliance to the social priorities and requirements of our internal and external stakeholders (including local communities, governmental

and non-governmental organisations, our employees, our management and our shareholders). It is reflected in our verifiable commitment to certain factors, including but not limited to:

- ▶ Willing compliance with employment, health, hygiene, safety and environment laws
- ▶ The betterment of local communities and surrounding areas
- ▶ Compliance by our vendors to the Kossan Vendor Code of Conduct
- ▶ Respect for basic civil and human rights
- ▶ Compliance with the WRAP 12 Principles, ETI Base Code and our customer's Codes of Conduct

Creating Value Through Social Engagement (Cont'd)

Key policies that we have established under Social Accountability Management System & Policy Roadmap are translated in the languages relevant to our people, and communicated through knowledge share sessions and are uploaded to our intranet portal for employees' ease of access. The policies are:

Policy on Forced Labour

We are committed to ensuring compliance with employment laws, regulations, stakeholder requirements and best practices to ensure no Kossanians or those in our supply chain are subjected to forced labour.

Our focus is on ensuring fair, safe and healthy working conditions for all our employees, in alignment with all of our stakeholders' requirements.

Key practices and approaches that we maintain in managing human rights and labour practices include:

A RESPONSIBLE RECRUITMENT

B FAIR AND ETHICAL TREATMENT

C REASONABLE WORKING HOURS

D FAIR REMUNERATION

E FREEDOM OF ASSOCIATION

F FREEDOM OF MOVEMENT

G FREEDOM TO HOLD PERSONAL DOCUMENTS

H PROTECTING YOUNG CHILDREN AND PERSONS

I EQUAL EMPLOYMENT AND DIVERSITY

A RESPONSIBLE RECRUITMENT

We are dedicated to ensuring fair and ethical recruitment practices for all employees, including migrant workers. To achieve this, we follow our Employee Pays (Zero-Cost) Policy, which guides our recruitment policies and practices. We take several measures to protect workers, including prohibiting coercion and debt bondage, allowing freedom of movement, and providing employment contracts in the workers' native languages.

During recruitment interviews in the source country, prospective workers are informed about our zero-cost policy and social compliance practices. We ensure that workers do not have to pay any recruitment fees, travel costs, or pre-employment expenses. We conduct interviews at four stages of the pre- and post-recruitment process to verify that no recruitment fees have been paid to agents. If we discover that a worker has paid fees, we will take immediate remedial action.

We have also implemented a Recruitment Agency Code of Conduct (RACC) to communicate our commitment to zero-cost recruitment and acceptable agency practices. Recruitment agencies go through a due diligence audit conducted jointly with an independent consultant. Qualified agencies are required to sign a commitment to comply with the RACC. Any agency found to have collected fees from workers will be investigated and disqualified immediately if found to have violated the RACC or Recruitment Agency Agreement.

In summary, KOSSAN is fully committed to fair and ethical recruitment practices for all employees, including migrant workers. We take comprehensive measures to ensure that workers are not exploited or required to pay any recruitment fees. Our Recruitment Agency Code of Conduct provides additional safeguards to ensure that our zero-cost policy is adhered to at all times.

B FAIR AND ETHICAL TREATMENT

We believe in treating all employees fairly and ethically. To ensure that this belief is ingrained throughout the organisation, we have incorporated these values in our Code of Ethics and Conduct as well as our Employees Handbook. We have also established a Prevention of Abuse Policy and a Prohibition of Workplace Harassment and Discrimination Policy.

At the same time, we recognise the importance of giving employees a voice. In line with this, we have established a grievance and whistle-blowing channel for employees to report unfair or unethical treatment.

Our Grievance Policy and Procedures, which can be accessed on our internal employee portal, provide a safe and confidential avenue for employees to report misconduct, non-compliance or issues related to their work environment. Every grievance raised is treated confidentially and impartially. Meanwhile, our Whistle-Blowing Policy and Framework, available on both the internal employee portal and corporate website, provides a secure and confidential channel for internal and external parties to report malpractice or improper conduct, with every report received treated confidentially and impartially. Additionally, we have elected workers representatives who act as a voice for migrant workers, receiving their feedback and channelling it to management and vice versa.

Creating Value Through Social Engagement (Cont'd)

C REASONABLE WORKING HOURS

We prioritise the health and well-being of our employees. As such, we strictly adhere to local labour laws in terms of work hours and rest days, by enforcing work hour and overtime limits, and providing all employees with mandatory rest days. Overtime work at KOSSAN is on a voluntary basis and will be paid at the overtime rate, as per the Malaysia Employment Act. To this end, we are committed to progressively adjust work schedules towards a 60-hour work week in line with international standards. This ensures that our employees are not overworked and have enough time to rest and recharge.

D FAIR REMUNERATION

In the belief that every employee deserves to be fairly compensated for their hard work and dedication, we ensure that all our employees receive salaries no lower than the minimum wage rate established by the local labour laws.

To ensure that our remuneration packages are competitive, we benchmark them against market rates and finalise them based on mutual agreement between the company and the employee. We also adhere to fair labour practices and do not unlawfully withhold or deduct salaries, or impose any monetary penalties for any misconduct.

E FREEDOM OF ASSOCIATION

We recognise and respect the right of our employees to engage in lawful group activities, whether formal or informal. As a company, we do not interfere with, restrain or coerce our employees in exercising this right, in accordance with the relevant local labour laws.

F FREEDOM OF MOVEMENT

We acknowledge and uphold the mobility rights of our employees, and we do not impose any restrictions on their movement beyond

their working hours. Our workers are not required to seek permission to leave their workplace or accommodation during non-working hours, and we also provide hostel wardens who are available to assist them in arranging transportation.

G FREEDOM TO HOLD PERSONAL DOCUMENTS

We value the right of our employees to possess their own personal documents and belongings. Our migrant workers have full ownership of their belongings and are free to resign at any time without any penalties. Further to this, we have established personal storage facilities in our hostels which they may use to ensure the security of their belongings.

H PROTECTING YOUNG CHILDREN AND PERSONS

We are dedicated to upholding a child's entitlement to education and denounce the employment of minors and young individuals who are under 18 years of age. In the event of any infringement of the age requirement, a remediation process is implemented.

Over the years, we have strictly adhered to our minimum age regulations and maintained a clean record with no reports of non-compliance.

I EQUAL EMPLOYMENT AND DIVERSITY

We champion equal employment opportunities, and as such, hire candidates based on qualifications and experience. Furthermore, we provide career advancement opportunities to high-performing employees regardless of their nationality, race, religion, gender, age or background. Our commitment to gender equality extends to our remuneration packages, where there is no differentiation between male and female employees when determining pay scales, increments or performance rewards.

Policy Against Workplace Harassment & Discrimination

We are committed to providing a work environment to all employees that is free of all forms of harassment and discrimination.

As required by the Kossan Code of Ethics and Conduct, all employees are required to report any case of harassment or discrimination to the Human Resources department in order to protect those affected by the incident in question.

In line with International Labour Organisation ("ILO") 11 Indicators of Forced Labour, we have also established other policies related to Social Accountability, as follows:

Prevention of Abuse Policy

All workers have a right to a workplace free of all forms of abuse.

Policy on Right of Workers to Hold Their Own Passport

A clear policy on the workers' rights to hold their own passport or to decide where and how to keep their passport.

Policy on Deduction from Wages

A clear guideline on salary deduction from worker's salary, as per the Social Accountability 8000 International Standard (SA8000:2014).

Child Labour Policy

A clear and transparent policy on the prevention of all forms of child labour and young persons in KOSSAN.

Creating Value Through Social Engagement (Cont'd)

The implementation of the above policies is subject to ongoing verification by external independent social compliance auditors such as Worldwide Responsible Accredited Production ("WRAP") and Sedex Members Ethical Trade Audit ("SMETA").

Worldwide Responsible Accredited Production Certification Audit



All Glove Plants Have Received
Gold Certification
(March 2023)

Established in 2000, WRAP is an independent certification programme focused on promoting and certifying safe, lawful, humane and ethical manufacturing globally. WRAP certification audits involve the inspection of the entire production process to ensure that production is compliant with the WRAP principles, thereby providing customers with assurance that goods are ethically produced.

Our glove plants have undergone the WRAP audit (in phases) since 2020. As of March 2023, we have successfully received the GOLD Certificate of Compliance for all plants, indicating that our operations across these plants demonstrate full compliance with the WRAP principles.

As of March 2023, only 17 facilities in Malaysia have received Gold Certification, 8 of which belong to KOSSAN.

For more information about the eight plants certified by WRAP, refer to <https://wrapcompliance.org/en/certification/facility-monitor-list/>

Access to Remediation Action (Suara Kami)

Suara Kami is an external operational grievances tool/channel managed and operated by an independent third party to handle worker complaints and concerns on negative impacts they may have suffered as result of certain business practices.

The system was introduced in 2021, with SOPs shared across all our premises and translated into six languages (English, Malay, Bahasa Indonesia, Nepali, Burmese and Bengali). In addition, relevant helpline training for Suara Kami has also been fully implemented, thereby mitigating against any difficulties our employees may face in accessing and using the channel.



Responsible Glove Alliance Launches
to Protect Industry Workers in Malaysia
responsibleglove.org



Membership in the Responsible Glove Alliance

We are one of the seven founding members of the Responsible Glove Alliance ("RGA"), which was launched in March 2022. The purpose of the RGA is to enable collective effort between all glove suppliers and buyers towards reducing the risk of forced labour in rubber glove production within Malaysia.

Creating Value Through Social Engagement (Cont'd)

All founding members of the RGA have committed to providing three years of financial support towards the alliance, in addition to committing to the alliance's core principles which recognise the importance of promoting responsible recruitment and employment practices in the medical supplies industry.

Membership Commitments

Code of Conduct

- Members will commit to the principles and standards outlined in the Freely Chosen Employment of the Responsible Business Alliance ("RBA") Code of Conduct
- These provisions align with the ILO Forced Labour Indicators, and prohibit all forms of forced, bonded (including debt bondage) or indentured labour, involuntary or exploitative prison labour, slavery and trafficking in persons

Cascading Commitments

- Members will commit to cascading these commitments within their supply chains
- Minimum requirement will be to ensure immediate/next tier suppliers acknowledge and implement the principles and standards set in the Freely Chosen Employment section of the RBA Code of Conduct
- Members will be obligated to take measures to monitor supplier adherence to the principles

Continuous Improvement

- Members commit to undertaking continuous improvement measures, which include but are not limited to conducting assessments and social compliance activities and implementing corrective actions

Transparency and Accountability

- Members will commit to transparency and fostering accountability

More information on RGA and its membership commitments is available at <https://www.responsibleglove.org/>

Our Performance

In FY2022:

- **Zero cases of discrimination were recorded across our business footprint, a testament to our efforts in embedding a culture of meritocracy where diversity is valued.**
- **Zero cases of non-compliance with socioeconomic laws and regulations were recorded across our business footprint.**

Creating Value Through Social Engagement (Cont'd)

WORKPLACE SAFETY

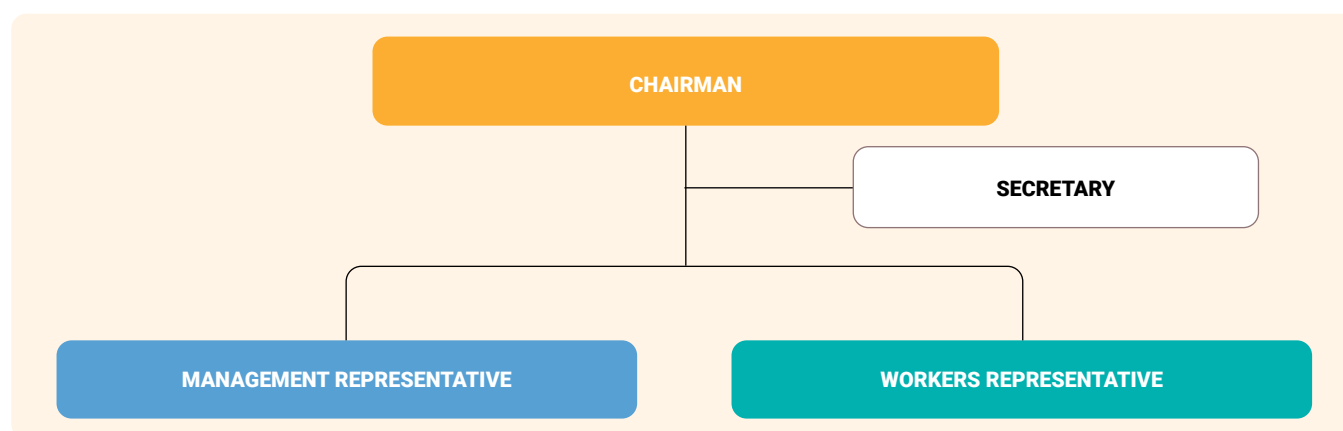
As a manufacturing company, our production processes naturally pose a range of occupational safety and health dangers, and it is incumbent on us to minimise these risks. To this end, we have implemented a comprehensive range of policies and practices, supported by trained personnel and regular assessments to identify emerging issues.

A centralised unit called Corporate Safety Health & Environment ("SHE") drives programmes, initiatives and the setting of goals and target relating to workplace safety and health. SHE reports directly to the Group Managing Director/Chief Executive Officer, thereby enabling more effective direction-setting and implementation of safety and health initiatives.

Beyond this, the roles and responsibilities of SHE include:

- Inspecting places of work
- Investigating any accidents that occur
- Assisting in the development of safety and health rules, and our safety system
- Reviewing the effectiveness of our safety and health programmes
- Carrying out studies on trends in accidents, near-misses, dangerous occurrences, occupational poisoning and occupational diseases that occur on our premises
- Reviewing our safety and health policies and making recommendations to Management on any revisions therein
- Making recommendations to Management on remedial measures to be taken on any matter prejudicial to the safety and health of persons at the place of work, and recording such recommendations in reports

The overall structure used to govern safety and health across the Group is detailed below:



Our commitment to workplace safety and health is reinforced by our Occupational Safety and Health ("OSH") Management System framework, which is guided by ISO 45001 Occupational Safety and Health Management System. The framework enables a comprehensive approach to safety management where all aspects of safety are considered and managed with accountability.

Key Components of Kossan's OSH Framework

A

SAFETY AND HEALTH POLICY

E

SAFETY AND HEALTH AUDIT

B

SAFETY AND HEALTH OFFICERS

F

SAFETY AND HEALTH TRAINING AND AWARENESS

C

SAFETY AND HEALTH ASSESSMENT

G

EMERGENCY PREPAREDNESS

D

SAFETY AND HEALTH OBJECTIVES AND TARGETS

Creating Value Through Social Engagement (Cont'd)

A SAFETY AND HEALTH POLICY

Our dedication to safety and health is evident in our Safety and Health Policy, which outlines our pledge to:

- ✓ Implement measures to ensure occupational safety and health
- ✓ Eradicate potential occupational hazards
- ✓ Monitor safety and health indicators
- ✓ Report and resolve safety and health incidents
- ✓ Comply with all relevant OSH legislation
- ✓ Foster a culture of health and safety awareness

This policy is communicated to and shared with all employees, vendors, and other stakeholders to ensure everyone is aware of our commitment to safety and health.

B SAFETY AND HEALTH OFFICERS

Registered safety and health officers are present at all of our plants to ensure the effective management of safety and health matters in line with local laws issued by the Department of Safety and Health ("DOSH") as well as industrial guidelines and standards.

In the event of any safety and health incidents, the officers investigate according to DOSH guidelines and report to Management and DOSH accordingly. Corrective and preventative actions are then formulated and implemented based on these findings.

During the year in review, we recorded zero work-related fatalities at our plants.

C SAFETY AND HEALTH ASSESSMENT

With the aim of proactively identifying potential hazards within our operational processes and minimising risks to employees, we regularly conduct Hazard Identification, Risk Assessment and Risk Control ("HIRARC") assessments. The findings from these assessments are duly recorded, before being subsequently used to develop mitigation measures and formulate targets for improved performance.

D SAFETY AND HEALTH OBJECTIVES AND TARGETS

With the aim of driving progressive improvement to our safety and health performance, detailed objectives and targets are developed in accordance with our safety and health policy. These targets are also influenced by the results of safety and health indicator reviews and audits.

E SAFETY AND HEALTH AUDIT

Annual safety and health audits are conducted by the Internal Audit Department, with findings discussed with Management and presented to the Audit Committee. Additionally, plants undergo external audits by DOSH, our customers and other third-party certification bodies, with management ensuring that corrective actions are taken promptly.

F SAFETY AND HEALTH TRAINING AND AWARENESS

Regular safety and health training programs and workshops are conducted to continuously improve employees' general safety knowledge, first aid and emergency response preparedness. Additionally, specific knowledge for operational tasks, such as the handling of chemicals and spillage, is also provided.

To ensure the safe handling of hazardous chemicals, trained safety and health officers handle them according to specifications and safety procedures listed in Material Safety Data Sheets. These officers are equipped with personal protective equipment to prevent any harm. In case of chemical spillage incidents, strategically located chemical spillage kits, emergency showers, and eye washout stations at each plant ensure employee safety.

G EMERGENCY PREPAREDNESS

With the aim of driving preparedness for emergencies, each plant follows an established framework and clear procedures. This includes the formation of an Emergency Response Team ("ERT"), use of emergency evacuation plans for different emergency scenarios, and the identification of employee assembly points.

Further to this, emergency drills for various scenarios such as fire, flood, health disease, occupational injury and fatalities are conducted regularly by the ERT, thereby driving improved execution in the event of an actual emergency.

Our Performance

As of FY2022, 96% of our plants have now successfully obtained the ISO 45001:2018 certification, while 74% of our plants have successfully obtained the ISO 14001:2015 certification.

During the past year, we also successfully conducted a pilot Work Related Road Safety Program ("WRRS") at one of our plant, which was carried out in collaboration with SOCSO and the Malaysian Institute of Road Safety Research ("MIROS"), in compliance with ISO 39001:2012.

Creating Value Through Social Engagement (Cont'd)

HEALTH AND WELLNESS

We believe that all employees should be able to balance their work responsibilities with holistic physical, mental and social wellbeing. To this end, we have introduced a range of programmes that enable them to find this balance and to feel supported by the management in putting their needs first.

In FY2022, we stepped up our action on employee wellness with the launch of our Workplace Health Programme (“WHP”), an occupational health initiative led by the Corporate SHE to support our employees’ physical and mental health needs. The programme was delivered during SHE Week across all our plants. In conjunction with the programme, a virtual mental health talk was also held, enabling our employees to develop a better understanding of mental health issues at the workplace and how to manage it. An external expert was invited as the speaker to provide in-depth understanding about these important issues.



Our Management team at the launch of WHP week on 5 October 2022.

Cognisant of the strains placed by working long hours in physically demanding roles, we also offered our employees a free comprehensive eye examination which was conducted by the optometry team from the Management and Science University (“MSU”), providing them with important insight on their eye health and eyesight status.



Snapshots of the eye examinations provided by the team from MSU.

Beyond these initiatives, our employees continue to benefit from the medical offered by our in-house outpatient clinic, KOSSAN Wellness Centre, which is managed in collaboration with ASP Medical Group. Ideally located within reach of all our plants, the clinic is easily accessible for all employees, with migrant workers provided with transport should they have any medical issues that require attention. Further to this resource, individual clinics are located at each of our factory sites and staffed with qualified doctors, enabling us to address medical situations that require immediate attention and action.

Creating Value Through Social Engagement (Cont'd)

PEOPLE DEVELOPMENT

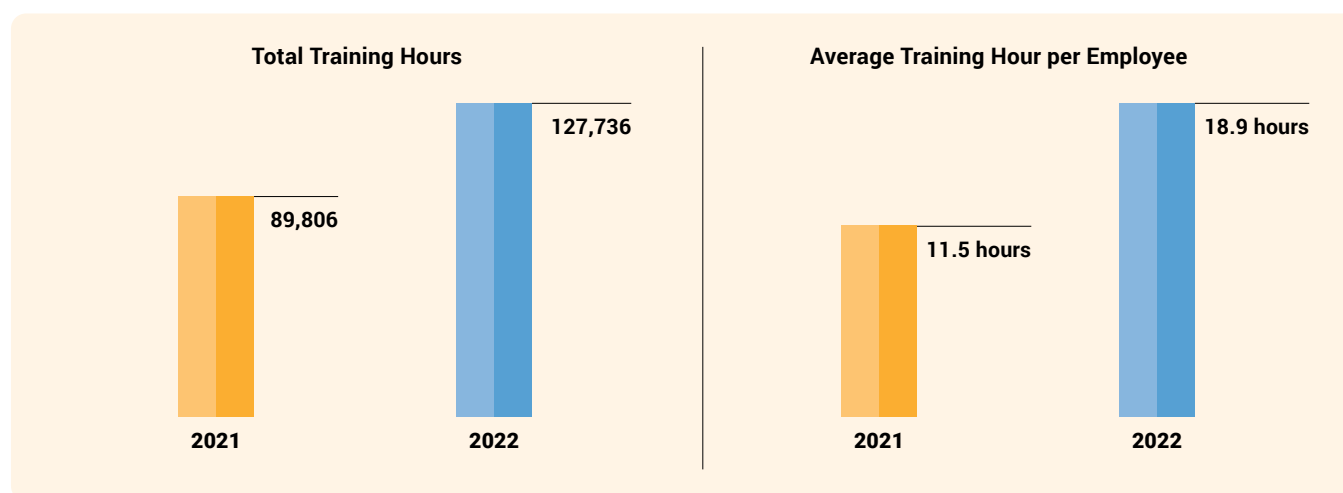
Our investments in training and education benefit us in two key ways – by enhancing the human capital at our disposal and enabling us to attract and retain top quality talent. Beyond these factors, we also believe that it is our duty to offer work environments that facilitate continuous professional and personal development, thereby enabling our employees to fulfil their potential.

To this end, our dedicated learning and development designs programmes that are customised to the role-specific needs of targeted groups within our employee base, with modules offered pertaining to technical skills, soft skills, management skills and leadership training. These modules are offered to employees through on-the-job trainings at plants, in-person workshops and our in-house online learning platform.

In FY2022, a key focus area of training was environmental management and carbon management, wherein two programmes were offered to our employees. The first of these programmes was geared towards driving awareness of our Environmental Management System (“EMS”). It was conducted in collaboration between Kossan Latex Industries (M) Sdn. Bhd. and Wear Safe (Malaysia) Sdn. Bhd. with the aim of upskilling employees on waste management, energy saving and compliance, in order to drive achievement of the targets and goals of our L.I.V.E 12 Sustainability Principles. Meanwhile, our Corporate Sustainability department conducted introductory training for key management personnel on carbon management and the carbon accounting process, covering topics that included an overview on carbon accounting, an overview on Scope 1, 2 and 3 emissions, the importance of climate reporting for businesses and stakeholders, and the carbon data collection process.

Our Performance

In FY2022, our employees completed a total of 127,736 learning and development hours. This translates to 18.9 training hours per employee, which is a reflection of our commitment to driving upskilling and continuous professional development across our workforce.



Further to this, the performance of all employees is evaluated regularly. Evaluations begin with an employee self-evaluation in relation to set KPIs. After this, further evaluations are conducted by direct superiors and Senior Management, with the results of these evaluations utilised to determine performance-linked bonuses, increments, competitive benefits and promotions to reward those who meet or surpass their KPIs.

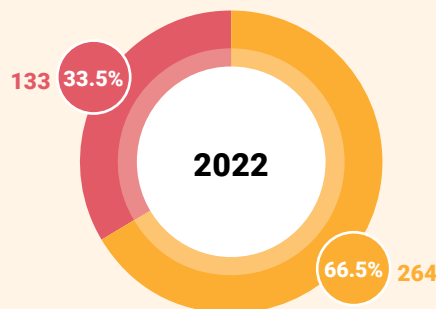
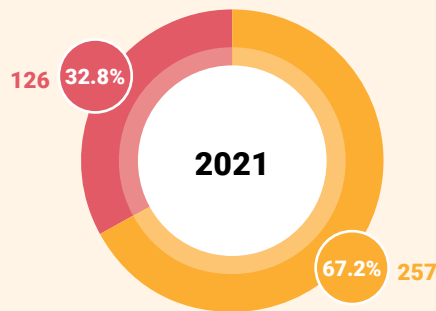
Creating Value Through Social Engagement (Cont'd)

EMPLOYMENT OPPORTUNITIES

As a leader in our industry, we seek to nurture an organisation that values and promotes diversity by race, gender, religion, age, socio-economic group and culture, pertaining to which a breakdown of our workforce is provided below.

Workforce Profile

Leadership Position (manager-level & above) by gender



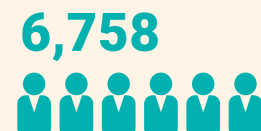
● Male
● Female

Total No. of Employees

2021

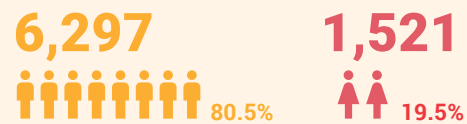


2022

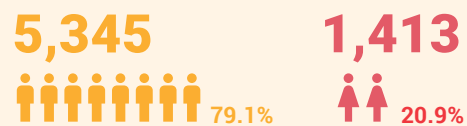


Employee Breakdown by Gender

2021



2022

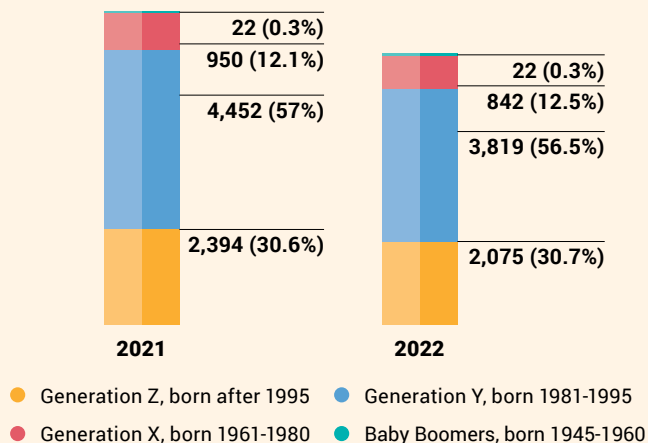


● Male
● Female

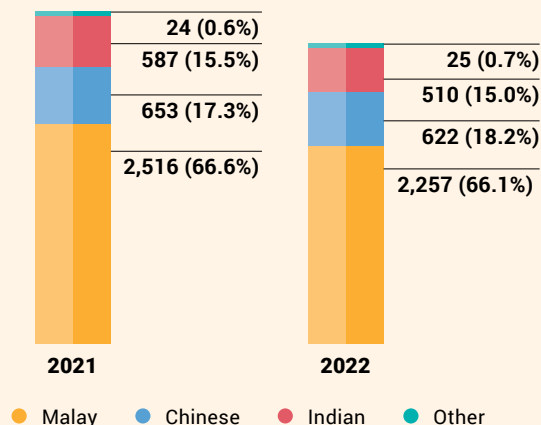
Creating Value Through Social Engagement (Cont'd)

Workforce Profile (Cont'd)

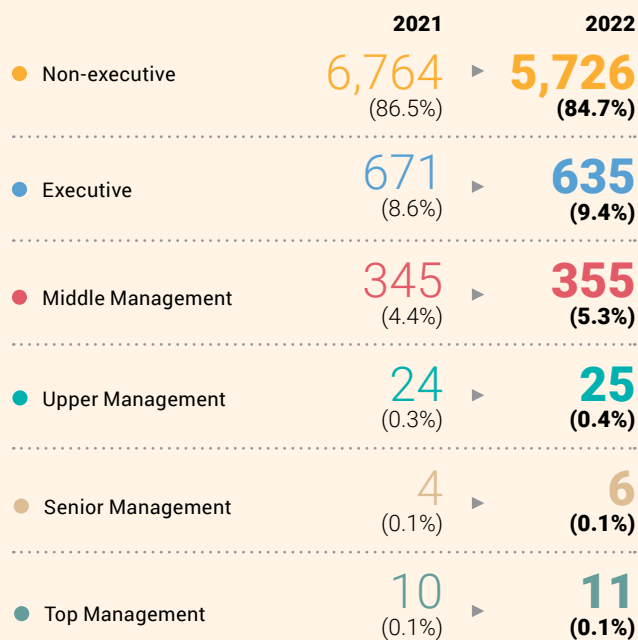
Employee Breakdown by Age Generation



Employee Breakdown by Ethnicity (Local only)



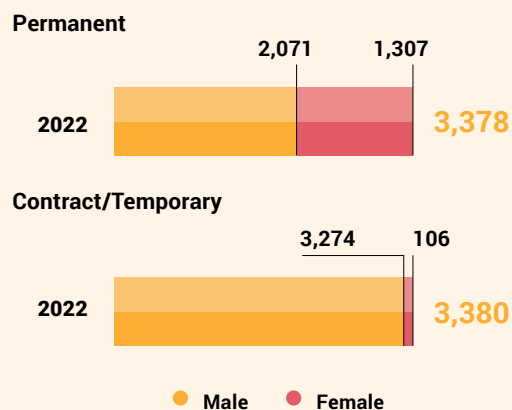
Employee Breakdown by Job Category



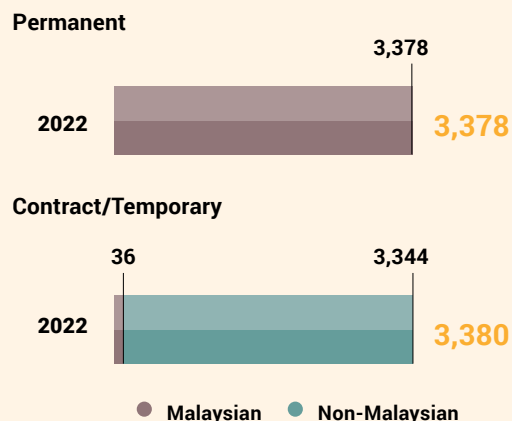
Notes:

- Permanent employees are employees under permanent employment for an indeterminate period.
- Temporary employees are employees under fixed term employment contracts, which end when a specific time period expires, or when a specific task that has a time estimate attached is completed. A temporary employment contract is of limited duration, and is terminated by a specific event, such as the end of a project or work phase or return of replaced employees.

Employee by Employment Type by Gender

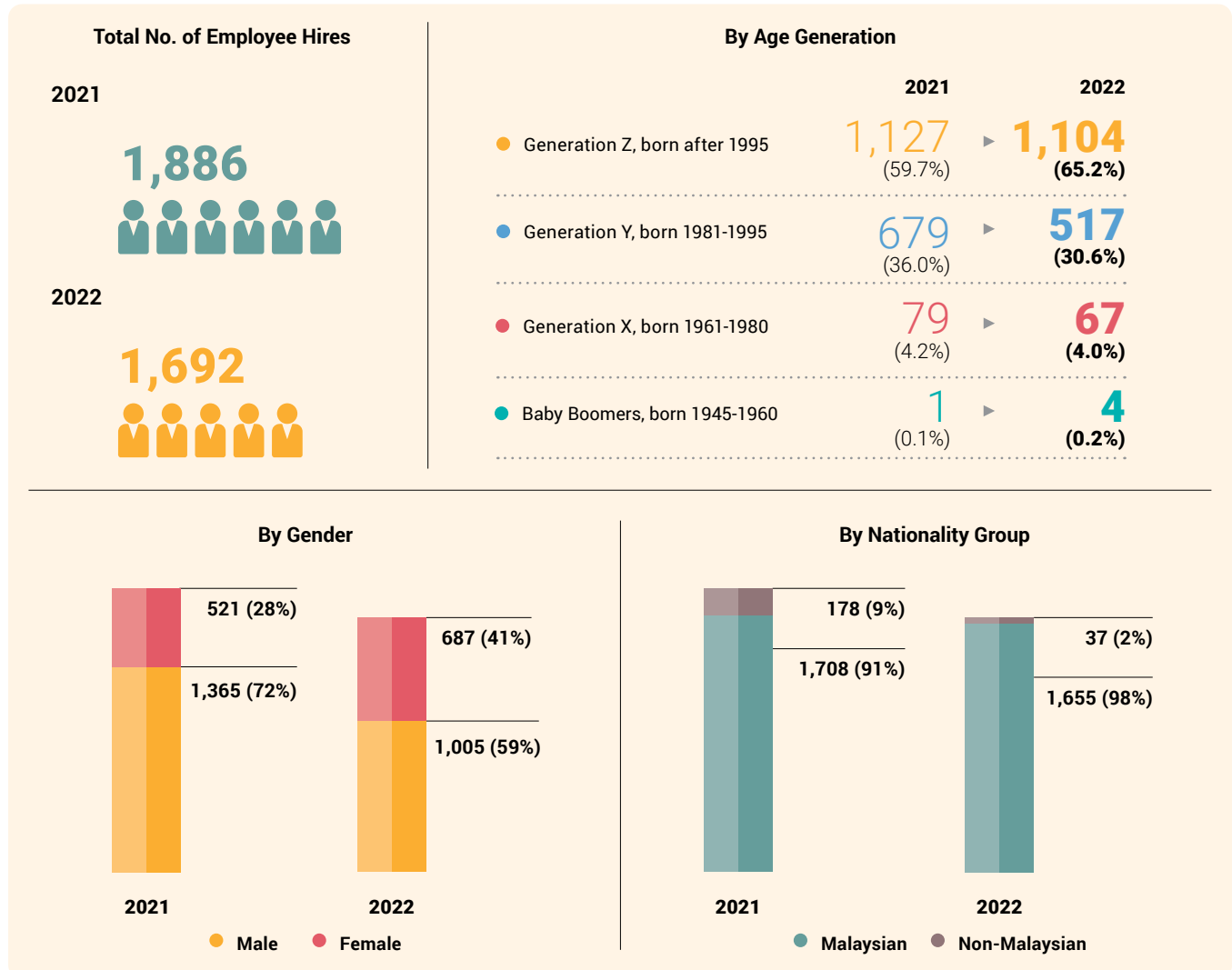


Employee by Employment Contract by Nationality Group

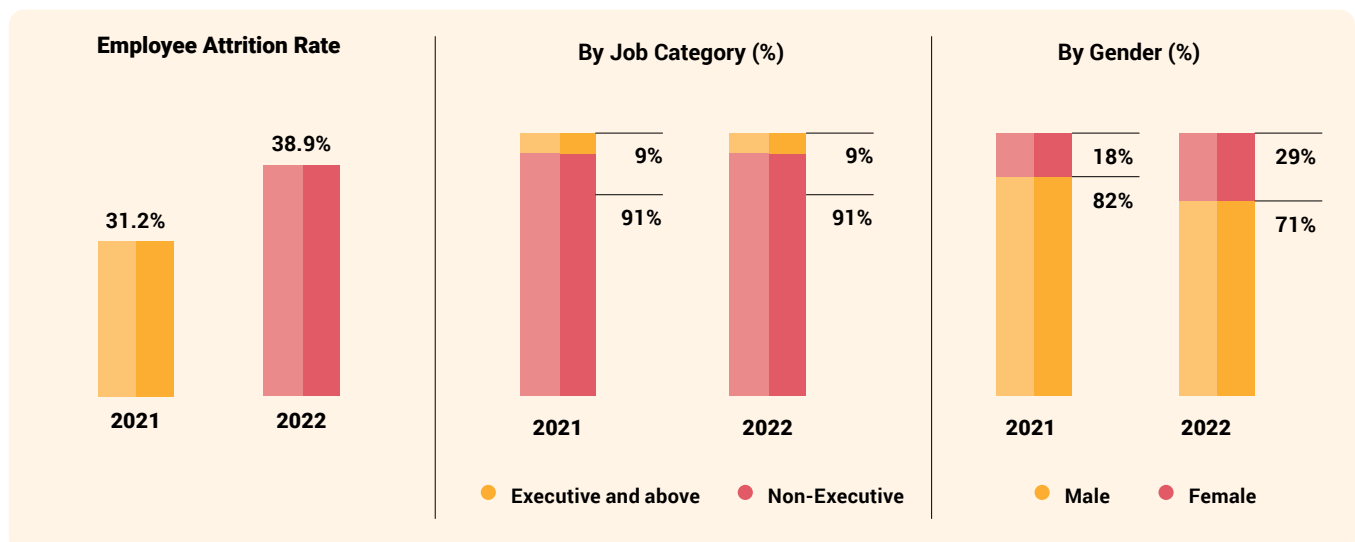


Creating Value Through Social Engagement (Cont'd)

New Hires Profile

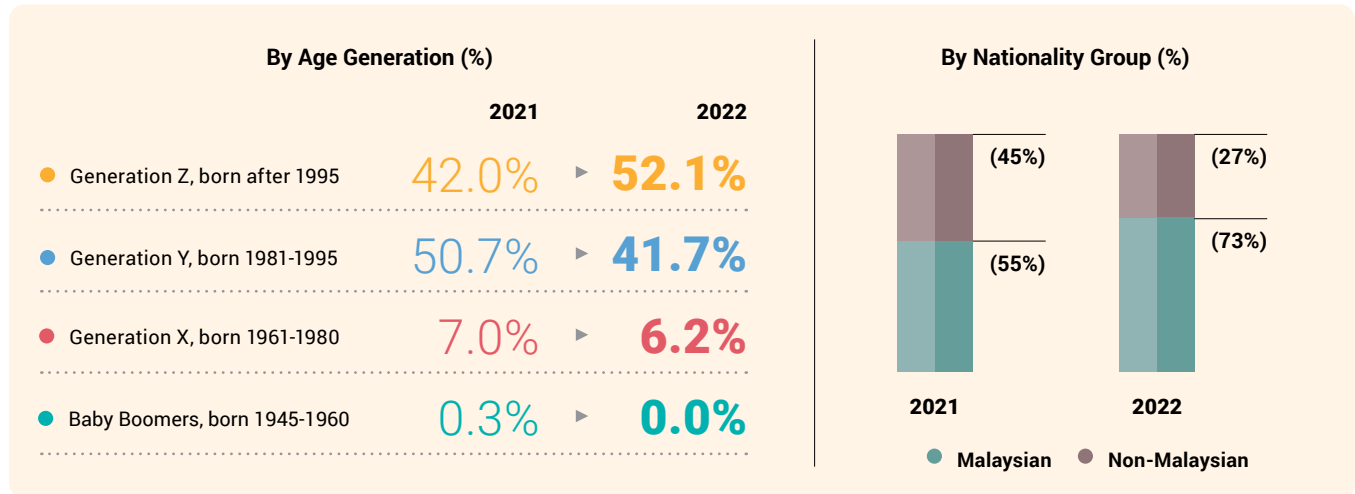


Employee Attrition



Creating Value Through Social Engagement (Cont'd)

Employee Attrition (Cont'd)



COMMUNITY WELFARE

As a responsible organization, we embrace our duty to uplift underprivileged communities, conscious of the long-lasting impact we can create through our resources and reach. To this end, we established Yayasan Kossan with the objective of funding and supporting philanthropic activities for education and social welfare.



In FY2022, Yayasan Kossan conducted a range of initiatives to benefit local communities, including:

- Sponsoring provisions for selected charity homes during festive seasons
- Providing financial assistance to underprivileged communities towards purchasing basic schooling items including school bags, uniforms, shoes, socks, stationery and books
- Refurbishing classrooms at selected schools, including by supplying new table and chairs for students and teachers, and carrying out repainting works
- Raising funds to improve the existing facilities and the cleanliness of public areas in Pulau Ketam, in line with Pulau Ketam's Sustainable Environmental Project
- Donating pet foods and other necessities to alleviate the burden of animal shelters
- Increasing awareness on health and safety within local communities by providing free health screenings, conducting health and safety talks, and carrying out other activities
- Cultivating patriotism amongst the younger generations in conjunction with Malaysia 65th Independence Day
- Taking climate action by planting trees under our Plant A Tree programme

Creating Value Through Social Engagement (Cont'd)



Students from SJKT Methodist Kapar, where we sponsored a Deepavali celebration.



Partial Certificates of animal adoption from Zoo Negara.
(Yayasan Kossan donated RM10,000 and adopted 10 animals from Zoo Negara)



Through the YK Kids Get Ready To School Programme, we provided essential school supplies to 12 schools in the Klang area.



A total of 19 Kossanians volunteered for the Plant A Tree programme at Free Tree Society ("FTS") in Bangsar.

APPENDICES

PERFORMANCE DATA TABLES

ENVIRONMENTAL

Waste Management

Waste Management	2021		2022	
	Gloves	TRP	Gloves	TRP
Scheduled waste disposal through incineration (with or without energy recovery), landfilling, other disposal operations (MT)	No breakdown	Disclosure begins in FY2022	141.70	7.22
Scheduled waste reused/ recycled/ other recovery process (MT)	No breakdown		6,581.02	0
Total Scheduled Waste Generated (MT)	7,598.22		6,722.72	7.22
Scheduled Waste Generated Intensity	0.352 kg/ 1,000 pcs gloves		0.428 kg/ 1,000 pcs gloves	1.477 kg/ 1,000 kg rubber compounded
Non-scheduled Waste Disposal through incineration (with or without energy recovery), landfilling, other disposal operations (MT)	No breakdown		2,824.03	558.34
Non-scheduled waste reused/ recycled/ other recovery process (MT)	No breakdown		160.19	238.87
Total Non-scheduled Waste Generated (MT)	3,094.53		2,984.22	797.21
Non-scheduled Waste Generated Intensity	0.143 kg/ 1,000 pcs gloves		0.190 kg/ 1,000 pcs gloves	164.10 kg/ 1,000 kg rubber compounded
Overall Waste Generated (MT)	10,692.75		9,706.94	804.43
Overall Waste Generated Intensity	0.495 kg/ 1,000 pcs gloves		0.618 kg/ 1,000 pcs gloves	164.58 kg/ 1,000 kg rubber compounded

Raw Material Consumption

Gloves Division:

Raw Material	Gloves	
	2021	2022
Latex Consumption Intensity	0.01007 MT/ 1,000 pcs gloves	0.01013 MT/ 1,000 pcs gloves
Nitrile Consumption Intensity	0.00772 MT/ 1,000 pcs gloves	0.00766 MT/ 1,000 pcs gloves

Appendices (Cont'd)

TRP Division:

Raw Material	TRP	
	2021	2022
Natural Rubber & Synthetic Rubber Consumption Intensity	Disclosure begins in FY2022	424.899 kg/ 1,000 kg rubber compounded
Metal Components Consumption Intensity		503.657 kg/ 1,000 kg rubber compounded

Carbon Footprint

Emission Scope	Emission by Activity Data	2021		2022		
		Gloves (Restated)	TRP	Gloves	TRP	Total
Scope 1 Stationary Combustion (tonnes CO ₂ e)	Natural Gas	382,028.27	Disclosure begins in FY2022	292,544.52	1,880.26	294,424.78
	LPG	N/A		0	522.08	522.08
	Diesel	N/A		27.24	1.72	28.96
Scope 1 Mobile Combustion (tonnes CO ₂ e)	Diesel	N/A		405.39	117.58	522.97
	Petrol	N/A		69.08	53.58	122.66
Scope 2 (tonnes CO ₂ e)	Purchased Electricity	130,997.74		115,116.57	10,903.68	126,020.25
Scope 3 (tonnes CO ₂ e)	Business Travels	N/A		28.45		28.45
	Employee Commuting	N/A		5,222.04		5,222.04
Total Scope 1 & 2 (tonnes CO ₂ e)		513,026.01		408,162.80	13,478.90	421,641.70
Total Scope 1, 2 & 3 (tonnes CO ₂ e)		513,026.01		426,892.19		426,892.19
Scope 1 & 2 Intensity		0.024 tonnes CO ₂ e/ 1,000 pcs gloves		0.026 tonnes CO ₂ e/ 1,000 pcs gloves	2.758 tonnes CO ₂ e/ 1,000 kg rubber compounded	

Note:

- Environmental data is provided on monthly basis by cross-functional teams at each of our manufacturing facilities, through a cloud-based system. Data is verified against documentary evidence submitted (including invoices, meter readings and consumption records).
- Taking CH₄ & N₂O into consideration to calculate our emission, hence restating of 2021 Scope 1 emission data.
- Carbon emissions from purchased electricity (Scope 2) is calculated based on the emission factors 2019 from 2019 Grid Emission Factor (GEF) (Source: <https://meih.st.gov.my/documents/10620/384e88c1-b782-49a1-8dff-74c836b3a3f7>), hence restating the Scope 2 emission reported in FY2021.

Appendices (Cont'd)

Renewable and Non-Renewable Energy Consumption

Electricity	2021		2022	
	Gloves	TRP	Gloves	TRP
Electricity Consumption (kWh)	167,945,825.00	Disclosure begins in FY2022	147,585,356.12	13,979,073.41
Electricity Consumption Intensity	7.776 kWh/ 1,000 pcs gloves		9.399 kWh/ 1,000 pcs gloves	2,860.033 kWh/ 1,000 kg rubber compounded
Total Consumption (kWh)	167,945,825.00		161,564,429.53	

Note: Electricity consumption includes consumption from factories & hostels.

Renewable Energy	2021		2022	
	Gloves	TRP	Gloves	TRP
Renewable Energy Consumption (kWh)	3,066,789.00	Disclosure begins in FY2022	2,834,791.00	0
Solar Panel Design Capacity	2.61 MWp		3.16 MWp	0
Renewable Energy Intensity	0.142 kWh/ 1,000 pcs gloves		0.181 kWh/ 1,000 pcs gloves	0
Total Consumption (kWh)	3,066,789.00		2,834,791.00	

Natural Gas	2021		2022	
	Gloves	TRP	Gloves	TRP
Natural Gas Consumption (MMBtu)	7,192,501.27	Disclosure begins in FY2022	5,507,808.72	35,400.05
Natural Gas Consumption Intensity	0.333 MMBtu/ 1,000 pcs gloves		0.351 MMBtu/ 1,000 pcs gloves	7.243 MMBtu/ 1,000 kg rubber compounded
Total Consumption (MMBtu)	7,192,501.27		5,543,208.77	

LPG	2021		2022	
	Gloves	TRP	Gloves	TRP
LPG Consumption (MMBtu)	Not tracked in 2021	Disclosure begins in FY2022	0	8,427.04
LPG Consumption Intensity			0	1.724 MMBtu/ 1,000 kg rubber compounded
Total Consumption (MMBtu)			8,427.04	

Diesel	2021		2022	
	Gloves	TRP	Gloves	TRP
Diesel Consumption (litre)	Not tracked in 2021	Disclosure begins in FY2022	159,591.24	44,127.96
Diesel Consumption Intensity			0.010 litre/ 1,000 pcs gloves	9.028 litre/ 1,000 kg rubber compounded
Total Consumption (litre)			203,719.20	

Appendices (Cont'd)

Renewable and Non-Renewable Energy Consumption (cont'd)

Gasoline	2021		2022	
	Gloves	TRP	Gloves	TRP
Gasoline Consumption (litre)	Not tracked in 2021	Disclosure begins in FY2022	29,673.66	23,013.58
Gasoline Consumption Intensity			0.002 litre/ 1,000 pcs gloves	4.708 litre/ 1,000 kg rubber compounded
Total Consumption (litre)			52,687.24	

Raw Water Consumption

Water Consumption	2021		2022	
	Gloves	TRP	Gloves	TRP
Water Consumption (m³)	3,296,986.47	Disclosure begins in FY2022	3,273,230.25	134,371.28
Water Consumption Intensity	0.153 m³/ 1,000 pcs gloves		0.208 m³/ 1,000 pcs gloves	27.49 m³/ 1,000 kg rubber compounded
Total Consumption (m³)	3,296,986.47		3,407,601.53	

Note:

- Water consumption includes consumption from factories & hostels.
- Water consumption intensity in Gloves Division has increased due to lower output demand.

Water Withdrawal

Water Withdrawal	2021		2022	
	Gloves	TRP	Gloves	TRP
Municipal Portable Water (m³)	6,917,521.00	Disclosure begins in FY2022	6,389,017.00	134,371.28
Reclaimed Water (m³)	710,266.72		1,139,000.71	0
Water Withdrawal Intensity	0.353 m³/ 1,000 pcs gloves		0.479 m³/ 1,000 pcs gloves	27.49 m³/ 1,000 kg rubber compounded
Total Withdrawal (m³)	7,627,787.72		7,662,388.99	

Note:

- Water consumption includes consumption from factories & hostels.
- Water withdrawal intensity in Gloves division has increased due to lower output demand.

Appendices (Cont'd)

Water Discharge

Water Discharge	2021	2022
	Gloves	Gloves
Total discharged (m ³)	5,041,067.97	4,254,787.46
By destination		
Surface water (m ³)	5,041,067.97	4,254,787.46
Subsurface / well (m ³)	0	0
Beneficial / other use (m ³)	0	0
Ocean (m ³)	0	0
Off-site water treatment (m ³)	0	0
Total treated water discharge (m ³)	5,041,067.97	4,254,787.46
By level of treatment		
Discharge to a third party without treatment (m ³)	0	0
Discharge to the natural environment without treatment (m ³)	0	0
Primary Treatment only (m ³)	0	0
Secondary Treatment (m ³)	4,654,634.61	3,658,074.96
Tertiary Treatment (m ³)	386,433.36	596,712.50
Total treated water discharge (m ³)	5,041,067.97	4,254,787.46
Total treated water discharge Intensity	0.233 m ³ / 1,000 pcs gloves	0.271 m ³ / 1,000 pcs gloves

Note:

- Water discharged has reduced by approximate 15.6% however treated water discharged intensity has raised due to production lines operating at lower capacity.
- Meters installation at four of our older glove factories to track water discharge was only completed in July 2021 which leads to a lower water discharge volume and intensity for FY2021.
- There were no wastewater discharged by the TRP division.

SOCIAL

Workforce Profile

Total No. of Employees

	2021	2022
No. of Employees	7,818	6,758

Leadership Position (Manager-Level & Above) by Gender

Gender	2021	%	2022	%
Male	257	67.2	264	66.5
Female	126	32.8	133	33.5
Total	383	100	397	100

Appendices (Cont'd)

Employee Breakdown by Gender

Gender	2021	%	2022	%
Male	6,297	80.5	5,345	79.1
Female	1,521	19.5	1,413	20.9

Employee Breakdown by Age Generation

Age Group	2021	%	2022	%
Generation Z, born after 1995	2,394	30.6	2,075	30.7
Generation Y, born 1981-1995	4,452	57	3,819	56.5
Generation X, born 1961-1980	950	12.1	842	12.5
Baby Boomers, born 1945-1960	22	0.3	22	0.3

Employee Breakdown by Ethnicity (Local only)

Ethnicity Group	2021	%	2022	%
Malay	2,516	66.6	2,257	66.1
Chinese	653	17.3	622	18.2
Indian	587	15.5	510	15.0
Other	24	0.6	25	0.7

Employee Breakdown by Job Category

Job Category	2021	%	2022	%
Non-executive	6,764	86.5	5,726	84.7
Executive	671	8.6	635	9.4
Middle Management	345	4.4	355	5.3
Upper Management	24	0.3	25	0.4
Senior Management	4	0.1	6	0.1
Top Management	10	0.1	11	0.1

Employee by Employment Type by Gender in Year 2022

Gender	Permanent	Contract/ Temporary
Male	2,071	3,274
Female	1,307	106
Total	3,378	3,380

Appendices (Cont'd)

Employee Profile (cont'd)

Employee by Employment Contract by Nationality Group in Year 2022

Nationality Group	Permanent	Contract/ Temporary
Malaysian	3,378	36
Non-Malaysian	0	3,344
Total	3,378	3,380

Notes:

- Permanent employees are employees under permanent employment contracts for an indeterminate period.
- Temporary employees are employees under fixed term employment contracts, which end when a specific time period expires, or when a specific task that has a time estimate attached is completed. A temporary employment contract is of limited duration, and is terminated by a specific event, such as the end of a project or work phase or return of replaced employees.

New Hires Profile

Total No. of Employee Hires

	2021	2022
No. of Employee Hires	1,886	1,692

By Age Generation

Age Group	2021		2022	
	No. of New Hires	%	No. of New Hires	%
Generation Z, born after 1995	1,127	59.7	1,104	65.2
Generation Y, born 1981-1995	679	36.0	517	30.6
Generation X, born 1961-1980	79	4.2	67	4.0
Baby Boomers, born 1945-1960	1	0.1	4	0.2

By Gender

Gender	2021		2022	
	No. of New Hires	%	No. of New Hires	%
Male	1,365	72	1,005	59
Female	521	28	687	41

By Nationality Group

Nationality Group	2021		2022	
	No. of New Hires	%	No. of New Hires	%
Malaysian	1,708	91	1,655	98
Non-Malaysian	178	9	37	2

Appendices (Cont'd)

Employee Attrition

Employees Attrition Rate

	2021	2022
	Attrition rate	Attrition rate
Employees Attrition	31.2%	38.9%

Attrition Breakdown by Job Category (by percentage)

Job Category	2021	2022
	%	%
Executive and above	9	9
Non-executive	91	91

Attrition Breakdown by Gender (by percentage)

Gender	2021	2022
	%	%
Male	82	71
Female	18	29

Attrition Breakdown by Age Generation (by percentage)

Age Group	2021	2022
	%	%
Generation Z, born after 1995	42.0	52.1
Generation Y, born 1981-1995	50.7	41.7
Generation X, born 1961-1980	7.0	6.2
Baby Boomers, born 1945-1960	0.3	0.0

Attrition Breakdown by Nationality Group (by percentage)

Nationality Group	2021	2022
	%	%
Malaysian	55	73
Non-Malaysian	45	27

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

WITH REFERENCE TO GRI STANDARDS

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With Reference to GRI Standards

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	305-5 Reduction of GHG emissions	67
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	43-44
	306-2 Management of significant waste-related impacts	43-44
	306-3 Waste generated	66
	306-4 Waste diverted from disposal	66
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GRI 401: Employment 2016	401-1 New employee hires and employee turnover	72-73
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	57-58
	403-2 Hazard identification, risk assessment, and incident investigation	57-58
	403-3 Occupational health services	57-58
	403-4 Worker participation, consultation, and communication on occupational health and safety	57-58
	403-5 Worker training on occupational health and safety	57-58
	403-6 Promotion of worker health	59
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	57-58
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GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	60
	404-2 Programs for upgrading employee skills and transition assistance programs	60
	404-3 Percentage of employees receiving regular performance and career development reviews	60
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	61-62
	405-2 Ratio of basic salary and remuneration of women to men	54
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	56

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GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	54
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	54
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	64
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GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	38-40
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	38-40
GRI 408: Child Labor 2016	417-1 Requirements for product and service information and labeling	38-40
	417-2 Incidents of non-compliance concerning product and service information and labeling	38-40

DIRECTORS' PROFILE



**TAN SRI DATO'
LIM KUANG SIA**

Group Managing
Director / Chief
Executive Officer,
Non-Independent
Executive Director

AGED:
70

GENDER:
Male

NATIONALITY:
Malaysian

Date Appointed to the Board:

14 June 1979 (Founder)

Board Committee Membership(s):

NIL

Qualifications and Working Experience:

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

Present Appointment(s):

- Honorary President of The Associated Chinese Chambers of Commerce and Industry of Malaysia
- Honorary President of The Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor
- Executive Advisor to the Klang Chinese Chamber of Commerce and Industry
- Deputy President of the Malaysia Teochew Chamber of Commerce
- Honorary Life President of the Teochew Association Klang and Coast
- Honorary Advisor of The Malaysia Lin Chamber of Commerce Selangor State Liaison Committee
- Honorary Advisor to the Lim Association Klang and Coast
- Deputy Chairman of Pin Hwa High School
- Vice Chairman of Kwang Hua Private High School
- Vice Chairman of Hin Hua High School

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

- Founder and Trustee of Yayasan Kossan



**MOHAMED
SHAFEEI BIN
ABDUL GAFFOOR**

Chairman,
Independent
Non-Executive Director

AGED:
60

GENDER:
Male

NATIONALITY:
Malaysian

Date Appointed to the Board:

23 January 2017

Board Committee Membership(s):

NIL

Qualifications and Working Experience:

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

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

In 2018, he joined Perak Corporation Berhad and was the Group Chief Executive Officer until his resignation in 2020. In addition, he sat as the Non-Executive Chairman of Majuperak Holdings Berhad from 2018 to 2019.

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

NIL



Chairman



Member

AC: Audit Committee

Directors' Profile (Cont'd)

**LEE CHOO HOCK**

**Senior Independent
Non-Executive Director**

AGED:
69

GENDER:
Male

NATIONALITY:
Malaysian

Date Appointed to the Board:

26 August 2013

Board Committee Membership(s):**Qualifications and Working Experience:**

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

Mr. Lee was the Independent Non-Executive Director of HSBC Bank Malaysia Berhad from 2013 to 2022. During his tenure, he sat as the Chair of the Audit Committee as well as a member of the Nominations and Remuneration Committee. In 2016, he joined HSBC Amanah Malaysia Berhad as an Independent Non-Executive Director and was redesignated as Non-Independent Non-Executive Director in 2019. He was the member of the Audit, Risk and Nominations and Remunerations Committees until his retirement in 2022.

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

- Trustee of Yayasan Kossan

**HOH KIM HYAN**

**Independent
Non-Executive Director**

AGED:
65

GENDER:
Female

NATIONALITY:
Malaysian

Date Appointed to the Board:

23 January 2017

Board Committee Membership(s):**Qualifications and Working Experience:**

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

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

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

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

NIL

NC: Nominating Committee

RC: Remuneration Committee

RMC: Risk Management Committee

Directors' Profile (Cont'd)



**SHARON
SHANTHY A/P
DORAIRAJ**

**Independent
Non-Executive Director**

AGED:
54

GENDER:
Female

NATIONALITY:
Malaysian

Date Appointed to the Board:
1 November 2022

Board Committee Membership(s):



Qualifications and Working Experience:

Ms. Sharon graduated with a Bachelor of Science (Mathematics) from Universiti Sains Malaysia and is an Associate of the Asian Institute of Chartered Banker. She is also certified in various psychometrics instruments including Hogan, DDI and SHL and leadership coaching such as Gallup's Strength.

She is a strategic human capital leader with 30 years of experience in driving transformation, change management and merger and acquisition ("M&A") transactions. Her working experience includes being the Senior Vice President, Group Human Resource at Alliance Bank Malaysia Berhad from 2017 to 2022, Chief Human Resource Officer at MCIS Zurich Insurance Berhad from 2014 to 2017 and 17 years in OCBC Bank (Malaysia) Berhad from 1996 covering transformational performance, remuneration, talent and succession management, industrial relations and organisational learning. Other than financial institutions, her role as Human Resource Analyst, Malaysia Airlines System Berhad and Human Resource Manager at Halim Mazmin Group exposed her to people management in service and logistics industries.

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



TAN KONG CHANG

**Non-Independent
Executive Director**

AGED:
56

GENDER:
Male

NATIONALITY:
Malaysian

Date Appointed to the Board:
26 August 2013

Board Committee Membership(s):

NIL

Qualifications and Working Experience:

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

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

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



Chairman



Member

AC: Audit Committee

Directors' Profile (Cont'd)

**LIM SIAU TIAN**

**Non-Independent
Executive Director**

AGED:
49

GENDER:
Male

NATIONALITY:
Malaysian

Date Appointed to the Board:
26 August 2013

Board Committee Membership(s):
NIL

Qualifications and Working Experience:

Mr. Lim Siau Tian graduated with a Bachelor's Degree in Marketing from the University of Central Oklahoma, USA in 1998. After his graduation, he was involved in the trading of medical disposables in the USA from 1998 to 2003, culminating in his appointment as the Operations and Marketing Manager. He joined KOSSAN in 2003 and was promoted to General Manager of Marketing in the Gloves Division in 2008. Following this, he held several roles and contributed his expertise in the rubber glove industry during his term as Trustee in Malaysian Rubber Council and as elected committee member in the Malaysian Rubber Glove Manufacturers Association.

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

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

- President and Trustee of Yayasan Kossan

**LIM SIAU HING**

**Non-Independent
Executive Director**

AGED:
50

GENDER:
Male

NATIONALITY:
Malaysian

Date Appointed to the Board:
26 August 2013

Board Committee Membership(s):
NIL

Qualifications and Working Experience:

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

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

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

NIL

NC: Nominating Committee

RC: Remuneration Committee

RMC: Risk Management Committee

Directors' Profile (Cont'd)



LIM OOI CHOW

**Non-Independent
Executive Director**

AGED:
40

GENDER:
Male

NATIONALITY:
Malaysian

Date Appointed to the Board:

26 August 2013

Board Committee Membership(s):



Qualifications and Working Experience:

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

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

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

NIL

Notes:

The details of Directors' attendance at Board Meetings are set out in the Corporate Governance Overview Statement on page 84 of this Integrated Annual Report. None of the Directors of the Company have family relationships with any Director and/or substantial shareholder with the exception of the following:

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

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



Chairman



Member

AC: Audit Committee
NC: Nominating Committee

RC: Remuneration Committee
RMC: Risk Management Committee

KEY SENIOR MANAGEMENT PROFILE

PUAN SRI DATIN CHOW CHENG MOEY

AGED: 70	GENDER: Female	NATIONALITY: Malaysian
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Chief Financial Controller

Qualifications and Working Experience:

Puan Sri Datin Chow holds a Bachelor of Science Degree in Engineering. She joined KOSSAN in 1980 and has served in various capacities in the Group prior to her appointment in her present position in February 2017.

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

MOK CHEE HONG

AGED: 50	GENDER: Male	NATIONALITY: Malaysian
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Chief Financial Officer

Qualifications and Working Experience:

Mr. Mok is a Fellow Member of the Association of Chartered Certified Accountants and a Member of the Malaysian Institute of Accountants. He joined KOSSAN in his present position in June 2021.

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

LEE HON CHEE

AGED: 61	GENDER: Male	NATIONALITY: Malaysian
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Senior Group Accountant

Qualifications and Working Experience:

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

TAN ENG TECK

AGED: 63	GENDER: Male	NATIONALITY: Malaysian
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General Manager, Business Development (TRP)

Qualifications and Working Experience:

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

YAU KIM WOON

AGED: 52	GENDER: Male	NATIONALITY: Malaysian
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Senior General Manager, Corporate Strategy

Qualifications and Working Experience:

Mr. Yau holds a Diploma in Accounting from Ungku Omar Polytechnic, and a Bachelor of Business Admin (Hons.), major in Operation Management from University Utara Malaysia. He joined KOSSAN in his present position in June 2022.

He started his career as a Customer Service Executive with one of the largest mineral companies in the world, NS BlueScope Sdn. Bhd. He built his career along the path of supply chain management in Fast Moving Consumer Goods (FMCG) and the medical device industries.

His last position held before joining KOSSAN was the Regional Director APAC – Demand Fulfilment with Teleflex Medical Sdn. Bhd., where his scope of responsibility covered APAC region.

Note:

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

The disclosure on the particulars of the Key Senior Management is made in compliance pursuant to Appendix 9C of Main Market Listing Requirements of Bursa Malaysia Securities Bhd.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

We are pleased to present the governance section of our Integrated Annual Report ("IAR") for the financial year ended 31 December 2022 ("FY2022"), which includes details about us, the Board of Directors ("Board") of Kossan Rubber Industries Bhd. ("KOSSAN" or "the Company"), and our roles and responsibilities. We also summarise how the Company and its subsidiaries ("Group") had applied the principles and practices of the Malaysian Code on Corporate Governance 2021 ("MCCG"), encompassing the activities of the Board and Board Committees during the financial year under review. The Board remains committed and continues to endeavour to comply with the principles and practices set out in the MCCG with the aim in ensuring long-term sustainable growth of the Group, generating value for shareholders, whilst considering the needs of its stakeholders. This Corporate Governance Overview Statement ("Statement") is to be read along with the Corporate Governance Report ("CG Report") 2022, which is available on our website.











ALIGNMENT TO THE MCCG

During the financial year under review, we aligned our practices with the MCCG save that which have been explained in the CG Report 2022. Further details of how KOSSAN applied the three (3) principles of the MCCG can be found in the CG Report 2022 which is published on our website:

 [Reports & Announcements](#)

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Board Leadership and Effectiveness

BOARD OF DIRECTORS	ATTENDANCE
1. MOHAMED SHAFEII BIN ABDUL GAFFOOR <i>Chairman, Independent Non-Executive Director</i>	
2. TAN SRI DATO' LIM KUANG SIA <i>Group Managing Director / Chief Executive Officer, Non-Independent Executive Director</i>	
3. LEE CHOO HOCK <i>Senior Independent Non-Executive Director</i>	
4. HOH KIM HUAN <i>Independent Non-Executive Director</i>	
5. TAN KONG CHANG <i>Non-Independent Executive Director</i>	
6. LIM SIAU TIAN <i>Non-Independent Executive Director</i>	
7. LIM SIAU HING <i>Non-Independent Executive Director</i>	
8. LIM OOI CHOW <i>Non-Independent Executive Director</i>	
9. SHARON SHANTHY A/P DORAIRAJ <i>Independent Non-Executive Director</i> <i>(appointed on 1 November 2022)</i>	
10. LIM LENG BUNG <i>Non-Independent Executive Director</i> <i>(retired on 19 May 2022)</i>	




KEY HIGHLIGHTS IN FY2022





During the financial year under review, the Board had, amongst others:






- Appointed a woman independent non-executive director, Ms. Sharon Shanthi a/p Dorairaj, effective 1 November 2022. With that, the percentage of independent and women directors have increased to 44% and 22% respectively;
- Reconstituted the composition of all Board Committees to be aligned with the MCCG, in particular where the Board Chairman is not a member of any of the Board Committees and the Remuneration Committee consists of non-executive directors only;
- Adopted the Sustainability Policy on 2 November 2022; and
- Adopted the Directors' Fit and Proper Policy on 27 April 2022.




Corporate Governance Overview Statement (Cont'd)

A Board Leadership and Effectiveness

AUDIT COMMITTEE	ATTENDANCE
1. LEE CHOO HOCK (Chairman)	
2. HOH KIM HYAN (Member)	
3. SHARON SHANTHY A/P DORAIRAJ (Member) (appointed on 15 December 2022)	N/A
4. MOHAMED SHAFEII BIN ABDUL GAFFOOR (vacated on 15 December 2022)	

NOMINATING COMMITTEE	ATTENDANCE
1. SHARON SHANTHY A/P DORAIRAJ (Chairperson) (appointed on 15 December 2022)	
2. LEE CHOO HOCK (Member)	
3. HOH KIM HYAN (Member)	
4. MOHAMED SHAFEII BIN ABDUL GAFFOOR (vacated on 15 December 2022)	





REMUNERATION COMMITTEE	ATTENDANCE
1. HOH KIM HYAN (Chairperson) (redesignated on 15 December 2022)	
2. LEE CHOO HOCK (Member) (appointed on 15 December 2022)	
3. SHARON SHANTHY A/P DORAIRAJ (Member) (appointed on 15 December 2022)	
4. TAN SRI DATO' LIM KUANG SIA (vacated on 15 December 2022)	
5. MOHAMED SHAFEII BIN ABDUL GAFFOOR (vacated on 15 December 2022)	

RISK MANAGEMENT COMMITTEE	ATTENDANCE
1. LEE CHOO HOCK (Chairman)	
2. HOH KIM HYAN (Member)	
3. LIM OOI CHOW (Member)	

THE BOARD

Corporate governance plays a vital role in ensuring an effective board that can make informed decisions that benefit and deliver sustainable value to the Company and stakeholders. We, the Board of Directors, are responsible for the oversight and overall effective management of the Company. To enable us to effectively discharge our responsibilities whilst meeting the goals and objectives of the Company, we had established a Board Charter, in 2014 (last reviewed in February 2022), that clearly sets out the governance structure, authority and responsibilities of the Board, Board Committees, individual directors and Management, including a formal schedule of issues and decisions reserved for the Board. The Board also delegates specific responsibilities, as set out in each respective terms of reference ("TOR"), to the Board Committees, namely, the Audit, Nominating and Remuneration Committees.

The Board Charter and TORs of each Board Committee are published on our website.

-  [Kossan Board Charter](#)
-  [Kossan Audit Committee Terms of Reference](#)
-  [Kossan Nominating Committee Terms of Reference](#)
-  [Kossan Remuneration Committee Terms of Reference](#)

Members of the Board and Board Committees have discharged their roles and responsibilities in FY2022 through their attendance at various Board of Directors and Committees meetings which were disclosed in this Statement.

In relation to board meetings, agendas for upcoming meetings are set by the Chairman and supported by the Company Secretary. The notices and agendas are distributed to the members prior to meetings together with the relevant Board papers. This is to ensure that all members are able to receive complete and accurate information in a timely manner. Information shared to the members are required to be clear, concise and of sufficient depth to facilitate constructive deliberations and assist the members in decision-making process. Executive directors and/or senior management will join meetings discussions by invitation when required, enabling the members to understand the matters in depth and question Management directly.

To facilitate Directors' attendance at meetings, an annual meeting calendar is given to all Directors before the beginning of each new financial year. Each Director is also required to notify the Chairman of the Board prior to his/her acceptance of directorship outside the Group. The notification should include an approximate indication of time to be spent on the new directorship.

Corporate Governance Overview Statement (Cont'd)

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Board Leadership and Effectiveness

ROLES AND RESPONSIBILITIES

The Board currently has nine (9) members, comprising one (1) independent non-executive chairman, three (3) independent non-executive directors ("INEDs") and five (5) executive directors ("EDs").

There is a clear division between executive and non-executive responsibilities which ensures accountability and oversight.

The roles of the Chairman and Group Managing Director/Chief Executive Officer ("Group MD/CEO") are separately held and well defined in the Board Charter. This is to ensure balance of power and authority with no one individual has unfettered powers on decision making.

CHAIRMAN

Our Independent Non-Executive Chairman chairs the Board meetings, sets the agenda items, promotes active engagement among Directors and ensures the smooth functioning of the Board.

He provides leadership for the adoption of good corporate governance practices and leads the Board towards continuous improvements. During the financial year under review, he voluntarily vacated his positions in the Audit, Nominating and Remuneration Committees on 15 December 2022 to be aligned with Practice 1.4 of the MCCG.

GROUP MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER

The Group MD/CEO focuses on the Group's businesses and manages the day-to-day operations of the Company as well as implements the Board's decisions.

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Lee Choo Hock is the appointed Senior INED. He serves as the principal conduit between the Chairman and the Board and, importantly, represents the views of independent directors and leads communication to ameliorate misunderstanding and boardroom tension. Further, being the Whistleblowing Committee Chairman, he oversees the whistleblowing function and ensures its effectiveness.

Mr. Lee has served the Company for a cumulative term of more than nine (9) years. The Board, with Mr. Lee abstaining

from deliberation was satisfied that Mr. Lee has met the independence guidelines as set out in Chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and is able to continue to bring independent and objective judgment to the Board.

The Board, except for Mr. Lee, unanimously recommended that Mr. Lee continues to serve as an INED of the Company, subject to the approval of the shareholders through a two-tier voting process as per Practice 5.3 of the MCCG.

NON-EXECUTIVE DIRECTORS ("NEDs")

Our NEDs play an important role in providing objective, impartial and independent advice and judgment to the Board. Their presence ensures adequate check and balance in Board decisions and safeguard the interest of minority shareholders.

COMPANY SECRETARIES

The Board is supported by two suitably qualified and competent Company Secretaries. The Company Secretaries assisted the Chairman of the Board and Board Committees in the distribution of notices, agendas and meeting materials, ensuring compliance with Board procedures as well as providing advice on regulatory compliance and corporate governance. The Company Secretaries regularly undertake continuous professional development to keep abreast of the latest developments. The Board is satisfied with the performance and support rendered by the Company Secretaries.

SUSTAINABILITY GOVERNANCE

The responsibility to embed sustainability in KOSSAN's business strategy and operations rests with the Board. The Board is assisted by the Group MD/CEO who oversees the formulation, implementation and effective management of the Company's sustainability strategies and targets. During the financial year under review, the Board had adopted the Sustainability Policy which comprises four (4) guiding principles, i.e., Long term value creation, Invest to green DNA, Vibrant human capital and Excellence innovation (L.I.V.E.) with twelve (12) Sustainability Principles, on 2 November 2022.

Further details on the sustainability governance structure, Sustainability Policy, key sustainability matters and stakeholders engagements can be found in the Sustainability Statement on pages 34 to 77 of this IAR.

Corporate Governance Overview Statement (Cont'd)

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Board Leadership and Effectiveness

THE KOSSAN CODE OF ETHICS AND CONDUCT ("KCEC")

KCEC is a set of guidelines that applies to all directors and employees of KOSSAN. It serves as a tool for guiding and promoting ethical and professional conduct in the execution of duties and responsibilities. It encompasses several key areas, including adherence to national laws and regulations, identification and management of conflicts of interest, compliance with employment policies and guidelines, which include non-discrimination, harassment prevention, and a non-compete policy. Additionally, it covers policies relating to workplace violence, drug and alcohol use, non-infringement of third-party intellectual property, prioritising occupational health, safety, and environment, maintaining appropriate dress codes, as well as prohibition in unauthorised public communications.

ANTI-BRIBERY AND CORRUPTION ("ABC") POLICY

The Group has implemented an ABC Policy to guide and govern the prevention of corrupt practices and other unethical conduct within the organisation. The ABC Policy emphasises the Group's zero-tolerance approach towards any form of bribery and corruption.

WHISTLEBLOWING POLICY

The Board has implemented a Whistleblowing Policy that enables both employees and members of the general public to report any instances of malpractice or improper conduct. The Policy is supported by a set of procedures that provide clear guidelines on how to raise concerns and report any suspected wrongdoing.

All reports are received by the Whistleblowing Committee comprising exclusively of the following INEDs:

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

The Whistleblowing Policy underscores the Board's commitment to promoting transparency, accountability, and ethical conduct throughout the organisation. It assures whistleblowers that their identity will be kept confidential and that they will not face any form of retaliation, harassment or victimisation. The Board believes that the Whistleblowing Policy serves as an essential tool for enhancing corporate governance, risk management and ethical behaviour across the organisation.

BOARD APPOINTMENT, SKILLS AND TRAINING

Appointments of Directors

The appointments of Directors are based on objective criteria, merit, and with due regard for diversity in skills, experience, age, cultural background and gender. In the review of the appointments of Directors, the Board and the NC are further guided by the Directors' Fit and Proper Policy ("DFPP"), which was adopted by the Board on 27 April 2022. The DFPP serves as a guide to ensure the person appointed or elected/re-elected as a Director of the Company possesses the necessary character, integrity, experience, competence as well as time commitment to discharge his/her role effectively.

In FY2022, the Board had appointed a woman INED, Ms. Sharon Shanthi a/p Dorairaj effective 1 November 2022. With that, the percentage of independent and women directors have increased to 44% and 22% respectively.

Directors' Trainings

As the business landscape continues to evolve, our Board recognises the importance for Directors to keep themselves up-to-date on the latest developments in order to discharge their duties and responsibilities effectively. To achieve this, all Directors had, during the financial year under review, attended trainings to continuously update their knowledge and skills which includes not only legislative developments but also market trends, economic environment, technological advancements, and ESG (environmental, social and governance) considerations. Additionally, our Company Secretary provides regular updates to the Board and its committees on regulatory and corporate governance matters.

The trainings attended by the Directors in FY2022 are set out on pages 8 to 11 of the CG Report 2022. Our newly appointed INED, Ms. Sharon Shanthi a/p Dorairaj, had completed her Mandatory Accredited Programme ("MAP") with the Institute of Corporate Directors Malaysia ("ICDM"), a corporate body approved by Bursa Malaysia, in December 2022.

Corporate Governance Overview Statement (Cont'd)

A Board Leadership and Effectiveness

NOMINATING COMMITTEE ("NC") STATEMENT

The NC plays an essential role in ensuring the effectiveness of our Board. This includes reviewing the composition of the Board and making recommendations for the appointment of new directors, with a particular focus on promoting diversity including gender consideration. The NC evaluates and assesses the suitability of candidates for the Board and its committees' based on a range of factors, including age, skills, knowledge, independence, expertise, experience, integrity, and time commitment.

The NC periodically assess the composition of the Board and the tenure of each director on the Board, including the appointment and/or reappointment of a board member.

Appointment of Directors

The NC has a selection criterion to further strengthen the composition of the Board which are based on competencies and attributes required. The NC is also guided by the DFPP and gives due consideration to gender diversity. Candidates were sourced from unrelated third parties and the NC interviewed the shortlisted candidates prior to recommending to the Board for approval. During the financial year under review, the NC recommended the appointment of Ms. Sharon Shanthy a/p Dorairaj, an INED, to the Board for its approval. Upon the approval of the Board, Ms. Sharon Shanthy a/p Dorairaj joined the Company effective 1 November 2022.

Board Effectiveness Evaluation ("BEE")

Evaluation

For the financial year under review, the NC, being the evaluation committee, undertook the annual evaluation of the Board, Board Committees and individual Directors, including the independence of each Independent Director. The BEE was facilitated by the Company Secretary. The assessments and evaluations carried out were properly documented.

Outcome

The outcome of the BEE 2022 indicated that the performance of the Board and the Board Committees during the evaluation period had been satisfactory and they had discharged their duties and responsibilities effectively and in accordance with their terms of references. The outcome of the evaluation formed one of the basis of the NC's recommendations to the Board for the re-election of Directors at the forthcoming AGM.

Re-election of Directors

Annually, the NC reviewed the performance of the retiring Directors who are subjected to re-election at the forthcoming Annual General Meeting ("AGM") pursuant to the Company's Constitution. Having considered the outcome of the BEE 2022, their contribution to board deliberations, the independence demonstrated by the retiring independent directors, their ability to act in the best interest of the Company in decision making and DFPP, the NC was satisfied that each retiring Director met the performance criteria required for an effective Board and recommended the re-election of the retiring Directors to the Board.

Each of the retiring Directors abstained at the NC and Board deliberations and decisions regarding his/her own eligibility to stand for re-election.

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

REMUNERATION

The Group's Remuneration Policy aims to attract and retain competent Directors and senior management who are capable of effectively leading and managing the Group. The remuneration packages for the EDs and senior management are tied to their individual and corporate performance, responsibilities, qualifications, skills and experiences. In the case of the NEDs, their remuneration levels commensurate to their responsibilities, skills, and time commitments.

To ensure impartiality and transparency, Directors do not partake in discussions or voting on decisions relating to their own remuneration package during the Remuneration Committee and Board meetings.

Details of the remuneration of Directors of the Company for the financial year on a named basis, including the components of remuneration, can be found on page 35 of the CG Report 2022.

Corporate Governance Overview Statement (Cont'd)

B Effective Audit and Risk Management**EFFECTIVE AND INDEPENDENT AUDIT COMMITTEE ("AC")**

The AC comprises three (3) INEDs. The Chairman of the AC is not the Chairman of the Board. Mr. Lee Choo Hock, the Senior INED, is the Chairman of the AC while En. Mohamed Shafeii Bin Abdul Gaffoor, also an INED, is the Chairman of the Board. To be aligned with Practice 1.4 of the MCCG and further promote objectivity of the AC, the Board had appointed Ms. Sharon Shanthi a/p Dorairaj as a member of the AC effective 15 December 2022, following the vacation of membership in the AC by En. Mohamed Shafeii Bin Abdul Gaffoor.

Two (2) of the AC members are chartered accountants and all members of the AC are well educated and financially literate. They attended courses to improve their understanding of matters under the purview of the AC, including developments in accounting and auditing standards and practices. None of the members of the AC were former key audit partners who are required to exercise a cooling-off period of at least three (3) years before his/her appointment to the AC.

The AC undertook an annual assessment of the competency and independence of the external auditors and recommended their re-appointment to the Board, upon which the shareholders' approval will be sought at the forthcoming AGM. The external auditors were required to declare their independence annually to the AC as specified by the By-Laws issued by the Malaysian Institute of Accountants. The external auditors had provided the declaration in their annual audit plan presented to the AC.

The AC also reviewed the provision of non-audit services rendered to the Group by the external auditors and its affiliates and noted that the total amount of fees paid for non-audit services rendered by the Group external auditors and its affiliates for FY2022 was RM808,337. Further information on the AC can be found in the AC Report on pages 95 to 97 of this IAR.

RISK MANAGEMENT AND INTERNAL CONTROL**Establishing an Effective Risk Management and Internal Control Framework**

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

The AC is responsible to assist the Board in ensuring the adequacy and effectiveness of internal controls and oversees the risk management function through the Risk Management Committee ("RMC"). The RMC comprises a majority of independent directors to oversee the Group's risk management framework and policies. The RMC reviews and recommends for the Board's consideration and approval the risk management principles, framework and policies for managing risks within the Group. The RMC also monitors and assesses the risk appetite and tolerance of the Group to safeguard the Group's assets and shareholders' investment. Further details of the risk management and internal control are set out in the Statement on Internal Control and Risk Management on pages 91 to 94 of this IAR.

Internal Audit ("IA")

The Board has established an in-house IA function which reports directly to the AC. The IA function undertakes an independent assessment of the internal control system of the Group and provides assurance to the AC that no material issue or major deficiency has been noted which could pose a high risk to the overall system of internal control. The IA assignments were carried out in accordance with the 2022 audit plan approved by the AC.

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

The IA function is carried out in accordance with the IA Charter and IA Framework with reference to The Institute of Internal Auditors' International Professional Practices Framework. The AC, in its oversight of the IA function, was satisfied that the said function was effective and able to function independently. Further details of the IA function are contained in the AC Report on page 96 of this IAR.

Corporate Governance Overview Statement (Cont'd)

C

Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

COMMUNICATION WITH STAKEHOLDERS

The Board aims to achieve effective engagement with our shareholders and other stakeholders by providing information that are consistent, accurate, transparent and timely through various platforms including our Company's website, annual reports, financial statements, announcements made to Bursa Malaysia and engagements through the investor relations function. A summary of our Stakeholders Engagements' activities conducted in FY2022 are shown on pages 23 to 24 of the Sustainability Statement of this IAR.

This year, KOSSAN commenced its integrated reporting journey by issuing our first IAR based on the International Integrated Reporting Council's Integrated Reporting Framework. Through this IAR, we hope to improve the quality of information disclosures to our stakeholders.

CONDUCT OF GENERAL MEETING

The Company had leveraged on technology by conducting the 42nd AGM virtually. The Notice of the 42nd AGM was sent to all shareholders at least 28 days in advance of the 42nd AGM ensuring shareholders were given sufficient notice and time to consider the agenda items that will be discussed and decided at the AGM.

All Directors and senior management attended the 42nd AGM, either at the broadcast venue or virtually, to address questions raised by shareholders, financial and/or non-financial related. Shareholders, corporate representatives and proxies who registered for remote participation via Boardroom Smart Investor Portal were able to join the live streaming of the proceedings of the AGM, posed questions and casted their votes online. The Company had appointed Tricor Business Intelligence & Solutions as the moderator to provide objectivity in streaming the questions raised by the shareholders. To make the AGM more meaningful and interactive, questions posed by shareholders were display on screen to all meeting participants during the meeting itself.

The Company had appointed Boardroom Share Registrars Sdn. Bhd. as poll administrators to conduct the polling process on all resolutions tabled at the AGM, and Sky Corporate Services Sdn. Bhd. as the scrutineers to verify the poll results. The poll results were announced to Bursa Malaysia on the same day for the benefit of shareholders.

The Minutes of the 42nd AGM (including the responses to the related questions raised by shareholders during and after the AGM) were published in our website within 30 business days after the conclusion of the 42nd AGM.

 [KOSSAN 42nd AGM Minutes](#)

COMPLIANCE STATEMENT

This Statement was approved by the Board on 13 April 2023.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

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

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

BOARD'S RESPONSIBILITY

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

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

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

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

RISK MANAGEMENT

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

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

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

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

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



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

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

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

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

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

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

INTERNAL CONTROL

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

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

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

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

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

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

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

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

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

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

ASSURANCE MECHANISM

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

For the year ended 31 December 2022, the IA reviewed the adequacy and effectiveness of the internal control processes and necessary actions have been and are being taken to remedy any significant failings or weaknesses for the financial year under review and up to the date of approval of this Statement for inclusion in this Annual Report.

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

The Board has received assurances from the Group MD/CEO and the Chief Financial Officer that for the year ended 31 December 2022, the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group. Taking into consideration the information and assurances given, the Board is satisfied with the adequacy, integrity and effectiveness of the Group's system of risk management and internal control.

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

BOARD'S COMMITMENT

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

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

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants for inclusion in the Annual Report of the Group for the year ended 31 December 2022, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the Annual Report of the Group, in all material respects:

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

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

This Statement has been approved by the Board on 13 April 2023.

AUDIT COMMITTEE REPORT

The Audit Committee is pleased to present the Audit Committee Report for the year ended 31 December 2022.

1. TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The duties and responsibilities of the Audit Committee ("AC") are set out in the Terms of Reference of the AC and is available on KOSSAN's website.

 https://kossan.com.my/about-us/pdf/Kossan_Audit%20Committee%20Terms%20of%20Reference_2021.pdf

2. COMPOSITION AND ATTENDANCE AT MEETINGS

The AC comprises the following members and the details of their attendance at the AC meetings held during the year ended 31 December 2022 were as follows:-

Composition of the AC	Attendance
Lee Choo Hock (Chairman / Senior Independent Non-Executive Director)	5/5
Mohamed Shafeii Bin Abdul Gaffoor (Member / Independent Non-Executive Director) Vacated on 15 December 2022	5/5
Hoh Kim Hyan (Member / Independent Non-Executive Director)	5/5
Sharon Shanthi a/p Dorairaj (Member / Independent Non-Executive Director) Appointed on 15 December 2022	N/A

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

3. SUMMARY OF ACTIVITIES

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

(a) Financial Reporting

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

(b) External Audit

- (i) Reviewed and discussed with the external auditors the nature and scope of the audit and audit plan prior to the commencement of audit and ensured the audit was comprehensive.
- (ii) Discussed and reviewed the Group's financial statements with the external auditors including issues and findings noted in the course of the audit and Management's responses thereto.
- (iii) Reviewed the award of non-audit services provided by the external auditors and its affiliates and the overall independence of the external auditors.
- (iv) Assessed the suitability, objectivity and independence of the external auditors and recommended to the Board for their re-appointment.
- (v) Conducted private meetings with the external auditors without the presence of Executive Directors or Management.

Audit Committee Report (Cont'd)

3. SUMMARY OF ACTIVITIES (CONT'D)

(c) Internal Audit

- (i) Reviewed the internal auditors' reports which covered all business sectors of the Group, the audit findings and the recommendations on the internal control system.
- (ii) Reviewed the follow-up audit reports submitted by the internal auditors to ensure the implementation of agreed audit recommendations by Management in a timely manner.
- (iii) Reviewed and approved the annual internal audit plan to ensure adequate scope and coverage of the Group's key activities.
- (iv) Reviewed the competency and resources of the internal audit function, ensuring that it is effective and able to function independently, and that all internal audit personnel are free from any relationships or conflicts of interest which could impair their objectivity and independence.

(d) Risk Management and Internal Controls

- (i) Reviewed the adequacy and effectiveness of internal control and risk management framework of the Group.
- (ii) Reviewed and discussed with the external and internal auditors on their evaluation of the system of internal control of the Group.
- (iii) Reviewed the risk profile of the Group and the business divisions and action plans by Management to mitigate risks.

(e) Annual Report

Reviewed the AC Report, Statement on Risk Management and Internal Control, Corporate Governance Overview Statement and Corporate Governance Report before recommending to the Board for inclusion in the annual report.

(f) Others

- (i) Reviewed the whistleblowing procedures and whistleblowing activities to monitor the actions taken in respect of whistleblowing reports received.
- (ii) Reviewed any related party transactions ("RPT") and confirmed no conflict of interests situation that arose within the Group including any transaction, procedure or course of conduct that raised questions of management integrity.
- (iii) Reviewed any RPT tabled by Management before presentation to the Board to ensure the RPT undertaken were in the best interest of the Group, the values were fair, reasonable and on normal commercial terms and were not detrimental to the interest of the minority shareholders.
- (iv) Reviewed, on half yearly basis, the terms of the Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature were adhered to and ensure procedures used were at arm's length and in accordance with the Group's normal commercial terms and were not prejudicial to the minority shareholders or disadvantageous to the Group.

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

Audit Committee Report (Cont'd)

4. INTERNAL AUDIT FUNCTION

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

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

The cost incurred for the internal audit function for the financial year ended 31 December 2022 was RM 540,699 (2021: RM 664,947).

5. REPORT TO THE EXCHANGE

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

6. EVALUATION OF THE AC

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

Lee Choo Hock
Chairman
Audit Committee
13 April 2023



OUR PERFORMANCE

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DIRECTORS' RESPONSIBILITY STATEMENT

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

In preparing these financial statements, the Directors have:

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

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

This Directors' Responsibility Statement is made in accordance with the resolution of the Board of Directors dated 13 April 2023.

DIRECTORS' REPORT

for the Year Ended 31 December 2022

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

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

ULTIMATE HOLDING COMPANY

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

SUBSIDIARIES

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

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	157,095	141,201
Non-controlling interests	2,117	-
	159,212	141,201

RESERVES AND PROVISIONS

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

Directors' Report (Cont'd)

for the Year Ended 31 December 2022

DIVIDENDS

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

- i) In respect of the financial year ended 31 December 2021 as reported in the Directors' Report of that year:
 - a fourth interim ordinary dividend of 12 sen per ordinary share totalling RM306,194,354 declared on 17 February 2022 and paid on 22 April 2022.
- ii) In respect of the financial year ended 31 December 2022:
 - a first interim ordinary dividend of 2.5 sen per ordinary share totalling RM63,790,491 declared on 16 February 2023 and paid on 22 March 2023.

DIRECTORS OF THE COMPANY

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

Tan Sri Dato' Lim Kuang Sia
Lee Choo Hock
Lim Ooi Chow
Lim Siau Tian
Lim Siau Hing
Tan Kong Chang
Mohamed Shafeii Bin Abdul Gaffoor
Hoh Kim Hyan
Sharon Shanthi A/P Dorairaj (Appointed on 1 Nov 2022)
Lim Leng Bung (Retired on 19 May 2022)

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

Lim Kuang Yong
Lim Leng Bung
Dr. Or Tan Teng
Lee Seek Ping
Lim Siew Bing
Lee Hon Chee
Matthew Ang Hwee Tong
Wu Zhong
Lim Kuang Wang (Resigned on 3 June 2022)

Directors' Report (Cont'd)

for the Year Ended 31 December 2022

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares			
	At 1.1.2022	Bought	Sold	At 31.12.2022
Kossan Rubber Industries Bhd.				
Direct interests				
Tan Sri Dato' Lim Kuang Sia	7,018,904	-	-	7,018,904
Lim Kuang Yong^	100,000	820,500	-	920,500
Lim Leng Bung^	669,200	1,135,400	-	1,804,600
Deemed interests				
Tan Sri Dato' Lim Kuang Sia				
- holding company	1,200,784,420	40,033,600	-	1,240,818,020
- spouse	3,177,984	-	-	3,177,984
Lim Leng Bung^				
- holding company	1,200,784,420	40,033,600	-	1,240,818,020
Tan Kong Chang				
- spouse	100,000	-	-	100,000
Lim Kuang Yong^				
- holding company	1,200,784,420	40,033,600	-	1,240,818,020
- children	-	1,529,200	-	1,529,200
- daughter-in-law	-	637,900	-	637,900
Lim Ooi Chow**				
- holding company	1,200,784,420	40,033,600	-	1,240,818,020
- parents	10,196,888	-	-	10,196,888
Lim Siau Tian**				
- holding company	1,200,784,420	40,033,600	-	1,240,818,020
- parents	100,000	820,500	-	920,500
- spouse	-	637,900	-	637,900

Directors' Report (Cont'd)

for the Year Ended 31 December 2022

DIRECTORS' INTERESTS IN SHARES (CONT'D)

		Number of ordinary shares		
	At 1.1.2022	Bought	Sold	At 31.12.2022
Kossan Rubber Industries Bhd. (cont'd)				
Deemed interests (cont'd)				
Lim Siau Hing**				
- holding company	1,200,784,420	40,033,600	-	1,240,818,020
- parents	971,000	1,029,000	-	2,000,000
Lim Siew Bing***^				
- holding company	1,200,784,420	40,033,600	(1,240,818,020)	-
Doshin Rubber Products (M) Sdn. Bhd.				
Direct interests				
Dr. Or Tan Teng	50,000	-	(50,000)	-
Cleanera HK Limited				
Direct interests				
Matthew Ang Hwee Tong	78,866	-	-	78,866
Wu Zhong	25,000	-	(25,000)	-
Indirect interests				
Matthew Ang Hwee Tong	616,134	-	-	616,134

** Shares held through person connected to the Director or holding company.

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

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

None of the other Directors holding office at 31 December 2022 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' Report (Cont'd)

for the Year Ended 31 December 2022

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 those shown below) 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.

The Directors' benefits paid to or receivable by Directors in respect of the financial year ended 2022 are as follows:

	From the Company RM'000	From subsidiaries RM'000
Directors of the Company:		
Fees	474	-
Remunerations	3,472	6,137
	3,946	6,137

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

ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNITY AND INSURANCE COSTS

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

Directors' Report (Cont'd)

for the Year Ended 31 December 2022

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2022 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Directors' Report (Cont'd)

for the Year Ended 31 December 2022

AUDITORS

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

The auditors' remuneration of the Group and of the Company during the year are RM625,671 and RM62,400 respectively.

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

.....
Tan Sri Dato' Lim Kuang Sia
Director

.....
Tan Kong Chang
Director

Klang, Selangor Darul Ehsan

Date: 13 April 2023

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Assets					
Property, plant and equipment	3	1,356,924	1,373,723	112,915	88,238
Right-of-use assets	4	63,071	46,417	-	224
Investment properties	5	40,168	65,588	18,918	19,304
Goodwill on consolidation	6	4,926	4,926	-	-
Intangible assets	7	1,108	1,114	-	-
Investments in subsidiaries	8	-	-	307,418	170,241
Investment in joint venture	9	-	1,348	-	1,400
Other investments	10	181	181	15	106
Deferred tax assets	11	4,254	1,921	-	-
Trade and other receivables	12	-	-	182,693	160,802
Total non-current assets		1,470,632	1,495,218	621,959	440,315
Inventories	13	287,073	424,022	-	-
Other investments	10	724,567	-	240,459	-
Trade and other receivables	12	275,969	558,566	196	2,577
Prepayments		15,320	33,016	81	408
Current tax assets		205,577	10,552	5	1,711
Derivative financial assets	19	-	638	-	-
Cash and cash equivalents	15	1,348,010	2,557,765	482,442	1,089,662
Total current assets		2,856,516	3,584,559	723,183	1,094,358
Total assets		4,327,148	5,079,777	1,345,142	1,534,673

Statements of Financial Position (Cont'd)

as at 31 December 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Equity					
Share capital	16.1	323,885	323,885	323,885	323,885
Translation reserve	16.2	3,817	12,890	-	-
Capital reserve	16.3	2,431	939	-	-
Treasury shares	16.4	(26,764)	(26,764)	(26,764)	(26,764)
Retained earnings		3,572,297	3,721,396	1,039,338	1,204,331
Equity attributable to owners of the Company		3,875,666	4,032,346	1,336,459	1,501,452
Non-controlling interests		22,266	28,003	-	-
Total equity		3,897,932	4,060,349	1,336,459	1,501,452
Liabilities					
Loans and borrowings	17	918	56,001	-	479
Lease liabilities		5,846	8,737	-	-
Deferred tax liabilities	11	137,703	129,403	2,826	3,609
Total non-current liabilities		144,467	194,141	2,826	4,088
Loans and borrowings	17	71,313	182,399	375	493
Lease liabilities		5,477	4,664	-	72
Current tax liabilities		1,862	316,968	-	-
Contract liabilities	14	4,709	23,466	-	-
Derivative financial liabilities	19	1,214	503	-	-
Trade and other payables	18	200,174	297,287	5,482	28,568
Total current liabilities		284,749	825,287	5,857	29,133
Total liabilities		429,216	1,019,428	8,683	33,221
Total equity and liabilities		4,327,148	5,079,777	1,345,142	1,534,673

The notes on pages 119 to 187 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Year Ended 31 December 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	20	2,343,764	6,631,463	131,719	2,181,411
Other income/(expense)		44,132	14,981	7,500	(4,451)
Changes in inventories of finished goods and work-in-progress		(71,705)	(39,358)	-	-
Raw materials and consumables used		(1,263,277)	(1,945,614)	-	-
Goods purchased for resale		(57,870)	(45,113)	-	-
Staff costs		(374,498)	(419,667)	(1,610)	(51,317)
Depreciation of property, plant and equipment		(125,246)	(113,975)	(1,404)	(924)
Impairment loss on trade receivables		(1,023)	-	-	-
Other operating expenses		(309,767)	(360,846)	(6,912)	(4,733)
Results from operating activities		184,510	3,721,871	129,293	2,119,986
Finance costs	21	(4,254)	(8,276)	(28)	(20)
Finance income		33,266	33,721	17,012	9,279
Share of loss of equity-accounted joint venture, net of tax	9	-	(4)	-	-
Profit before tax		213,522	3,747,312	146,277	2,129,245
Tax expense	23	(54,310)	(890,374)	(5,076)	(4,395)
Profit for the year	24	159,212	2,856,938	141,201	2,124,850

Statements of Profit or Loss and Other Comprehensive Income (Cont'd)

for the Year Ended 31 December 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other comprehensive (expense)/income, net of tax					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(9,857)	6,532	-	-
Other comprehensive (expense)/income for the year, net of tax		(9,857)	6,532	-	-
Total comprehensive income for the year		149,355	2,863,470	141,201	2,124,850
Profit attributable to:					
Owners of the Company		157,095	2,853,602	141,201	2,124,850
Non-controlling interests		2,117	3,336	-	-
Profit for the year		159,212	2,856,938	141,201	2,124,850
Total comprehensive income attributable to:					
Owners of the Company		148,022	2,858,949	141,201	2,124,850
Non-controlling interests		1,333	4,521	-	-
Total comprehensive income for the year		149,355	2,863,470	141,201	2,124,850
Basic earnings per ordinary share (sen)	25	6.16	111.82		
Diluted earnings per ordinary share (sen)	25	6.16	111.82		

The notes on pages 119 to 187 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity (Cont'd)

for the Year Ended 31 December 2022

	Attributable to owners of the Company					Distributable		Non-controlling interests		Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Translation reserve RM'000	Capital reserve RM'000	Retained earnings RM'000	Total RM'000		RM'000		
Note										
Group										
At 1 January 2022	323,885	(26,764)	12,890	939	3,721,396	4,032,346		28,003		4,060,349
Foreign currency translation differences for foreign operations	-	-	(9,073)	-	-	(9,073)		(784)		(9,857)
Total other comprehensive expense for the year	-	-	(9,073)	-	-	(9,073)		(784)		(9,857)
Profit for the year	-	-	-	-	157,095	157,095		2,117		159,212
Total comprehensive income for the year	-	-	(9,073)	-	157,095	148,022		1,333		149,355
Dividends to owners of the Company	-	-	-	-	(306,194)	(306,194)		-		(306,194)
Dividends to non-controlling interests	-	-	-	-	-	-		(1,660)		(1,660)
Acquisition of non-controlling interests	-	-	-	1,492	-	1,492		(5,410)		(3,918)
At 31 December 2022	323,885	(26,764)	3,817	2,431	3,572,297	3,875,666		22,266		3,897,932
	Note 16.1	Note 16.4	Note 16.2	Note 16.3						

The notes on pages 119 to 187 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the Year Ended 31 December 2022

		<i>Non-distributable</i>		<i>Distributable</i>	
	Note	Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
Company					
At 1 January 2021		323,885	(13,797)	278,907	588,995
Own shares acquired		-	(12,967)	-	(12,967)
Profit and total comprehensive income for the year		-	-	2,124,850	2,124,850
Dividends to owners of the Company	26	-	-	(1,199,426)	(1,199,426)
At 31 December 2021/1 January 2022		323,885	(26,764)	1,204,331	1,501,452
Profit and total comprehensive income for the year		-	-	141,201	141,201
Dividends to owners of the Company	26	-	-	(306,194)	(306,194)
At 31 December 2022		323,885	(26,764)	1,039,338	1,336,459
		Note 16.1	Note 16.4		

The notes on pages 119 to 187 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the Year Ended 31 December 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from operating activities					
Profit before tax		213,522	3,747,312	146,277	2,129,245
Adjustments for:					
Depreciation of property, plant and equipment	3	125,246	113,975	1,404	924
Depreciation of right-of-use assets	4	4,709	5,584	51	87
Depreciation of investment properties	5	336	-	386	386
Finance costs	21	4,254	8,276	28	20
Finance income		(33,266)	(33,721)	(17,012)	(9,279)
Fair value gain on other investments		(17,032)	-	(6,379)	-
Impairment loss on trade receivables		1,023	-	-	-
Amortisation on intangible assets		110	63	-	-
Gain on disposal of property, plant and equipment		(260)	(450)	(28)	(349)
Gain on disposal of investment property		(5,478)	-	-	-
Net gain on termination of right-of-use assets		(34)	(70)	-	-
Net unrealised fair value changes on derivatives	24	1,248	(135)	-	-
Net unrealised foreign exchange differences	24	1,939	1,043	-	-
Property, plant and equipment written off	24	6,090	6,342	-	6,296
Share of loss of equity-accounted joint venture, net of tax		-	4	-	-
Loss on disposal of joint venture		1,400	-	-	-
Bargain purchase on acquisition of subsidiary		(1,080)	-	-	-
Operating profit before changes in working capital		302,727	3,848,223	124,727	2,127,330

Statements of Cash Flows (Cont'd)

for the Year Ended 31 December 2022

Note	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Operating profit before changes in working capital	302,727	3,848,223	124,727	2,127,330
Change in inventories	136,949	15,927	-	-
Change in trade and other receivables and prepayments	297,432	99,770	(19,183)	(60,688)
Change in trade and other payables	(97,113)	(1,165)	(23,086)	15,809
Change in contract assets	-	120	-	-
Change in contract liabilities	(18,757)	(164,521)	-	-
Cash generated from operations	621,238	3,798,354	82,458	2,082,451
Interest received	33,266	33,721	17,012	9,279
Interest paid	(2,649)	(1,010)	(28)	(20)
Tax paid	(560,487)	(606,693)	(4,153)	(1,600)
Tax refund	2,013	310	-	-
Net cash from operating activities	93,381	3,224,682	95,289	2,090,110
Cash flows from investing activities				
Acquisition of property, plant and equipment (iii)	(115,260)	(219,793)	(27,335)	(28,094)
Acquisition of other investments	(707,535)	(15)	(233,989)	(15)
Acquisition of intangible assets	(104)	(22)	-	-
Acquisition of non-controlling interests	(3,918)	(3,500)	-	-
Increase in investments in subsidiaries	-	-	(135,777)	(3,500)
Proceeds from disposal of other investments	-	247	-	-
Proceeds from disposal of property, plant and equipment	2,678	987	1,455	437
Proceeds from disposal of investment property	10,701	-	-	-
Proceeds from disposal of right-of-use asset	80	-	-	-
Acquisition of subsidiary, net of cash and cash equivalents	1,028	-	-	-
Net cash used in investing activities	(812,330)	(222,096)	(395,646)	(31,172)

Statements of Cash Flows (Cont'd)

for the Year Ended 31 December 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from financing activities					
Dividends paid to owners of the Company		(306,194)	(1,199,426)	(306,194)	(1,199,426)
Dividends paid to non-controlling interests		(1,660)	(467)	-	-
Interest paid		(1,856)	(6,132)	-	-
Repurchase of own shares		-	(12,967)	-	(12,967)
Net (repayment of)/proceeds from other borrowings		(103,817)	(252,887)	(597)	672
Repayment of term loans		(63,452)	(64,550)	-	-
Payment of lease liabilities		(3,936)	(4,426)	(72)	(119)
Net cash used in financing activities		(480,915)	(1,540,855)	(306,863)	(1,211,840)
Net (decrease)/increase in cash and cash equivalents		(1,199,864)	1,461,731	(607,220)	847,098
Effect of exchange rate fluctuations on cash held		(9,891)	6,527	-	-
Cash and cash equivalents at 1 January		2,557,765	1,089,507	1,089,662	242,564
Cash and cash equivalents at 31 December	(ii)	1,348,010	2,557,765	482,442	1,089,662

(i) Cash outflows for leases as a lessee

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Included in net cash from operating activities:					
Payment relating to short-term leases	24	1,792	328	-	-
Payment relating to leases of low-value assets	24	124	70	-	-
Interest paid in relation to lease liabilities	21	543	714	1	20
Included in net cash from financing activities:					
Payment of lease liabilities		3,936	4,426	72	119
Total cash outflows for leases		6,395	5,538	73	139

Statements of Cash Flows (Cont'd)

for the Year Ended 31 December 2022

(ii) Cash and cash equivalents

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

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and bank balances	15	114,618	108,572	1,077	1,556
Short term investments	15	1,064,476	2,213,946	446,365	1,065,106
Short term deposits placed with licensed banks	15	168,916	235,247	35,000	23,000
		1,348,010	2,557,765	482,442	1,089,662

(iii) Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost totalling RM116 million (2021: RM221 million) and out of which RM1 million (2021: RM1 million) were financed by means of hire purchase arrangement during the financial year.

Statements of Cash Flows (Cont'd)

for the Year Ended 31 December 2022

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

	At 1 January 2021 RM'000	Net changes from financing cash flows RM'000	New purchase of lease arrangements RM'000	Acquisition of new lease RM'000	At 31 December 2021/ 1 January 2022 RM'000	Net changes from financing cash flows RM'000	New purchase of lease arrangements RM'000	Acquisition of new leases RM'000	Termination of lease RM'000	At 31 December 2022 RM'000
Group										
Term loans - unsecured	171,523	(64,550)	-	-	106,973	(63,452)	-	-	-	43,521
Revolving credit - unsecured	188,000	(188,000)	-	-	-	-	-	-	-	-
Trade finance - unsecured	195,214	(64,759)	-	-	130,455	(103,102)	-	-	-	27,353
Hire purchase financing - unsecured	300	(128)	800	-	972	(715)	1,100	-	-	1,357
Lease liabilities	15,641	(6,469)	-	4,229	13,401	(3,936)	-	1,886	(28)	11,323
Total liabilities from financing activities	570,678	(323,906)	800	4,229	251,801	(171,205)	1,100	1,886	(28)	83,554

	At 1 January 2021 RM'000	Net changes from financing cash flows RM'000	New purchase of lease arrangements RM'000	At 31 December 2021/ 1 January 2022 RM'000	Net changes from financing cash flows RM'000	At 31 December 2022 RM'000
Company						
Hire purchase financing - unsecured	300	(128)	800	972	(597)	375
Lease liabilities	191	(119)	-	72	(72)	-
Total liabilities from financing activities	491	(247)	800	1,044	(669)	375

The notes on pages 119 to 187 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

PRINCIPAL PLACE OF BUSINESS/REGISTERED OFFICE

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”). The financial statements of the Company as at and for the financial year ended 31 December 2022 do not include other entities.

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

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

These financial statements were authorised for issue by the Board of Directors on 13 April 2023.

1. BASIS OF PREPARATION

(a) Statement of compliance

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

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

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

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

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendment to MFRS 16, *Leases* – Lease Liability in a Sale and Leaseback
- Amendment to MFRS 101, *Presentation of Financial Statements* – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current

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

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

Notes to the Financial Statements (Cont'd)

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

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

- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 and amendments to MFRS 17 which are not applicable to the Group and the Company; and
- from the annual period beginning on 1 January 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024.

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

- Note 3 – measurement of value-in-use of plant and machinery
- Note 4 – extension options and incremental borrowing rates in relation to leases
- Note 12 – measurement of the recoverability of trade receivables

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(i) Subsidiaries (cont'd)

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

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

(ii) Business combinations

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

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

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

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

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

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

(iii) Acquisitions of non-controlling interests

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

(iv) Loss of control

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(v) Joint arrangements

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

Joint arrangements are classified and accounted for as follows:

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

(vi) Non-controlling interests

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

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

(vii) Transactions eliminated on consolidation

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

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency (cont'd)

(i) Foreign currency transactions (cont'd)

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

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

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

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

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

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

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

(c) Financial instruments

(i) Recognition and initial measurement

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

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

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement

Financial assets

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

(a) *Amortised cost*

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

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

(b) *Fair value through profit or loss*

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

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

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

Financial liabilities

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

(a) *Fair value through profit or loss*

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

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

Financial liabilities (cont'd)

(a) Fair value through profit or loss (cont'd)

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

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

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

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

(b) Amortised cost

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

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

(iii) Financial guarantee contracts

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

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

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

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

(iv) Derecognition

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

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

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

Proceeds before Intended Use

The Group recognises in profit or loss the following:

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(ii) Subsequent costs

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

(iii) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

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

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

(e) Leases

(i) Definition of a lease

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

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (cont'd)

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

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

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

(ii) Recognition and initial measurement

(a) As a lessee

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

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

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

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

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

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

(b) As a lessor

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (cont'd)

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

(b) As a lessor (cont'd)

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

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

(iii) Subsequent measurement

(a) As a lessee

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

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

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

(b) As a lessor

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

(f) Goodwill on consolidation

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

(g) Intangible assets

(i) Intangible assets

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

(ii) Subsequent expenditure

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Intangible assets (cont'd)

(iii) Amortisation

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

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

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

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

(h) Investment properties

Investment properties carried at cost

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

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

Reclassification to/from investment property

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

(i) Inventories

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

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

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

(j) Contract assets/Contract liabilities

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

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Cash and cash equivalents

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

(l) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost or fair value through other comprehensive income and contract assets.

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

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

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

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

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

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment (cont'd)

(ii) Other assets

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

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

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

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

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

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

(m) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Equity instruments (cont'd)

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

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

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

(n) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(o) Provisions

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

(p) Revenue and other income

(i) Revenue

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

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

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(ii) Rental income

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

(iii) Interest income

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

(iv) Services rendered

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

(v) Dividend income

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

(q) Borrowing costs

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

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

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

(r) Income tax

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

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

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

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Income tax (cont'd)

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

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

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

(s) Earnings per ordinary share

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

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

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

(t) Operating segments

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

(u) Fair value measurements

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

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

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

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

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

Notes to the Financial Statements (Cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land*	Buildings	Plant and machinery	Motor vehicles	Factory renovation	Factory furniture and equipment	Electrical installation	Office furniture, equipment and renovation	Plant and machinery under construction	Building under construction	Software development	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost												
At 1 January 2021	320,896	389,739	1,173,206	16,881	10,543	27,930	5,987	33,456	31,789	29,676	6,806	2,046,909
Additions	34,010	17,065	48,764	3,241	265	1,457	68	2,616	36,789	72,341	3,977	220,593
Disposals	-	-	(1,523)	(2,086)	-	(94)	-	(185)	-	-	-	(3,888)
Write-off	-	-	(7,303)	(68)	-	(8)	-	(268)	-	-	(6,296)	(13,943)
Reclassification**	-	22,800	46,292	767	-	-	-	505	(46,755)	(22,842)	-	767
31 December 2021/ 1 January 2022	354,906	429,604	1,259,436	18,735	10,808	29,285	6,055	36,124	21,823	79,175	4,487	2,250,438
Additions	15	1,734	29,663	2,892	187	1,021	352	4,640	18,610	55,470	1,776	116,360
Disposals	(277)	(108)	(8,446)	(6,216)	-	(93)	-	(4,001)	-	(61)	-	(19,202)
Write-off	-	(1,099)	(81,574)	(124)	(833)	(990)	(1,235)	(2,141)	-	-	-	(87,996)
Reclassification**	-	803	11,311	1,403	501	46	241	551	(11,985)	(1,468)	-	1,403
Effect of movement in exchange rates	-	-	(1,817)	78	-	-	-	9	-	-	-	(1,730)
At 31 December 2022	354,644	430,934	1,208,573	16,768	10,663	29,269	5,413	35,182	28,448	133,116	6,263	2,259,273

* Included in the freehold land is an amount of USD2,894,771 equivalent to RM12.7 million as at 31 December 2022 (31 December 2021: USD2,995,042 equivalent to RM12.2 million) representing the freehold land and building of an overseas subsidiary of which the carrying amount of the building is not segregated from the freehold land as the required details are not available.

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

Assets held under hire purchase arrangements

At the end of the financial year, the net carrying amount of motor vehicles held under hire purchase arrangements is RM3.2 million (2021: RM3.1 million).

Notes to the Financial Statements (Cont'd)

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

Group	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Factory renovation RM'000	Factory furniture and equipment RM'000	Electrical installation RM'000	Office furniture, equipment and renovation RM'000	Plant and machinery under construction RM'000	Building under construction RM'000	Software under development RM'000	Total RM'000
Accumulated depreciation												
At 1 January 2021	-	52,678	663,661	14,114	7,717	17,108	4,599	13,347	-	-	-	773,224
Charge for the year	-	10,577	96,470	1,391	347	2,024	97	3,069	-	-	-	113,975
Disposals	-	-	(1,170)	(2,008)	-	(80)	-	(93)	-	-	-	(3,351)
Write-off	-	-	(7,262)	(67)	-	(4)	-	(268)	-	-	-	(7,601)
Reclassification**	-	(27)	27	468	-	-	-	-	-	-	-	468
At 31 December 2021/1 January 2022	-	63,228	751,726	13,898	8,064	19,048	4,696	16,055	-	-	-	876,715
Charge for the year	-	11,400	103,020	2,021	294	2,011	132	6,368	-	-	-	125,246
Disposals	-	(108)	(8,043)	(5,508)	-	(15)	-	(3,110)	-	-	-	(16,784)
Write-off	-	(917)	(75,705)	(124)	(833)	(976)	(1,235)	(2,116)	-	-	-	(81,906)
Reclassification**	-	-	-	842	-	-	-	-	-	-	-	842
Effect of movement in exchange rates	-	-	(1,836)	57	-	-	-	15	-	-	-	(1,764)
At 31 December 2022	-	73,603	769,162	11,186	7,525	20,068	3,593	17,212	-	-	-	902,349
Carrying amounts												
At 1 January 2021	320,896	337,061	509,545	2,767	2,826	10,822	1,388	20,109	31,789	29,676	6,806	1,273,685
At 31 December 2021/1 January 2022	354,906	366,376	507,710	4,837	2,744	10,237	1,359	20,069	21,823	79,175	4,487	1,373,723
At 31 December 2022	354,644	357,331	439,411	5,582	3,138	9,201	1,820	17,970	28,448	133,116	6,263	1,356,924

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

Notes to the Financial Statements (Cont'd)

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

Impairment assessment

During the year, the Group performed an impairment test on certain plant and machinery with carrying amount of RM97 million as an impairment indicator was identified as a result of lower average selling prices of rubber gloves and lower rate of utilisation. The Group has determined the recoverable amounts based on the value-in-use of the plant and machinery.

Value-in-use was determined by discounting the future cash flows expected to be generated from the continuing use of the plant and machinery and was based on the following key assumptions:

- The cash flows projection is projected based on the remaining useful lives of the plant and machinery.
- Net cash flows were projected based on past experience, actual operating results and management's estimate of industry trends on plant utilisation rate, average selling prices and profit margin.
- A pre-tax discount rate of 11.4% was applied in determining the recoverable amount of the plant and machinery. The discount rate was estimated based on the Group's weighted average cost of capital.

The values assigned to the key assumptions represent management's assessment of future outlook of the gloves manufacturing industry. The result of the impairment testing does not give rise to any impairment losses on the plant and machinery however, any adverse change in the key assumptions may result in impairment losses.

Notes to the Financial Statements (Cont'd)

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

Company	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Office furniture, equipment and renovation RM'000	Building under construction RM'000	Software under development RM'000	Total RM'000
Cost							
At 1 January 2021	42,638	3,799	5,488	3,984	11,828	6,806	74,543
Additions	-	-	2,533	185	21,399	3,977	28,094
Disposals	-	-	(1,683)	(82)	-	-	(1,765)
Write-off	-	-	-	(13)	-	(6,296)	(6,309)
At 31 December 2021/ 1 January 2022	42,638	3,799	6,338	4,074	33,227	4,487	94,563
Additions	-	-	-	153	25,406	1,776	27,335
Disposals	-	-	(2,596)	(2,842)	-	-	(5,438)
Write-off	-	-	-	(202)	-	-	(202)
Reclassification***	-	-	433	-	-	-	433
At 31 December 2022	42,638	3,799	4,175	1,183	58,633	6,263	116,691
Accumulated depreciation							
At 1 January 2021	-	863	4,239	1,989	-	-	7,091
Charge for the year	-	86	489	349	-	-	924
Disposals	-	-	(1,612)	(65)	-	-	(1,677)
Write-off	-	-	-	(13)	-	-	(13)
At 31 December 2021/ 1 January 2022	-	949	3,116	2,260	-	-	6,325
Charge for the year	-	86	628	690	-	-	1,404
Disposals	-	-	(1,891)	(2,120)	-	-	(4,011)
Write-off	-	-	-	(202)	-	-	(202)
Reclassification***	-	-	260	-	-	-	260
At 31 December 2022	-	1,035	2,113	628	-	-	3,776

Notes to the Financial Statements (Cont'd)

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

Company	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Office furniture, equipment and renovation RM'000	Building under construction RM'000	Software under development RM'000	Total RM'000
<i>Carrying amounts</i>							
At 1 January 2021	42,638	2,936	1,249	1,995	11,828	6,806	67,452
At 31 December 2021/ 1 January 2022	42,638	2,850	3,222	1,814	33,227	4,487	88,238
At 31 December 2022	42,638	2,764	2,062	555	58,633	6,263	112,915

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

Assets held under hire purchase arrangements

At the end of the financial year, the net carrying amount of motor vehicles held under hire purchase arrangements is RM1.9 million (2021: RM3.1 million).

Notes to the Financial Statements (Cont'd)

4. RIGHT-OF-USE ASSETS

	Note	Land RM'000	Buildings RM'000	Motor vehicles RM'000	Total RM'000
Group					
At 1 January 2021		37,318	9,915	1,942	49,175
Additions		-	4,229	-	4,229
Borrowing costs capitalised at 3.46% per annum	4.3	869	-	-	869
Termination		(18)	(1,955)	-	(1,973)
Reclassification	3	-	-	(299)	(299)
Depreciation		(1,226)	(3,755)	(603)	(5,584)
At 31 December 2021/1 January 2022		36,943	8,434	1,040	46,417
Additions		-	1,886	-	1,886
Borrowing costs capitalised at 3.31% per annum	4.3	251	-	-	251
Termination		-	(25)	(49)	(74)
Reclassification	3/5	19,861*	-	(561)	19,300
Depreciation		(770)	(3,624)	(315)	(4,709)
At 31 December 2022		56,285	6,671	115	63,071
Company					
At 1 January 2021		-	-	311	311
Depreciation		-	-	(87)	(87)
At 31 December 2021/1 January 2022		-	-	224	224
Depreciation		-	-	(51)	(51)
Reclassification		-	-	(173)	(173)
At 31 December 2022		-	-	-	-

* The reclassification of land is a reclassification from investment property to right-of-use assets due to a change in the use of the asset.

The Group leases a number of land, factory buildings, worker hostels and motor vehicles. The leasehold land has lease term of 95 years. The remaining leases typically run for a period between one to thirty years, with an option to renew the leases after that date. Lease payments are increased every two to three years to reflect current market rentals.

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

Notes to the Financial Statements (Cont'd)

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

4.1 Extension options

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

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

Group	Lease liabilities recognised (discounted) RM'000	Potential future lease payments not included in lease liabilities (discounted) RM'000	Historical rate of extension options %
Land	2,866	-	100
Buildings	530	-	100
	3,396	-	100

4.2 Significant judgements and assumptions in relation to lease

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

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

4.3 Borrowing costs

Included in the additions of right-of-use for land is an amount of RM251,174 (2021: RM869,068) representing the borrowing costs capitalised (see Note 21).

Notes to the Financial Statements (Cont'd)

5. INVESTMENT PROPERTIES

	Note	Land RM'000	Buildings RM'000	Total RM'000
Group				
Cost				
At 1 January 2021		69,298	-	69,298
Reclassification		(2,003)	-	(2,003)
At 31 December 2021/1 January 2022		67,295	-	67,295
Disposals		(5,223)	-	(5,223)
Reclassification	4	(19,861)	-	(19,861)
At 31 December 2022		42,211	-	42,211

Accumulated depreciation

At 1 January 2021/31 December 2021/

1 January 2022		1,707	-	1,707
Depreciation charge for the year		336	-	336
At 31 December 2022		2,043	-	2,043

Carrying amounts

At 1 January 2021		67,591	-	67,591
At 31 December 2021/1 January 2022		65,588	-	65,588
At 31 December 2022		40,168	-	40,168

Company**Cost**

At 1 January 2021/31 December 2021/ 1 January 2022/31 December 2022		10,100	12,305	22,405
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Accumulated depreciation

At 1 January 2021		-	2,715	2,715
Charge for the year		-	386	386
At 31 December 2021/1 January 2022		-	3,101	3,101
Charge for the year		-	386	386
At 31 December 2022		-	3,487	3,487

Carrying amounts

At 1 January 2021		10,100	9,590	19,690
At 31 December 2021/1 January 2022		10,100	9,204	19,304
At 31 December 2022		10,100	8,818	18,918

Notes to the Financial Statements (Cont'd)

5. INVESTMENT PROPERTIES (CONT'D)

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Lease income	669	1,911	1,076	914
Direct operating expenses:				
- income generating investment properties	(978)	(1,065)	(464)	(459)

5.1 Operating lease payments receivable

The operating lease payments to be received are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Less than one year	352	423	1,302	823
Between one and five years	-	352	485	78
Total undiscounted lease payments	352	775	1,787	901

5.2 Fair value information

Fair value of investment properties are categorised as follows:

	Group Level 3 RM'000	Company Level 3 RM'000
2022		
Land and buildings	94,849	55,132
2021		
Land and buildings	153,691	44,534

Notes to the Financial Statements (Cont'd)

5. INVESTMENT PROPERTIES (CONT'D)

5.2 Fair value information (cont'd)

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

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

6. GOODWILL ON CONSOLIDATION

	Group	
	2022 RM'000	2021 RM'000
At cost	4,926	4,926

6.1 Impairment testing for cash-generating units containing goodwill

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

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

	Group	
	2022 RM'000	2021 RM'000
Technical rubber products	864	864
Cleanroom products	4,062	4,062
Total	4,926	4,926

Key assumptions used in determining the recoverable amount

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

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

- The revenue in the 5-year cash flow projection is expected to be consistent with current year.
- The terminal value was estimated using the perpetuity growth model, with nil growth rate to perpetuity which is consistent with prior year.
- A pre-tax discount rate of 11.4% (2021: 15%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the Group's weighted average cost of capital.
- There will be no other significant changes in the government policies and regulations which will directly affect the investees' businesses. The inflation for the operating expenses is in line with the estimated gross domestic product growth rate for the country, in which the CGU operates, based on past trends.

Notes to the Financial Statements (Cont'd)

6. GOODWILL ON CONSOLIDATION (CONT'D)

6.1 Impairment testing for cash-generating units containing goodwill (cont'd)

Key assumptions used in recoverable amount (cont'd)

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

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

7. INTANGIBLE ASSETS

Group	Patents RM'000	Intellectual property rights RM'000	Total RM'000
Cost			
At 1 January 2021	1,155	1,639	2,794
Additions	22	-	22
At 31 December 2021/1 January 2022	1,177	1,639	2,816
Additions	104	-	104
At 31 December 2022	1,281	1,639	2,920
Amortisation and Impairment loss			
At 1 January 2021			
Accumulated impairment loss	-	1,639	1,639
Amortisation for the year	63	-	63
At 31 December 2021/1 January 2022			
Accumulated amortisation	63	-	63
Accumulated impairment loss	-	1,639	1,639
	63	1,639	1,702
Amortisation for the year	110	-	110
At 31 December 2022			
Accumulated amortisation	173	-	173
Accumulated impairment loss	-	1,639	1,639
	173	1,639	1,812
Carrying amounts			
At 1 January 2021	1,155	-	1,155
At 31 December 2021/1 January 2022	1,114	-	1,114
At 31 December 2022	1,108	-	1,108

Notes to the Financial Statements (Cont'd)

7. INTANGIBLE ASSETS (CONT'D)

Company	Patents RM'000	Intellectual property rights RM'000	Total RM'000
Cost			
At 1 January 2021/31 December 2021/ 1 January 2022/31 December 2022	-	1,639	1,639
Impairment loss			
At 1 January 2021/31 December 2021/ 1 January 2022/31 December 2022	-	1,639	1,639
Carrying amounts			
At 1 January 2021/31 December 2021/ 1 January 2022/31 December 2022	-	-	-

The intellectual property is Aseptapak Innovation, which is the latest automated packing technology for gloves. The intellectual property includes any of its further development, future improvements and enhancements.

The intellectual property is owned by Aseptapak (M) Sdn. Bhd. ("Aseptapak") and Aseptapak has granted the rights to the Group to use the Aseptapak Innovation for up to 20 years. The rights are only amortised from the date it is available for use on commercial basis. The intellectual property was fully impaired since the previous year as it has not contributed any revenue since registration.

8. INVESTMENTS IN SUBSIDIARIES

	Company 2022 RM'000	2021 RM'000
Cost of investment	307,418	170,241

Details of the subsidiaries are as follows:

Name of subsidiary	Principal place of business/Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2022 %	2021 %
Perusahaan Getah Asas Sdn. Bhd.	Malaysia	Manufacturing of latex examination gloves	100	100
Kossan Latex Industries (M) Sdn. Bhd.	Malaysia	Manufacturing of latex examination gloves	100	100
Hibon Corporation Sdn. Bhd.	Malaysia	Manufacturing and marketing of rubber based parts and products	90	90

Notes to the Financial Statements (Cont'd)

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal place of business/Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2022 %	2021 %
Doshin Rubber Products (M) Sdn. Bhd.	Malaysia	Manufacturing and trading of rubber products	90	85
Ideal Quality Sdn. Bhd.	Malaysia	Manufacturing of latex examination gloves	100	100
Kossan Engineering (M) Sdn. Bhd.	Malaysia	Fabrication and installation of machinery	100	100
Kossan International Sdn. Bhd.	Malaysia	Trading of latex examination gloves	100	100
Kossan Sdn. Bhd.	Malaysia	Investment holding	100	100
Premium Medical Products Sdn. Bhd.	Malaysia	Investment holding	100	100
Cleanera (Malaysia) Sdn. Bhd.	Malaysia	Trading of latex examination gloves and cleanroom products	100	100
Cleanera HK Limited+	Hong Kong	Investment holding and trading of cleanroom products	83	82
KPH Logistics, Inc.#	United States of America	Distribution of household goods	100	100
KPH (San Francisco), LLC.#	United States of America	Property holding	100	100
KISB Asia Pacific Sdn. Bhd.	Malaysia	Investment holding	100	100
Kossan Labuan Bhd.	Malaysia	Investment holding	100	100
Kossan Industries Sdn. Bhd.	Malaysia	Manufacturing and sales of rubber products	100	100
Kossan Security Services Sdn. Bhd.	Malaysia	Manage auxiliary police services for Kossan group	100	100
Kossan Trading Sdn. Bhd.	Malaysia	Manufacturing, processing and trading of chemicals and rubber compound	100	100
Kossan Ceramics Sdn. Bhd.	Malaysia	Manufacturing of formers and ceramic products	100	100
Aseptapak Sdn. Bhd.	Malaysia	Purchase or acquisition of patents, designs, trademarks invention and licences	100	50
Kossan Management Services Sdn. Bhd.+	Malaysia	Provision of management services	100	-

Notes to the Financial Statements (Cont'd)

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal place of business/Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2022 %	2021 %
Kossan Research & Development Sdn. Bhd.	Malaysia	Dormant	100	-
Wear Safe (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing of surgical, procedure and examination gloves	100	-
Subsidiary of Kossan Gloves Sdn. Bhd.				
Wear Safe (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing of surgical, procedure and examination gloves	-	100
Subsidiary of Doshin Rubber Products (M) Sdn. Bhd.				
Quality Profile Sdn. Bhd.	Malaysia	Manufacturing and sales of rubber products	90	85
Subsidiary of Cleaner HK Limited				
Dongguan Cleaner Cleanroom Products Company Limited ⁺	The People's Republic of China	Manufacturing and sales of cleanroom products	83	82
Subsidiary of Kossan Engineering (M) Sdn. Bhd.				
Kossan Gloves Sdn. Bhd.	Malaysia	Investment holding	100	100
Subsidiary of Kossan Labuan Bhd.				
PT. Kossan Setia Jaya [#]	Republic of Indonesia	Property holding	100	100
Subsidiary of Kossan International Sdn. Bhd.				
KISB HK Limited ⁺	Hong Kong	Investment holding	100	100
Subsidiary of KISB HK Limited				
KISB Limited Shanghai ⁺	The People's Republic of China	Trading of machinery parts	100	100
Subsidiary of KISB Limited Shanghai				
Pureshield (Shanghai) Health Science and Technology Co. Limited ⁺	The People's Republic of China	Trading of latex examination gloves	100	100

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

+ Not audited by KPMG PLT.

Notes to the Financial Statements (Cont'd)

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

8.1 *Material non-controlling interests in subsidiaries*

There are no non-controlling interests that are material to the Group for the year ended 31 December 2022.

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

On 16 December 2022, the Company acquired an additional 5% interest in Doshin Rubber Products (M) Sdn. Bhd. for RM3,500,000 in cash, increasing its ownership from 85% to 90%. The Group recognised a decrease in non-controlling interests of RM5,070,399 and an increase in capital reserve of RM1,570,399.

8.3 *Incorporation of a new subsidiary and increase in investment in subsidiary - Kossan Management Services Sdn. Bhd.*

On 25 July 2022, the Company acquired 2 ordinary shares in the capital of Kossan Management Services Sdn. Bhd. at RM1 per share. Kossan Management Services Sdn. Bhd.'s principal business is provision of management services.

On 29 September 2022, the Company subscribed to an additional 999,998 ordinary shares in Kossan Management Services Sdn. Bhd. for a cash consideration of RM999,998.

8.4 *Incorporation of a new subsidiary - Kossan Research & Development Sdn. Bhd.*

On 25 March 2022, the Company acquired 2 ordinary shares in the capital of Kossan Research & Development Sdn. Bhd. at RM1 per share. Kossan Research & Development Sdn. Bhd.'s intended principal business is the research and development on gloves and rubber related products and provision of analytical services. The Company is currently dormant.

8.5 *Acquisition of non-controlling interests - Cleanera HK Limited*

On 9 September 2022, the Company acquired an additional 0.63% interest in Cleanera HK Limited for HKD708,500 (equivalent to RM418,692) in cash, increasing its ownership from 82% to 83%. The Group recognised a decrease in non-controlling interests of RM340,583 and a decrease in capital reserve of RM78,109.

8.6 *Acquisition of subsidiary - Aseptapak Sdn. Bhd.*

On 30 June 2022, the Company acquired an additional 50% interest in Aseptapak Sdn. Bhd. for USD2 in cash, increasing its ownership from 50% to 100%.

8.7 *Acquisition of subsidiary - Wear Safe (Malaysia) Sdn. Bhd.*

On 1 July 2022, the Company acquired 5,283,820 ordinary shares (100%) in Wear Safe (Malaysia) Sdn. Bhd. from Kossan Gloves Sdn. Bhd. as part of the Group's internal re-organisation for a cash consideration of RM122,658,569.

8.8 *Increase in investment in subsidiary - Kossan Sdn. Bhd.*

On 29 September 2022, the Company subscribed to an additional 3,199,998 ordinary shares in Kossan Sdn. Bhd. for a cash consideration of RM3,199,998.

8.9 *Increase in investment in subsidiary - Kossan Trading Sdn. Bhd.*

On 29 September 2022, the Company subscribed to an additional 4,999,999 ordinary shares in Kossan Trading Sdn. Bhd. for a cash consideration of RM4,999,999.

Notes to the Financial Statements (Cont'd)

9. INVESTMENT IN JOINT VENTURE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Investment in shares	-	1,352	-	1,400
Shares of post-acquisition reserves	-	(4)	-	-
	-	1,348	-	1,400

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

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

The following table summarises the financial information of Aseptapak.

	Group 2021 RM'000
Percentage of ownership interest and voting interest	50%

Summarised financial information**As at 31 December**

Non-current assets	-
Current assets	1,032
Current liabilities	(4)
	1,028

Year ended 31 December

Loss and total comprehensive expense for the year	(8)
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Group's share of results for the year ended 31 December

Group's share of loss during the year	(4)
---------------------------------------	-----

On 30 June 2022, the Company acquired an additional 50% interest in Aseptapak Sdn. Bhd. for USD2 in cash, increasing its ownership from 50% to 100%. As a result, Aseptapak Sdn. Bhd. became a subsidiary of the Company.

Notes to the Financial Statements (Cont'd)

10. OTHER INVESTMENTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current				
Fair value through profit or loss	181	181	15	106
Current				
Fair value through profit or loss	724,567	-	240,459	-
	724,748	181	240,474	106

11. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Group						
Property, plant and equipment	-	-	(146,459)	(139,436)	(146,459)	(139,436)
Right-of-use assets	-	-	(5,667)	(5,605)	(5,667)	(5,605)
Revaluation on properties#	-	-	(4,775)	(4,926)	(4,775)	(4,926)
Unutilised reinvestment allowance and unabsorbed capital allowances	8,052	-	-	-	8,052	-
Tax loss carry forwards	1,927	97	-	-	1,927	97
Provisions	10,278	16,199	-	-	10,278	16,199
Lease liabilities	6,157	6,034	-	-	6,157	6,034
Derivatives	264	103	-	-	264	103
Fair value gain on other investments	-	-	(4,048)	-	(4,048)	-
Others	822	52	-	-	822	52
Tax assets/(liabilities)	27,500	22,485	(160,949)	(149,967)	(133,449)	(127,482)
Set off of tax	(23,246)	(20,564)	23,246	20,564	-	-
Net tax assets/(liabilities)	4,254	1,921	(137,703)	(129,403)	(133,449)	(127,482)

Notes to the Financial Statements (Cont'd)

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

Recognised deferred tax assets/(liabilities) (cont'd)

	Assets		Liabilities		Net	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Company						
Property, plant and equipment	-	-	(796)	(3,088)	(796)	(3,088)
Fair value gain on other investments	-	-	(1,532)	-	(1,532)	-
Revaluation on properties#	-	-	(498)	(521)	(498)	(521)
	-	-	(2,826)	(3,609)	(2,826)	(3,609)

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

Unrecognised deferred tax assets

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

	Group	
	2022 RM'000	2021 RM'000
Tax loss carry forwards	58	58
Tax at 24% (2021: 24%)	14	14

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

Deferred tax assets have not been recognised in respect for tax loss carry forwards amounting to RM57,766 (2021: RM57,766) because it is not probable that future taxable profit will be available against which certain subsidiaries within the Group can utilise the benefits there from.

Notes to the Financial Statements (Cont'd)

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

Movement in temporary differences during the year

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Notes to the Financial Statements (Cont'd)

12. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current					
Non-trade					
Amount due from subsidiaries	12.1	-	-	182,693	160,802
Current					
Trade					
Trade receivables		265,489	542,622	-	-
Less: Allowance for impairment loss		(664)	(402)	-	-
	12.4	264,825	542,220	-	-
Amount due from related parties	12.2	26	161	-	-
		264,851	542,381	-	-
Non-trade					
Amount due from subsidiaries	12.3	-	-	45	2,314
Other receivables		4,524	9,780	61	171
Refundable deposits		6,576	6,396	90	92
Amount due from related parties		18	9	-	-
		11,118	16,185	196	2,577
		275,969	558,566	196	2,577
		275,969	558,566	182,889	163,379

12.1 The non-trade amount due from subsidiaries is unsecured, subject to interest at 2.75% (2021: 2.09%) per annum and repayable beyond the next 12 months.

12.2 The trade amount due from related parties is subject to negotiated trade terms.

12.3 The non-trade amount due from subsidiaries is unsecured, subject to interest at 2.75% (2021: 2.09%) per annum and repayable on demand.

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

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

Notes to the Financial Statements (Cont'd)

13. INVENTORIES

	Group	
	2022 RM'000	2021 RM'000
Raw materials	77,062	120,436
Work-in-progress	4,800	5,023
Finished goods	205,211	298,563
	287,073	424,022
Recognised in profit or loss:		
Inventories recognised as cost of sales	1,392,852	2,030,085

14. CONTRACT LIABILITIES

	Group	
	2022 RM'000	2021 RM'000
Contract liabilities	4,709	23,466

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

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

Group	2022 RM'000	2021 RM'000
Contract liabilities at the beginning of the period recognised as revenue	(23,466)	(187,987)
Advances received during the year	39,468	47,669
Advances received and utilised during the year	(34,759)	(24,203)
	(18,757)	(164,521)

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and bank balances	114,618	108,572	1,077	1,556
Short term investments	1,064,476	2,213,946	446,365	1,065,106
Short term deposits placed with licensed banks	168,916	235,247	35,000	23,000
	1,348,010	2,557,765	482,442	1,089,662

Notes to the Financial Statements (Cont'd)

16. CAPITAL AND RESERVES

16.1 Share capital

	Group and Company			
	Number of shares 2022 '000	Amount 2022 RM'000	Number of shares 2021 '000	Amount 2021 RM'000
Ordinary shares, issued and fully paid with no par value classified as equity instruments:				
At 1 January	2,551,620	323,885	2,555,120	323,885
Shares buy-back	-	-	(3,500)	-
At 31 December	2,551,620	323,885	2,551,620	323,885

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

16.2 Translation reserve

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

16.3 Capital reserve

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

16.4 Treasury shares

Treasury shares comprises cost of acquisition of the Company's own shares. As at 31 December 2022, the Company held a total of 6,252,000 (2021: 6,252,000) of its 2,557,871,616 (2021: 2,557,871,616) issued ordinary shares as treasury shares.

In the prior year, the Company repurchased 3,500,000 of its issued ordinary shares from the open market amounting to RM12.9 million. The purchase transactions were financed by internally generated funds. The ordinary shares purchased were retained as treasury shares and the Company's total number of issued shares decreased from 2,555,119,616 to 2,551,619,616.

There were no shares repurchased during the year.

Notes to the Financial Statements (Cont'd)

17. LOANS AND BORROWINGS

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current					
Term loans - unsecured	17.1	291	55,522	-	-
Hire purchase financing - unsecured	17.2	627	479	-	479
		918	56,001	-	479
Current					
Term loans - unsecured	17.1	43,230	51,451	-	-
Hire purchase financing - unsecured	17.2	730	493	375	493
Trade finance - unsecured	17.3	27,353	130,455	-	-
		71,313	182,399	375	493
		72,231	238,400	375	972

17.1 Term loans - unsecured

Unsecured term loans consisting of:

- RM denominated term loan of RM0.99 million (2021: RM1.69 million) representing a 5-year term loan obtained in 2019 with monthly repayment installments, and bears interest rates of 3.52% (2021: 3.10%) per annum,
- RM denominated term loan of RM36.53 million (2021: RM76.38 million) representing a 3-year term loan obtained in 2020 with monthly repayment installments, and bears interest rate of 3.88% (2021: 2.75%) per annum, and
- RM denominated term loan of RM6.00 million (2021: RM18.00 million) representing a 5-year term loan obtained in 2018 with monthly repayment installments, and bears interest rates of 3.95% (2021: 3.00%) per annum.

17.2 Hire purchase financing payable

The hire purchase financing are payable as follows:

Group	Payment RM'000	Interest RM'000	Principal RM'000
2022			
Less than one year	774	44	730
Between one and five years	651	24	627
Total undiscounted lease payments	1,425	68	1,357
2021			
Less than one year	523	30	493
Between one and five years	489	10	479
Total undiscounted lease payments	1,012	40	972

Notes to the Financial Statements (Cont'd)

17. LOANS AND BORROWINGS (CONT'D)

17.2 Hire purchase financing payable (cont'd)

Company	Payment RM'000	Interest RM'000	Principal RM'000
2022			
Less than one year	383	8	375
Total undiscounted lease payments	383	8	375
2021			
Less than one year	523	30	493
Between one and five years	489	10	479
Total undiscounted lease payments	1,012	40	972

17.3 Trade finance - unsecured

The trade finance facilities are utilised for working capital purposes and are subject to interest at 3.35% to 4.96% (2021: 0.51% to 2.24%) per annum.

18. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Trade					
Trade payables		111,379	166,000	-	-
Amount due to related parties	18.1	526	-	-	-
		111,905	166,000	-	-
Non-trade					
Amount due to ultimate holding company	18.2	11	-	-	-
Amount due to related parties	18.2	1,362	2,103	-	-
Other payables		37,819	35,340	4,762	6,694
Accrued expenses		49,077	93,844	720	21,874
		88,269	131,287	5,482	28,568
		200,174	297,287	5,482	28,568

18.1 The trade amount due to related parties is subject to negotiated trade terms.

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

Notes to the Financial Statements (Cont'd)

19. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	2022			2021		
	Nominal value RM'000	Assets RM'000	Liabilities RM'000	Nominal value RM'000	Assets RM'000	Liabilities RM'000
Group						
Derivatives at fair value through profit or loss						
- Forward foreign exchange contracts	182,499	-	(1,214)	548,738	638	(503)

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

20. REVENUE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Sales of rubber products	2,343,764	6,631,463	-	-
Dividend income	-	-	117,601	2,149,503
Management fees	-	-	14,118	31,908
	2,343,764	6,631,463	131,719	2,181,411

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

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

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

Transaction price allocated to remaining performance obligations

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

Notes to the Financial Statements (Cont'd)

21. FINANCE COSTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest expense on:				
- Hire purchase	38	-	27	-
- Term loans	1,856	6,132	-	-
- Trade finance	2,068	2,096	-	-
- Revolving credit	-	203	-	-
Interest on lease liabilities	543	714	1	20
	4,505	9,145	28	20
Recognised in profit or loss	4,254	8,276	28	20
Capitalised into qualifying assets as a reduction of borrowing costs:				
- right-of-use assets	251	869	-	-
	4,505	9,145	28	20

22. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Directors:				
- Fees	474	495	474	495
- Remunerations	13,427	24,346	3,472	22,042
	13,901	24,841	3,946	22,537
Other key management personnel:				
- Remunerations	14,069	14,271	3,730	4,830

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

Notes to the Financial Statements (Cont'd)

23. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current tax expense				
Current year	48,315	873,946	1,353	832
Under provision in prior year	28	5,861	4,506	1,809
	48,343	879,807	5,859	2,641
Deferred tax expense				
Origination and reversal of temporary differences	3,360	15,824	1,420	104
Under/(Over) provision in prior year	2,607	(5,257)	(2,203)	1,650
	5,967	10,567	(783)	1,754
Total tax expense	54,310	890,374	5,076	4,395
Reconciliation of tax expense				
Profit before tax	213,522	3,747,312	146,277	2,129,245
Add:				
Share of loss of equity-accounted joint venture, net of tax	-	4	-	-
	213,522	3,747,316	146,277	2,129,245
Income tax calculated using Malaysian tax rate of 24% (2021: 24%)	51,245	899,356	35,107	511,018
Effect of tax rates in foreign jurisdiction	(1,348)	(706)	-	-
Non-deductible expenses	6,447	9,849	2,371	5,821
Effect of prosperity tax	305	-	-	-
Effect of reinvestment allowance recognised	-	(9,273)	-	-
Income not subject to tax	(4,951)	(8,893)	(34,682)	(515,880)
Revaluation reserve crystallised	(23)	(23)	(23)	(23)
Others	-	(540)	-	-
	51,675	889,770	2,773	936
Under/(Over) provision in prior year				
- income tax expense	28	5,861	4,506	1,809
- deferred tax expense	2,607	(5,257)	(2,203)	1,650
	54,310	890,374	5,076	4,395

Notes to the Financial Statements (Cont'd)

24. PROFIT FOR THE YEAR

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit for the year is arrived at after charging/(crediting)					
Auditors' remuneration					
Audit fees:					
- KPMG PLT		536	481	62	59
- Other auditors		90	67	-	-
Non-audit fee					
- KPMG PLT		10	9	10	9
- Local affiliates of KPMG PLT		798	634	244	61
Material expenses/(income)					
Depreciation of property, plant and equipment	3	125,246	113,975	1,404	924
Depreciation of right-of-use assets	4	4,709	5,584	51	87
Depreciation of investment properties	5	336	-	386	386
Amortisation of intangible assets	7	110	63	-	-
Personnel expenses (including key management personnel):					
- Contributions to Employees' Provident Fund		23,087	22,506	1,677	1,735
- Wages, salaries and others		351,411	397,161	20,009	49,398
- Overprovision of bonus in prior year		-	-	(20,076)	-
Research and development expenses		2,625	3,169	-	-
Property, plant and equipment written off		6,090	6,342	-	6,296
Net unrealised fair value changes on derivatives		1,248	(135)	-	-
Net unrealised foreign exchange differences		1,939	1,043	-	-
Net realised loss on foreign exchange		1,250	(20,393)	-	-

Notes to the Financial Statements (Cont'd)

24. PROFIT FOR THE YEAR (CONT'D)

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Material expenses/(income) (cont'd)					
Net gain on disposal of property, plant and equipment		(260)	(450)	(28)	(349)
Gain on disposal of investment property		(5,478)	-	-	-
Gain on termination of right-of-use asset		(34)	(70)	-	-
Interest on short-term deposits placed with licensed banks		(15,264)	(33,721)	(12,418)	(7,167)
Interest income on other investments		(18,002)	-	(420)	-
Interest on amount due from subsidiaries		-	-	(4,174)	(2,112)
Rental income		(669)	(1,911)	(1,076)	(914)
Fair value gain on other investments		(17,032)	-	(6,379)	-
Expenses arising from leases					
Expenses relating to short-term leases	a	1,792	328	-	-
Expenses relating to leases of low-value assets	a	124	70	-	-
Net loss on impairment of financial instruments					
Financial assets at amortised cost		1,023	-	-	-

Note a

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

Notes to the Financial Statements (Cont'd)

25. EARNINGS PER ORDINARY SHARE

Basic earnings per share

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

	Group	
	2022 RM'000	2021 RM'000
Profit for the year attributable to owners of the Company	157,095	2,853,602

Weighted average number of ordinary shares

	Group	
	2022 '000	2021 '000
Weighted average number of ordinary shares at 31 December	2,551,620	2,551,986

	Group	
	2022 Sen	2021 Sen
Basic earnings per share	6.16	111.82

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

26. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2022			
Fourth interim 2021 ordinary	12.00	306,194	22 April 2022
2021			
Second interim 2020 ordinary	3.00	76,594	17 March 2021
Special dividend	8.00	204,250	17 March 2021
First interim 2021 ordinary	12.00	306,194	20 May 2021
Second interim 2021 ordinary	12.00	306,194	26 August 2021
Third interim 2021 ordinary	12.00	306,194	19 November 2021
Total amount		1,199,426	

Notes to the Financial Statements (Cont'd)

26. DIVIDENDS (CONT'D)

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

	Sen per share	Total amount RM'000
First interim 2022 ordinary	2.5	63,790

27. OPERATING SEGMENTS

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

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

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

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

Segment assets

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

Segment liabilities

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

Segment capital expenditure

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

Notes to the Financial Statements (Cont'd)

27. OPERATING SEGMENTS (CONT'D)

Geographical segments

The four segments are managed on a worldwide basis and the Group's manufacturing facilities are primarily based in Malaysia (country of domicile) with sales offices operating both out of Malaysia and Hong Kong.

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

	2022 RM'000	2021 RM'000
Group		
Revenue		
Sales office located in Malaysia		
- for local market	157,156	239,295
- for export market	2,107,565	6,287,752
Sales office located outside of Malaysia	79,043	104,416
	2,343,764	6,631,463
Non-current assets		
Located in Malaysia	1,342,210	1,358,748
Located outside of Malaysia	14,714	14,975
	1,356,924	1,373,723

Major customers

There were no major customers with revenue equal or more than 10% of the Group's total revenue for the years ended 31 December 2022 and 31 December 2021.

Notes to the Financial Statements (Cont'd)

27. OPERATING SEGMENTS (CONT'D)

	Technical rubber products		Gloves		Cleanroom products		Others		Total	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Business segments										
Total external revenue	197,008	169,890	2,001,600	6,257,439	145,156	204,134	-	-	2,343,764	6,631,463
Segment results	23,313	16,656	184,758	3,712,558	5,255	26,162	(28,816)	(33,505)	184,510	3,721,871
Share of loss of joint venture, net of tax									-	(4)
Finance costs									(4,254)	(8,276)
Finance income									33,266	33,721
Tax expense									(54,310)	(890,374)
Profit for the year									159,212	2,856,938
Segment assets	242,859	231,068	2,933,088	3,370,125	88,338	98,859	1,062,863	1,379,725	4,327,148	5,079,777
Segment liabilities	25,090	24,660	367,760	920,953	9,170	12,707	27,196	61,108	429,216	1,019,428
Included in the measure of segment assets are:										
Capital expenditure	11,750	7,844	66,104	140,926	38	329	38,468	71,494	116,360	220,593
Included in the measure of segment results are:										
Depreciation	9,248	8,419	113,171	103,638	477	34	2,350	1,884	125,246	113,975

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS

28.1 Categories of financial instruments

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

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

	Carrying amount RM'000	FAAC / (FLAC) RM'000	Mandatorily at FVTPL RM'000
2022			
Financial assets			
Group			
Other investments	724,748	-	724,748
Trade and other receivables	275,969	275,969	-
Cash and cash equivalents	1,348,010	1,348,010	-
	2,348,727	1,623,979	724,748
Company			
Other investments	240,474	-	240,474
Trade and other receivables	182,889	182,889	-
Cash and cash equivalents	482,442	482,442	-
	905,805	665,331	240,474
Financial liabilities			
Group			
Loans and borrowings	(72,231)	(72,231)	-
Trade and other payables	(200,174)	(200,174)	-
Derivative financial liabilities	(1,214)	-	(1,214)
	(273,619)	(272,405)	(1,214)
Company			
Loans and borrowings	(375)	(375)	-
Trade and other payables	(5,482)	(5,482)	-
	(5,857)	(5,857)	-

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.1 Categories of financial instruments (cont'd)

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

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.2 Net gains and losses arising from financial instruments

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Net gains/(losses) on:				
Financial assets at fair value through profit or loss:				
- Mandatorily required by MFRS 9	33,786	135	6,799	-
Financial assets at amortised cost	11,052	53,071	16,592	9,279
Financial liabilities at amortised cost	(3,711)	(7,562)	(27)	(20)
	41,127	45,644	23,364	9,259

28.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

28.4 Credit risk

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

Trade receivables*Risk management objectives, policies and processes for managing the risk*

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

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Credit risk (cont'd)

Trade receivables (cont'd)

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

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

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

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

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

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

Recognition and measurement of impairment loss

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

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

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

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

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

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Credit risk (cont'd)

Trade receivable (cont'd)

Recognition and measurement of impairment loss (cont'd)

	2022			2021		
	Gross carrying amount RM'000	Less allowance RM'000	Net balance RM'000	Gross carrying amount RM'000	Less allowance RM'000	Net balance RM'000
Group						
Current (not past due)	195,692	-	195,692	370,973	-	370,973
0-30 days past due	53,635	(2)	53,633	127,320	-	127,320
31-60 days past due	6,405	(7)	6,398	35,075	-	35,075
61-90 days past due	2,661	(237)	2,424	2,390	-	2,390
91-120 days past due	2,204	(99)	2,105	1,036	-	1,036
More than 120 days past due	4,892	(319)	4,573	5,828	(402)	5,426
	265,489	(664)	264,825	542,622	(402)	542,220

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

	Total RM'000
Group	
Balance at 1 January 2021	2,066
Amounts written off	(1,664)
Balance at 31 December 2021/1 January 2022	402
Net measurement of loss allowance – credit impaired	1,023
Amounts written off	(761)
Balance at 31 December 2022	664

Cash and cash equivalents

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

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

Other receivables

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

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Credit risk (cont'd)

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM77 million (2021: RM236 million) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

Recognition and measurement of impairment loss

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

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

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

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

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

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

Recognition and measurement of impairment loss

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

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

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

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

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.5 Liquidity risk

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

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

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

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate/ Discount rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group 2022							
<i>Non-derivative financial liabilities</i>							
Term loans - unsecured	43,521	3.52 - 3.95	44,099	43,805	294	-	-
Trade finance - unsecured	27,353	3.35 - 4.96	27,353	27,353	-	-	-
Hire purchase financing	1,357	4.10 - 4.80	1,425	774	392	259	-
Lease liabilities	11,323	4.55	17,586	4,326	2,704	1,707	8,849
Trade and other payables	200,174	-	200,174	200,174	-	-	-
	283,728		290,637	276,432	3,390	1,966	8,849
<i>Derivative financial liabilities</i>							
<i>Forward foreign exchange contracts (gross settled):</i>							
Inflow	-	-	(182,499)	(182,499)	-	-	-
Outflow	1,214	-	183,713	183,713	-	-	-
	284,942		291,851	277,646	3,390	1,966	8,849

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.5 Liquidity risk (cont'd)

Maturity analysis (cont'd)

	Carrying amount RM'000	Contractual interest rate/ Discount rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group 2021							
<i>Non-derivative financial liabilities</i>							
Term loans							
- unsecured	106,973	2.75 - 3.10	109,720	65,634	43,792	294	-
Trade finance							
- unsecured	130,455	0.51 - 2.24	130,455	130,455	-	-	-
Hire purchase financing	972	2.17 - 5.00	1,013	524	489	-	-
Lease liabilities	13,401	2.36 - 4.55	19,825	4,449	3,895	2,413	9,068
Trade and other payables	297,287	-	297,287	297,287	-	-	-
	<u>549,088</u>		<u>558,300</u>	<u>498,349</u>	<u>48,176</u>	<u>2,707</u>	<u>9,068</u>
<i>Derivative financial liabilities</i>							
<i>Forward foreign exchange contracts (gross settled):</i>							
Inflow	(135)	-	(548,738)	(548,738)	-	-	-
Outflow	-	-	548,603	548,603	-	-	-
	<u>548,953</u>		<u>558,165</u>	<u>498,214</u>	<u>48,176</u>	<u>2,707</u>	<u>9,068</u>

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.5 Liquidity risk (cont'd)

Maturity analysis (cont'd)

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Company 2022							
<i>Non-derivative financial liabilities</i>							
Hire purchase financing	375	5.00	383	383	-	-	-
Trade and other payables	5,482	-	5,482	5,482	-	-	-
Financial guarantee	-	-	77,461	77,461	-	-	-
	5,857		83,326	83,326	-	-	-
2021							
<i>Non-derivative financial liabilities</i>							
Hire purchase financing	972	2.17 - 5.00	1,012	523	489	-	-
Lease liabilities	72	2.39 - 4.55	72	72	-	-	-
Trade and other payables	28,568	-	28,568	28,568	-	-	-
Financial guarantee	-	-	236,865	236,865	-	-	-
	29,612		266,517	266,028	489	-	-

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk

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

28.6.1 Currency risk

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

Risk management objectives, policies and processes for managing the risk

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

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

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

Forward foreign exchange contracts used to hedge receivables and payables

	Amount to be received/(paid) USD'000	Average contract rate USD/MYR	Equivalent RM'000
Group Hedged item 2022			
Trade receivables	46,700	4.3901	205,017
Trade payables	(4,867)	4.6271	(22,518)
	41,833	4.3626	182,499
2021			
Trade receivables	149,487	4.1967	627,350
Trade payables	(18,703)	4.2033	(78,612)
	130,784	4.1957	548,738

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk (cont'd)

28.6.1 Currency risk (cont'd)

Exposure to foreign currency risk

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

	Group Denominated in USD	
	2022 RM'000	2021 RM'000
Bank balances	42,889	24,399
Trade receivables	243,097	509,414
Trade payables	(15,127)	(25,383)
Forward foreign exchange contracts used to hedge receivables and payables	(1,214)	135
Net exposure	269,645	508,565

Currency risk sensitivity analysis

A 5% (2021: 5%) strengthening of RM against USD at the end of the reporting period would have decreased equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant.

Group	Profit or loss	
	2022 RM'000	2021 RM'000
USD	(10,247)	(19,326)

A 5% (2021: 5%) weakening of RM against USD at the end of the reporting period would have had equal but opposite effect on equity and post-tax profit or loss respectively, on the basis that all other variables remained constant.

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

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk (cont'd)

28.6.2 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

Interest rate exposure arising from the Group's loans and borrowings, deposits placed with licensed banks and investments with licensed banks is managed through monitoring and reviewing interest rates in the market and their impact to the Group's financial performance.

Exposure to interest rate risk

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

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fixed rate instruments					
Deposits placed with licensed banks	15	168,916	235,247	35,000	23,000
Short term investments	15	1,064,476	1,340,599	446,365	664,422
Lease liabilities		(11,323)	(13,401)	-	(72)
Trade finance					
- unsecured	17	(27,353)	(130,455)	-	-
Hire purchase financing					
- unsecured	17	(1,357)	(972)	(375)	(972)
Term loans					
- unsecured	17	(43,521)	(106,973)	-	-
		1,149,838	1,324,045	480,990	686,378
Floating rate instruments					
Short-term investments	15	-	873,347	-	400,684
Other investments	10	724,567	-	240,459	-
Amount due from subsidiaries		-	-	182,693	160,802
		724,567	873,347	423,152	561,486

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk (cont'd)

28.6.2 Interest rate risk (cont'd)

Interest rate risk sensitivity analysis(a) *Fair value sensitivity analysis for fixed rate instruments*

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

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 50 (2021: 50) basis points ("bp") in interest rates at the end of the reporting period would have (decreased)/increased post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	50 bp increase RM'000	50 bp decrease RM'000
Group		
2022		
Floating rate instruments	2,753	(2,753)
2021		
Floating rate instruments	3,319	(3,319)
Company		
2022		
Floating rate instruments	1,608	(1,608)
2021		
Floating rate instruments	2,134	(2,134)

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.7 Fair value information

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

The tables below analyses other financial instruments at fair value.

	Fair value of financial instruments carried at fair value					Fair value of financial instruments not carried at fair value			Total fair value amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
Group 2022									
Financial asset									
Other investments	-	724,567	-	724,567	-	-	-	181	724,748
Financial liabilities									
Forward foreign exchange contracts	-	(1,214)	-	(1,214)	-	-	-	-	(1,214)
Term loans - unsecured	-	-	-	-	-	-	-	(44,099)	(43,521)
Hire purchase financing - unsecured	-	-	-	-	-	-	-	(1,425)	(1,357)
	-	(1,214)	-	(1,214)	-	-	-	(45,524)	(46,092)
2021									
Financial asset									
Other investments	-	-	-	-	-	-	-	181	181
Forward foreign exchange contracts	-	638	-	638	-	-	-	-	638
	-	638	-	638	-	-	-	181	819
Financial liabilities									
Forward foreign exchange contracts	-	(503)	-	(503)	-	-	-	-	(503)
Term loans - unsecured	-	-	-	-	-	-	-	(109,720)	(106,973)
Hire purchase financing - unsecured	-	-	-	-	-	-	-	(1,013)	(972)
	-	(503)	-	(503)	-	-	-	(110,733)	(108,448)

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.7 Fair value information (cont'd)

	Fair value of financial instruments carried at fair value					Fair value of financial instruments not carried at fair value					Total fair value amount	
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		Total value RM'000	Carrying amount RM'000
Company 2022												
Financial asset												
Other investments	-	-	-	-	-	-	-	15	15	15	15	15
Amount due from subsidiaries	-	-	-	-	-	-	-	182,693	182,693	182,693	182,693	182,693
	-	-	-	-	-	-	-	182,708	182,708	182,708	182,708	182,708
Financial liabilities												
Hire purchase financing - unsecured	-	-	-	-	-	-	-	(383)	(383)	(383)	(383)	(375)
2021												
Financial asset												
Other investments	-	-	-	-	-	-	-	106	106	106	106	106
Amount due from subsidiaries	-	-	-	-	-	-	-	160,802	160,802	160,802	160,802	160,802
	-	-	-	-	-	-	-	160,908	160,908	160,908	160,908	160,908
Financial liabilities												
Hire purchase financing - unsecured	-	-	-	-	-	-	-	(72)	(72)	(72)	(72)	(72)

Notes to the Financial Statements (Cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.7 Fair value information (cont'd)

Level 2 fair value

Other investments with licensed banks

The fair value of other investments with licensed banks is determined based on the fair value quoted by the counter-party.

Derivatives

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

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2021: no transfer in either directions).

Level 3 fair value

Non-derivative financial liabilities

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

Financial instruments not carried at fair value

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

Notes to the Financial Statements (Cont'd)

29. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio and make relevant adjustment to the capital structure in light of changes in economic conditions.

The debt-to-equity ratios at 31 December 2022 and at 31 December 2021 were as follows:

		Group	
	Note	2022 RM'000	2021 RM'000
Total borrowings	17	72,231	238,400
Lease liabilities		11,323	13,401
Less: Cash and cash equivalents	15	(1,348,010)	(2,557,765)
Net cash position		(1,264,456)	(2,305,964)
Total equity		3,875,666	4,032,346
Debt-to-equity ratio		-*	-*

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

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

30. CAPITAL AND OTHER COMMITMENTS

	Group	
	2022 RM'000	2021 RM'000
Property, plant and equipment		
Within one year:		
Contracted but not provided for	96,345	127,416

31. RELATED PARTIES

Identity of related parties

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

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

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

Significant related party transactions

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

Notes to the Financial Statements (Cont'd)

31. RELATED PARTIES (CONT'D)

Significant related party transactions (cont'd)

	2022 RM'000	2021 RM'000
Group		
Transactions with Kossan Holdings (M) Sdn. Bhd. and its subsidiaries		
Kossan Holdings (M) Sdn. Bhd.		
Rental expenses	(941)	(720)
Kossan Chemical Industries (M) Sdn. Bhd.		
Rental expenses	(2,130)	(1,996)
Hai Poh Marketing Sdn. Bhd.		
Sales*	6	-
Purchase of chemicals and processing services	(8,419)	(12,764)
Kossan Paint (M) Sdn. Bhd.		
Sales*	172	240
Purchase of paint, consumables and processing fees	(1,661)	(1,661)
Pan Asian Corporation Sdn. Bhd.		
Rental expenses	(601)	(741)
Chemtube (M) Sdn. Bhd.		
Sales*	35	32
Upkeep of plant and machinery	(3,523)	(2,393)
Pleasure Latex Products Sdn. Bhd.		
Sales*	7	-
KJR Hi-Tech Sdn. Bhd.		
Sales*	8	-
Transactions with companies in which Directors have financial interests		
HT Ceramics (M) Sdn. Bhd.		
Sales*	7	7
Purchase of formers	(4,356)	(6,103)
Kossan F.R.P. Industries (M) Sdn. Bhd.		
Sales*	30	50
Upkeep of plant and machinery	(147)	(149)
Gummitech Industries Sdn. Bhd.		
Rental income	122	133
Kossan Adhesive (M) Sdn. Bhd.		
Sales*	15	11
Company		
Transactions with companies in which Directors have financial interests		
Gummitech Industries Sdn. Bhd.		
Rental income	122	133

Notes to the Financial Statements (Cont'd)

31. RELATED PARTIES (CONT'D)

Significant related party transactions (cont'd)

Company	2022 RM'000	2021 RM'000
Transactions with subsidiaries		
Kossan Latex Industries (M) Sdn. Bhd.		
Dividend income	-	325,000
Management fee income	3,380	8,040
Perusahaan Getah Asas Sdn. Bhd.		
Dividend income	-	360,750
Management fee income	3,813	9,576
Rental income	235	235
Wear Safe (Malaysia) Sdn. Bhd.		
Management fee income	3,306	7,392
Ideal Quality Sdn. Bhd.		
Dividend income	-	370,000
Management fee income	2,569	3,840
Kossan Industries Sdn. Bhd.		
Management fee income	886	2,820
Rental income	606	546
Cleanera HK Limited		
Dividend income	9,601	2,653
Hibon Corporation Sdn. Bhd.		
Management fee income	164	240
Premium Medical Products Sdn. Bhd.		
Interest income	3,655	2,083
Kossan Security Services Sdn. Bhd.		
Security charges	(192)	(144)
Kossan Engineering (M) Sdn. Bhd.		
Dividend income	108,000	1,091,100
Kossan Ceramics Sdn. Bhd.		
Interest income	519	-
Kossan Management Services Sdn. Bhd.		
Rental income	114	-
Management fee expense	(382)	-

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

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 107 to 187 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2022 and of their financial performance and cash flows for the financial year then ended.

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

Tan Sri Dato' Lim Kuang Sia
Director

Tan Kong Chang
Director

Klang, Selangor Darul Ehsan

Date: 13 April 2023

STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, **Lee Hon Chee**, the officer primarily responsible for the financial management of Kossan Rubber Industries Bhd., do solemnly and sincerely declare that the financial statements set out on pages 107 to 187 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Lee Hon Chee, MIA CA6481, at Klang in the State of Selangor Darul Ehsan on 13 April 2023.

Lee Hon Chee

Before me:

Commissioner for Oaths
Selangor Darul Ehsan

INDEPENDENT AUDITORS' REPORT

to the Members of Kossan Rubber Industries Bhd.

(Registration No. 197901003918 (48166-W))

(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kossan Rubber Industries Bhd., which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 107 to 187.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Independent Auditors' Report (Cont'd)

to the Members of Kossan Rubber Industries Bhd.

(Registration No. 197901003918 (48166-W))

(Incorporated in Malaysia)

Key Audit Matters (Cont'd)

Impairment of property, plant and equipment	
Refer to Note 3 – Property, plant and equipment.	
The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2022, there were indications of impairment on certain plant and machinery of the Group with a total carrying amount of RM97 million due to low average selling prices of rubber gloves and low plant utilisation rate.</p> <p>The Group has determined the recoverable amount of the plant and machinery based on value-in-use which is calculated using the cash flow projections. The cash flow projections involve significant management estimation and judgement on the assumptions on projected revenue, profit margins, plant utilisation rate and discount rate.</p>	<p>We performed the following audit procedures, among others:</p> <ul style="list-style-type: none"> • We evaluated management's impairment assessment model against the requirements of the relevant accounting standard. • We challenged the Group's key assumptions used such as projected revenue, profit margins, plant utilisation and discount rates by comparing them to available external and internal sources of information. • Assessed the sensitivity of key assumptions to fluctuations to understand the impact of their reasonable changes to the recoverable amounts. • We considered the adequacy of the Group's disclosure on the key assumptions used.

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Independent Auditors' Report (Cont'd)

to the Members of Kossan Rubber Industries Bhd.

(Registration No. 197901003918 (48166-W))

(Incorporated in Malaysia)

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

Independent Auditors' Report (Cont'd)

to the Members of Kossan Rubber Industries Bhd.

(Registration No. 197901003918 (48166-W))

(Incorporated in Malaysia)

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

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

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

Report on Other Legal and Regulatory Requirements

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

Other Matter

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

KPMG PLT

(LLP0010081-LCA & AF 0758)

Chartered Accountants

Petaling Jaya, Malaysia

Date: 13 April 2023

Chan Chee Keong

Approval Number: 03175/04/2023 J

Chartered Accountant



OTHER INFORMATION

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LIST OF TOP 10 PROPERTIES

as at 31 December 2022

	Location	Description	Date of Acquisition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2022 RM'000
1	HSD 24213, PT 10478, Mukim Bidor, Batang Padang, Perak	Industrial land Building	12/03/2018	– –	817.392 acres	Leasehold 99 years expiring on 22/11/2114	– Under construction	91,719 32,585
2	HS(D) 264386, PT26537, Mukim Bukit Raja, Daerah Petaling, Negeri Selangor	Commercial land Office complex	5/02/2016	– n/a	2.5 acres	Freehold	– Under Construction	42,638 58,633
3	Geran 52935, Lot 6103, Mukim Kapar, Daerah Klang, Negeri Selangor	Industrial land Factory	12/12/2014	– 4 yrs	5.3292 hectares	Freehold	– Factory and office	40,611 44,593
4	GRN 52936 Lot 6104; GRN 52937 Lot 6106; GRN 52939 Lot 6108, Mukim Kapar, Daerah Klang, Negeri Selangor	Industrial land Factory	10/06/2013	– 2 yrs	12.766 acres	Freehold	– Factory and office	21,506 55,835
5	Geran 45731, Lot 6074, Mukim Kapar Daerah Petaling, Negeri Selangor	Industrial land Factory Factory	6/07/2020	– 20-23 yrs n/a	4.0494 hectares	Freehold	– Factory and office Under Construction	29,395 11,708 21,078
6	Geran 45732, Lot 6075, Mukim Kapar, Daerah Klang, Negeri Selangor	Industrial land Factory	28/02/2014	– 4 yrs	10 acres (3.7492 hectares)	Freehold	– Factory and office	20,191 32,813
7	Geran 45715, Lot 6130, Jln Meru, 41050 Klang, Negeri Selangor	Industrial land Factory	1/01/2011*	– 14 yrs	4.0519 hectares	Freehold	– Factory	15,603 27,299
8	HSD 283117, PT 7414, Mukim Bestari Jaya, Daerah Kuala Selangor, Negeri Selangor	Industrial land Factory	18/03/2014	– n/a	56 acres (226,620 sq.mtr)	Freehold	– Under Construction	36,589 5,985
9	Geran 173929, Lot 63616, (formerly HSD 116841, PT 54924), Mukim Kapar, Daerah Klang, Negeri Selangor	Industrial land Factory and Office Plant A Plant B Plant C	1/01/2011*	– 12 yrs 11 yrs 5 yrs	4.544 hectares	Freehold	– Factory and office	6,800 14,848 5,551 11,463
10	Geran 173931, Lot 63617, (formerly HSD 116842, PT 54925), Mukim Kapar, Daerah Klang, Negeri Selangor	Industrial land Factory Extension of buildings	1/01/2011*	– 9 yrs 8 yrs	4.355 hectares	Freehold	– Factory Factory	6,570 24,951 1,039

ADDITIONAL COMPLIANCE INFORMATION

(a) Utilisation of Proceeds

The Company did not implement any fund-raising exercise.

(b) Material Contracts

Save as disclosed, the Company and its subsidiaries did not have any material contracts involving directors' and major shareholders' interests either still subsisting at the end of the financial year or, if not subsisting, entered into since the end of the previous financial year.

(c) Conflict of Interest

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

(d) Audit and Non-Audit Fees

The audit fees paid or payable by the Group and the Company to the external auditors, KPMG PLT, amounted to RM535,920 and RM62,400, respectively.

The non-audit fees paid or payable to the Group's and the Company's external auditors, KPMG PLT, or firms affiliated to the external auditors' firm amounted to RM808,337 and RM254,262, respectively.

The non-audit fees of the Group and the Company amounted to 60% and 80% respectively of the total fees payable mainly due to (i) Company taxation services and tax advisory and (ii) additional engagement for statutory requirements. Approximately RM798,237 of the non-audit fees are pertaining to tax compliance matters engaged by various entities of the Group.

(e) Variation in Results

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

STATISTICS ON SHAREHOLDINGS

as at 31 March 2023

Total number of issued shares : 2,557,871,616
 Class of shares : Ordinary share
 Number of shareholders : 31,265
 Voting right : 1 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	280	0.90	3,513	0.00
100 - 1,000	7,515	24.04	5,254,779	0.21
1,001 - 10,000	16,491	52.74	72,604,620	2.84
10,001 - 100,000	5,998	19.18	183,766,363	7.20
100,001 to less than 5% of issued shares	979	3.13	1,039,767,721	40.75
5% and above of issued shares	2	0.01	1,250,222,620	49.00
Total	31,265	100.00	2,551,619,616*	100.00

* Exclusive of 6,252,000 treasury shares

DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	No. of Shares			
		Direct Interest	%	Indirect Interest	%
1	Tan Sri Dato' Lim Kuang Sia	7,018,904	0.28	1,253,400,604 ¹	49.12
2	Tan Kong Chang	—	—	100,000 ²	0.00 ³
3	Lim Siau Tian	—	—	637,900 ²	0.03
4	Lim Siau Hing	—	—	—	—
5	Lim Ooi Chow	—	—	—	—
6	Lee Choo Hock	—	—	—	—
7	Hoh Kim Hyan	—	—	—	—
8	Mohamed Shafeii Bin Abdul Gaffoor	—	—	—	—
9	Sharon Shanthly a/p Dorairaj	—	—	—	—

¹ through holding company and spouse

² through spouse

³ negligible

Statistics on Shareholdings (Cont'd)

as at 31 March 2023

SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders	No. of Shares			
		Direct Interest	%	Deemed Interest	%
1	Kossan Holdings (M) Sdn. Bhd. - Malaysia Nominees (Tempatan) Sdn. Bhd. 160,000,000 Pledged Securities Account for Kossan Holdings (M) Sdn. Bhd. - Kossan Holdings (M) Sdn. Bhd. 1,090,222,620	1,250,222,620	49.00	–	–
2	abrdrn plc	–	–	138,272,000	5.42
3	abrdrn Holdings Limited (formerly known as Aberdeen Asset Management PLC)	–	–	138,272,000	5.42
4	abrdrn Malaysia Sdn. Bhd.	–	–	135,867,200	5.32

Statistics on Shareholdings (Cont'd)

as at 31 March 2023

TOP 30 SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	KOSSAN HOLDINGS (M) SDN. BHD.	1,090,222,620	42.73
2	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEGDED SECURITIES ACCOUNT FOR KOSSAN HOLDINGS (M) SDN. BHD. (05-00042-000)	160,000,000	6.27
3	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	48,832,000	1.91
4	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	38,261,000	1.50
5	TIAN SENN RESOURCES SDN. BHD.	32,000,000	1.25
6	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)	31,575,100	1.24
7	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. URUSHARTA JAMAAH SDN. BHD. (2)	25,490,000	1.00
8	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD (ABERISLAMIC)	22,637,400	0.89
9	CITIGROUP NOMINEES (ASING) SDN. BHD. CBNY FOR NORGES BANK (FI 17)	21,930,298	0.86
10	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR AIA BHD.	20,410,900	0.80
11	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. PAMB FOR PRULINK EQUITY FUND	18,626,100	0.73
12	HSBC NOMINEES (ASING) SDN. BHD. JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	18,289,400	0.72
13	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. URUSHARTA JAMAAH SDN. BHD. (ABERDEEN 2)	18,234,200	0.71
14	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. MTRUSTEE BERHAD FOR PRINCIPAL DALI EQUITY GROWTH FUND (UT-CIMB-DALI) (419455)	17,309,400	0.68
15	HSBC NOMINEES (ASING) SDN. BHD. JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	17,144,286	0.67
16	CARTABAN NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	14,725,500	0.58
17	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD (F TEMPLETON)	13,499,200	0.53
18	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	12,295,500	0.48
19	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD (RHBISLAMIC)	11,323,900	0.44
20	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABDN EQ ABSR FD)	11,124,200	0.44
21	CARTABAN NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR BARCLAYS CAPITAL SECURITIES LTD (SBL/PB)	10,929,000	0.43

Statistics on Shareholdings (Cont'd)

as at 31 March 2023

No.	Name of Shareholders	No. of Shares	%
22	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240)	10,000,000	0.39
23	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	9,062,900	0.36
24	CITIGROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 1)	8,971,000	0.35
25	HSBC NOMINEES (ASING) SDN. BHD. BBH AND CO BOSTON FOR FIRST TRUST EMERGING MARKETS SMALL CAPALPHADEX FUND	8,870,700	0.35
26	HSBC NOMINEES (ASING) SDN. BHD. JPMCB NA FOR VANGUARD FIDUCIARY TRUST COMPANY INSTITUTIONAL TOTAL INTERNATIONAL STOCK MARKET INDEX TRUST II	8,126,300	0.32
27	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND	7,806,000	0.31
28	CITIGROUP NOMINEES (ASING) SDN. BHD. CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	7,631,030	0.30
29	ATTRACTIVE FEATURES SDN. BHD.	7,176,200	0.28
30	LIM KUANG SIA	7,018,904	0.28
	TOTAL	1,729,523,038	67.80

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 43rd Annual General Meeting (“AGM”) of Kossan Rubber Industries Bhd. (“Company”) will be conducted virtually for the purpose of considering and if thought fit, passing the resolutions, as **ordinary resolutions**, set out in this notice.

Day and Date	: Thursday, 25 May 2023
Time	: 10.30 a.m.
Broadcast Venue	: Training Centre, 2nd Floor, Kossan R&D Centre, PT 7836, Jalan Haji Abdul Manan/KU8, Kawasan Perindustrian Meru Selatan, 41050 Klang, Selangor Darul Ehsan
Online Meeting Platform	: https://meeting.boardroomlimited.my
Mode of Communication	: Typed text in the Online Meeting Platform

AGENDA

ORDINARY BUSINESS

- To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Reports of the Directors and Auditors thereon.
- To approve the payment of Directors’ fees of RM 474,000 for the financial year ended 31 December 2022 (2021: RM 495,000). **(Resolution 1)**
- To approve the payment of Directors’ fees of up to RM 670,000 for the financial year ending 31 December 2023. **(Resolution 2)**
- To re-elect the following Directors who are retiring by rotation pursuant to Article 86 of the Company’s Constitution and who being eligible offer themselves for re-election:
 - Mr. Mohamed Shafeii Bin Abdul Gaffoor **(Resolution 3)**
 - Mr. Lee Choo Hock **(Resolution 4)**
 - Mdm. Hoh Kim Hyan **(Resolution 5)**
- To re-elect Ms. Sharon Shanthi a/p Dorairaj who is retiring pursuant to Article 92 of the Company’s Constitution and who being eligible offers herself for re-election. **(Resolution 6)**
- To re-appoint KPMG PLT as Auditors of the Company for the financial year ending 31 December 2023 and to authorise the Directors to fix their remuneration. **(Resolution 7)**

SPECIAL BUSINESS

- Continuing in Office as Independent Non-Executive Director** **(Resolution 8)**

“THAT subject to the passing of Ordinary Resolution 4, approval be and is hereby given to Lee Choo Hock, who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to serve as an Independent Non-Executive Director of the Company.”

Notice of Annual General Meeting (Cont'd)

8. Proposed Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

(Resolution 9)

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company (excluding treasury shares) as at the date of this Annual General Meeting ("AGM");

THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad;

AND THAT such authority shall continue to be in force until the conclusion of the next AGM of the Company."

9. Proposed Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

(Resolution 10)

"THAT pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the renewal of and new shareholders' mandate for the Company and/or its subsidiaries ("KOSSAN Group") to enter into recurrent related party transactions of a revenue or trading nature with the related party ("Proposed Renewal of and New Shareholders' Mandate for RRPT"), which are necessary for the day-to-day operations of the KOSSAN Group, provided such transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public, particulars of which are set out in Section 2.5 of the Document to shareholders of the Company dated 26 April 2023;

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

- (a) the conclusion of the next annual general meeting ("AGM") of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by an ordinary resolution passed at such general meeting whereby the authority is renewed;
- (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earlier;

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

Notice of Annual General Meeting (Cont'd)

10. Proposed Renewal of Share Buy-Back Authority ("Proposed Share Buy-Back")

(Resolution 11)

"THAT subject to the Companies Act 2016 ("Act"), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the Company's Constitution and other relevant statutory and/or regulatory requirements, the Company be and is hereby authorised to utilise an amount not exceeding the retained profits of the Company to purchase such number of ordinary shares in the Company from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the ordinary shares so purchased pursuant to this resolution shall in aggregate with the treasury shares as defined under Section 127 of the Act ("Treasury Shares"), if any, then still held by the Company did not exceed 10% of the total issued and paid-up share capital of the Company;

THAT such authority shall commence upon the passing of this resolution until the conclusion of the next annual general meeting of the Company unless earlier revoked or varied by a resolution of the shareholders of the Company at a general meeting;

AND THAT the Directors be and are hereby authorised to either cancel the shares so purchased, retain as Treasury Shares, distribute as share dividend, sell, transfer, and/or deal in any other manner they deem fit and expedient in the best interest of the Company and in accordance with the Act, the Listing Requirements, the Company's Constitution and other relevant statutory and/or regulatory requirements for the time being in force."

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

BY ORDER OF THE BOARD

KOSSAN RUBBER INDUSTRIES BHD.

CHIA ONG LEONG (SSM P.C. No. 201908000832, MIA 4797)

CHIA YEW NGO (SSM P.C. No. 202008000487, LS 0001831)

Company Secretaries

Klang, Selangor Darul Ehsan

26 April 2023

Notice of Annual General Meeting (Cont'd)

NOTES

1. Remote Participation and Voting ("RPV")

The 43rd AGM will be conducted virtually through live streaming and online remote voting via RPV facilities. Please follow the procedures provided in the Administrative Details in order to register, participate and vote remotely via the RPV facilities. No members/proxy(ies) will be physically present at the Broadcast Venue on the day of the meeting.

2. Proxy

- 2.1. Only members whose names appear in the Record of Depositors as at 19 May 2023 shall be entitled to participate and vote at the AGM or appoint a proxy(ies) to participate and vote in his/her stead via RPV.
- 2.2. A member entitled to participate and vote remotely in the AGM via RPV is entitled to appoint a proxy(ies) to virtually participate and vote remotely in his/her stead. A proxy may but need not be a member of the Company.
- 2.3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
- 2.4. A member who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, may appoint one (1) proxy in respect of each securities account. Where a member is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- 2.5. The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his/her attorney duly authorised in writing and in the case of a corporation, be executed under its common seal or the hand of the attorney duly authorised.
- 2.6. The instrument appointing a proxy must be deposited at the office of the share registrar, Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, 5 Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan or via electronic means through the Boardroom Smart Investor Online Portal at <https://investor.boardroomlimited.com> not less than 24 hours before the time of the meeting and any adjournment thereof. Please refer to the Administrative Details for further information on electronic submission.

EXPLANATORY NOTES

3. Receiving of the Audited Financial Statements for Financial Year Ended 31 December 2022

Item 1 of the agenda is intended for discussion only as the provision of Section 340(1) of the Companies Act 2016 does not require the Audited Financial Statements to be formally approved by the shareholders. As such, this item is not put forward for voting.

4. Ordinary Resolutions 1 and 2: Non-Executive Directors' ("NEDs") Remuneration

- 4.1. Section 230 (1) of the Companies Act 2016 provides, amongst others, that the fee of a director and any benefits to a director of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that approval of the shareholders be sought for the payments of Directors' fees to the NEDs.
- 4.2. Ordinary Resolution 1 refer to the payment of Directors' fees amounting to RM 474,000 for the financial year ended 31 December 2022. None of the NEDs received any benefits in 2022.

Notice of Annual General Meeting (Cont'd)

EXPLANATORY NOTES (CONT'D)

4. Ordinary Resolutions 1 and 2: Non-Executive Directors' ("NEDs") Remuneration (Cont'd)

4.3. Ordinary Resolution 2 refer to the payment of Directors' fees of up to RM 670,000 for the financial year ending 31 December 2023. The amount has been estimated based on the Directors' fees of the preceding years approved by the shareholders of the Company. This resolution, if passed, will facilitate the payment of Directors' fees on a current financial year basis. The Board is of the view that it is just and equitable for Directors' fees to be paid upon the discharge of their responsibilities and services to the Company.

4.4. Any NED who is a shareholder of the Company shall abstain from voting on Ordinary Resolutions 1 and 2.

5. Ordinary Resolutions 3 to 5: Re-election of Directors who retire in accordance with Article 86 of the Company's Constitution

5.1. Article 86 of the Company's Constitution provides that one third (1/3) of the Directors of the Company for the time being shall retire by rotation at the AGM of the Company and be eligible for re-election. Hence, three (3) Directors are to retire at the 43rd AGM in accordance with Article 86 of the Company's Constitution.

5.2. For the purpose of determining the eligibility of the retiring Directors to stand for re-election at the 43rd AGM, the Board through the Nominating Committee ("NC") had assessed each of the retiring Directors, taking into account the following:-

- (a) The Director's performance and contribution based on the assessment results of the Board Effectiveness Evaluation ("BEE") 2022;
- (b) The Directors' contribution to the Board;
- (c) The independence demonstrated by the Independent Director, and his/her ability to act in the best interest of the Company; and
- (d) The Directors' character, integrity, experience, competence and time commitment based on the criteria set out in the Directors' Fit and Proper Policy.

5.3. Based on the assessments, each individual Director met the performance criteria required of an effective Board. The Board thus supported the NC's recommendations that the retiring Directors are eligible to stand for re-election.

6. Ordinary Resolution 6: Re-election of Director who retires in accordance with Article 92 of the Company's Constitution

6.1. Article 92 of the Company's Constitution provides that any Director appointed by the Board in the year shall hold office only until the next following AGM and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

6.2. Ms. Sharon Shanthi a/p Dorairaj who was appointed as an Independent Non-Executive Director of the Company effective 1 November 2022, will retire at the 43rd AGM. Her profile is set out in page 80 of this Integrated Annual Report.

6.3. Each of the retiring Directors referred in Ordinary Resolutions 3 to 6, abstained at the Nominating Committee and Board deliberations and decisions regarding his/her own eligibility to stand for re-election.

6.4. Any retiring Director referred in Ordinary Resolutions 3 to 6, who is a shareholder of the Company, shall abstain from voting on the resolution in respect of his/her re-election.

Notice of Annual General Meeting (Cont'd)

EXPLANATORY NOTES (CONT'D)

7. Ordinary Resolution 7: Re-appointment of Auditors

- 7.1. The Audit Committee ("AC") at its meeting held on 16 February 2023 undertook an annual assessment of the suitability and independence of the external auditors, KPMG PLT. In the assessment, the AC considered the audit scope, performance and independence of the external auditors.
- 7.2. The AC also took into account the openness in communication and interaction with the lead audit engagement partner and engagement team through discussion at the private meetings, which demonstrated their independence, objectivity and professionalism.
- 7.3. The AC was satisfied with the suitability of KPMG PLT based on the quality of audit, performance, competency and sufficiency of resources the external audit team provided to the Group. The AC was also satisfied in its review that the provisions of non-audit services by KPMG PLT and its affiliates to the Company for financial year 2022 did not in any way impair their objectivity and independence as external auditors of the Company.
- 7.4. The Board at its meeting held on 16 February 2023 supported the AC's recommendation for the re-appointment of KPMG PLT as the external auditors of the Company for financial year 2023 at the 43rd AGM, subject to the approval of the shareholders under Ordinary Resolution 7.

Special Business

8. Ordinary Resolution 8: Continuing in Office as Independent Non-Executive Director ("INED")

- 8.1. The proposed Ordinary Resolution 8, if passed, will enable Mr. Lee Choo Hock to continue in office as an INED of the Company in line with Practice 5.3 of the Malaysian Code on Corporate Governance 2021.
- 8.2. Mr. Lee Choo Hock, the Senior INED, has served the Company for a cumulative term of more than nine (9) years. The Board was satisfied that Mr. Lee has met the independence guidelines as set out in Chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and is able to continue to bring independent and objective judgment to the Board, with Mr. Lee abstaining from deliberation.
- 8.3. The Board, except for Mr. Lee, unanimously recommended that Mr. Lee continues to serve as an INED of the Company, subject to the approval of the shareholders through a two-tier voting process.

9. Ordinary Resolution 9: Proposed Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

- 9.1. The proposed Ordinary Resolution 9, if passed, will empower the Directors from the conclusion of this AGM, to allot and issue up to a maximum of 10% of the issued share capital of the Company (excluding treasury shares) at the time of issue for such purposes as they consider would be in the best interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company. This authority will provide flexibility to the Company for any possible fund-raising exercise, including but not limited to placement of shares for purpose of funding investment projects, working capital and/or acquisition. At this juncture, there is no decision to issue new shares. Should there be a decision to issue new shares after the general mandate is obtained, the Company will make an announcement in respect of the purpose and/or utilisation of proceeds arising from such an issue of shares.
- 9.2. This is a renewal of the general mandate for the issue of new ordinary shares in the Company which was approved at the last AGM. The Company did not issue any new shares under the previous mandate.

Notice of Annual General Meeting (Cont'd)

EXPLANATORY NOTES (CONT'D)

10. Ordinary Resolution 10: Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposal")

- 10.1. The proposed Ordinary Resolution 10 is to seek shareholders' approval on the related party transactions entered or to be entered into by the Group and the related parties in the ordinary course of business. These are recurring transactions of a revenue or trading nature which are likely to occur with some degree of frequency and may arise at any time and from time to time. These transactions may be constrained by the time-sensitive nature and confidentiality of such transactions, and it may be impractical to seek shareholders' approval on a case-by-case basis before entering into such related party transactions.
- 10.2. By obtaining the shareholders' mandate and the renewal of the same on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objective of the Group or adversely affecting the business opportunities available to the Group.
- 10.3. As such, the Board is seeking the renewal of shareholders' mandate pursuant to Part E, Paragraph 10.09 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad for the related party transactions to allow the Group to enter into such recurrent related party transactions, made at arm's length and on normal commercial terms, not more favourable to the related parties than those generally available to the public and which will not be to the detriment of the minority shareholders of the Company. Further details on the Proposal are set out in Part A of the Document to shareholders of the Company dated 26 April 2023.

11. Ordinary Resolution 11: Proposed Renewal of Share Buy-Back Authority

The proposed Ordinary Resolution 11, if passed, will empower the Directors to purchase the Company's shares of up to a maximum of 10% of the issued share capital of the Company by utilising funds allocated out of retained profits of the Company. The 10% limit shall be the aggregate of current shares purchased and Treasury Shares. Further details on the Proposed Renewal of Share Buy-Back Authority are set out in Part B of the Document to shareholders of the Company dated 26 April 2023.

STATEMENT ACCOMPANYING THE NOTICE OF AGM

No individual is seeking election as a Director at this AGM.

Details of the Directors who are standing for re-election at this AGM are set out in the Directors' Profile on pages 78 to 82 of this Integrated Annual Report.

Personal Data Privacy

By registering for the RPV and/or submitting an instrument appointing a proxy(ies) and/or representative(s) to participate and vote at the AGM via RPV, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands losses and damages as a result of the member's breach of warranty.



KOSSAN RUBBER INDUSTRIES BHD.
Company No. 197901003918 (48166-W)
(Incorporated in Malaysia)

No. of Shares held
CDS Account No.

PROXY FORM

I/We _____
(FULL NAME IN CAPITALS)

of _____
(ADDRESS)

NRIC/Passport/Registration No.: _____ Email Address: _____

being a member of KOSSAN RUBBER INDUSTRIES BHD. ("the Company") hereby appoint:

Full Name (in Block)	Proxy A	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%
Address				
Email Address				

And/or

Full Name (in Block)	Proxy B	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%
Address				
Email Address				

or failing him/her THE CHAIRMAN OF THE MEETING as my/our proxy, to vote for me/us and on my/our behalf, at the 43rd Annual General Meeting of the Company to be conducted virtually at the Broadcast Venue at Training Centre, 2nd Floor, Kossan R&D Centre, PT 7836, Jalan Haji Abdul Manan/KU8, Kawasan Perindustrian Meru Selatan, 41050 Klang, Selangor Darul Ehsan and via the Online Meeting Platform at <https://meeting.boardroomlimited.my> on Thursday, 25 May 2023 at 10.30 a.m. or at any adjournment thereof.

NO.	RESOLUTIONS	FOR	AGAINST
AS ORDINARY BUSINESS:			
1	To approve the payment of Directors' fees of RM474,000 for the financial year ended 31 December 2022.		
2	To approve the payment of Directors' fees of up to RM670,000 for the financial year ending 31 December 2023.		
3	To re-elect Mohamed Shafeii Bin Abdul Gaffoor retiring pursuant to Article 86 of the Company's Constitution.		
4	To re-elect Lee Choo Hock retiring pursuant to Article 86 of the Company's Constitution.		
5	To re-elect Hoh Kim Hyan retiring pursuant to Article 86 of the Company's Constitution.		
6	To re-elect Sharon Shanthly a/p Dorairaj retiring pursuant to Article 92 of the Company's Constitution.		
7	To re-appoint Messrs. KPMG PLT as auditors of the Company and to authorize the Directors to fix their remuneration.		
AS SPECIAL BUSINESS:			
8	To approve the continuation of office for Lee Choo Hock as an Independent Non-Executive Director.		
9	To approve the authority to allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
10	To approve the renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature.		
11	To approve the renewal of shareholders' mandate for share buy-back.		

Please indicate with an "X" on the spaces provided on how you wish your votes to be cast. In the absence of specific directions, your proxy will vote or abstain from voting at his/her discretion.

Dated this _____ day of _____ 2023.

Signature of Member(s) / Common Seal

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Notes:

The 43rd AGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities. Please follow the procedures provided in the Administrative Details in order to register, participate and vote remotely via the RPV facilities. No members/proxy(ies) will be physically present at the broadcast venue on the day of the meeting.

- (i) Only members whose names appear in the Record of Depositors as at 19 May 2023 shall be entitled to participate and vote at the AGM or appoint a proxy(ies) to participate and vote in his/her stead via RPV.
- (ii) A member entitled to participate and vote remotely in the AGM via RPV is entitled to appoint a proxy(ies) to virtually participate and vote remotely in his/her stead. a proxy may but need not be a member of the Company.
- (iii) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
- (iv) A member who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, may appoint one (1) proxy in respect of each securities account. Where a member is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account") as defined under the Securities Industry (Central Depositories) act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (v) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his/her attorney duly authorised in writing and in the case of a corporation, be executed under its common seal or the hand of the attorney duly authorised.
- (vi) The instrument appointing a proxy must be deposited at the office of the share registrar, Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, 5 Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan or via electronic means through the Boardroom Smart Investor Online Portal at <https://investor.boardroomlimited.com> not less than 24 hours before the time of the meeting and any adjournment thereof. Please refer to the Administrative Details for further information on electronic submission.

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STAMP

The Share Registrar,

KOSSAN RUBBER INDUSTRIES BHD.
C/O BOARDROOM SHARE REGISTRARS SDN. BHD.
11th Floor Menara Symphony
5 Jalan Professor Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7890 4700
Fax : 03-7890 4671
Website : <https://www.boardroomlimited.com/my>


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STRETCHING LIMITS • SINCE 1979


KOSSAN RUBBER INDUSTRIES BHD.

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