



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



Business stability with long term
sustainable growth

Corporate Mission

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

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



KOSSAN RUBBER INDUSTRIES BHD
Has been certified by
SAI Global Limited, Australia
Against AS/NZS ISO 9001 (Certificate No: QEC12598)



KOSSAN RUBBER INDUSTRIES BHD
Has been certified by IKRAM QA Services Sdn Bhd
for BIS EN 681 PL1
Certificate No: IKRAM/BI04/G01/41/NO608



DOSHIN RUBBER PRODUCTS (M) SDN BHD
Has been certified by IKRAM QA Services Sdn Bhd
for MS 671 PART1 (Elastomeric Bridge Bearing)
Certificate No: IKRAM/BI04/G01/10/NT1996



DOSHIN RUBBER PRODUCTS (M) SDN BHD
Has been certified by IKRAM QA Services Sdn Bhd
for MS 1385 (Marine Fender - Rubber)
Certificate No: IKRAM/BI04/G01/07/NT205



DOSHIN BEARING LABORATORY
DOSHIN RUBBER PRODUCTS (M) SDN BHD
Has been certified by Department of Standards Malaysia
for MS ISO/IEC 17025
Certificate No: SAMM 372



PERUSAHAAN GETAH ASAS SDN BHD
HAS BEEN REGISTERED BY
SGS YARLEY INTERNATIONAL CERTIFICATION
SERVICES LIMITED AGAINST ISO 13485



PERUSAHAAN GETAH ASAS SDN BHD
HAS BEEN REGISTERED BY
SGS YARLEY INTERNATIONAL CERTIFICATION
SERVICES LIMITED ISO 9001



KOSSAN LATEX INDUSTRIES (M) SDN BHD
HAS BEEN REGISTERED BY
LLOYD'S REGISTER QUALITY ASSURANCE
LIMITED AGAINST ISO 9001



HIBON CORPORATION SDN BHD
HAS BEEN REGISTERED BY
LLOYD'S REGISTER QUALITY ASSURANCE
LIMITED AGAINST ISO 9001



PERUSAHAAN GETAH ASAS SDN BHD
Cert. No: FM 512209
ISO 9001:2000



PERUSAHAAN GETAH ASAS SDN BHD
Cert. No: MD 512207
ISO 13485:2003



KOSSAN LATEX INDUSTRIES (M) SDN BHD
Cert. No: FM 523601
ISO 13485:2003



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



WEAR SAFE (MALAYSIA) SDN BHD
Cert. No: FM 518353
ISO 13485:2003



WEAR SAFE (MALAYSIA) SDN BHD
Cert. No: FM 518350
ISO 9001:2008

Corporate Information

BOARD OF DIRECTORS

Y. Bhg. Dato' Haji Mokhtar Bin Haji Samad
D.S.S.A., A.M.N., P.M.C., P.J.K.
(Chairman)

Lim Kuang Sia
(Managing Director / Chief Executive Officer)

Lim Kuang Yong

Lim Kuang Wang

Lim Kwan Hwa

Heng Bak Tan

Y.Bhg. Dato' Tai Chang Eng @ Teh Chang Ying
D.S.S.A., A.M.S., P.J.K.

Tong Siew Choo

Lim Leng Bung
(Alternate to Lim Kuang Wang)

COMPANY SECRETARIES

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

BUSINESS AND REGISTERED ADDRESS

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

AUDITORS

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

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
EON Bank Berhad
Bank Muamalat (Malaysia) Berhad
Cooperatieve Centrale Raiffeisen – Boerenleenbank B.A
(Labuan Branch)

SHARE REGISTRAR

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

STOCK EXCHANGE LISTING

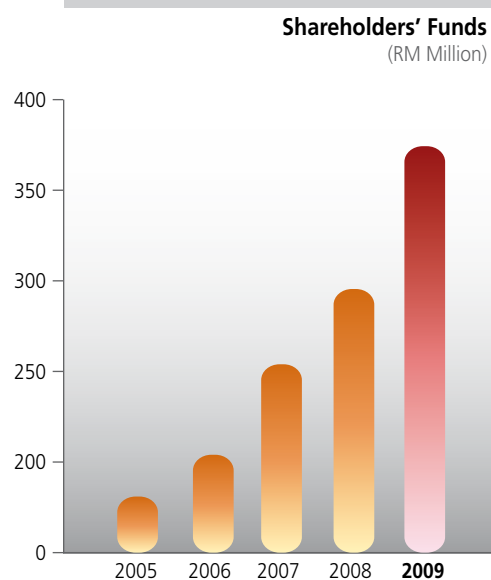
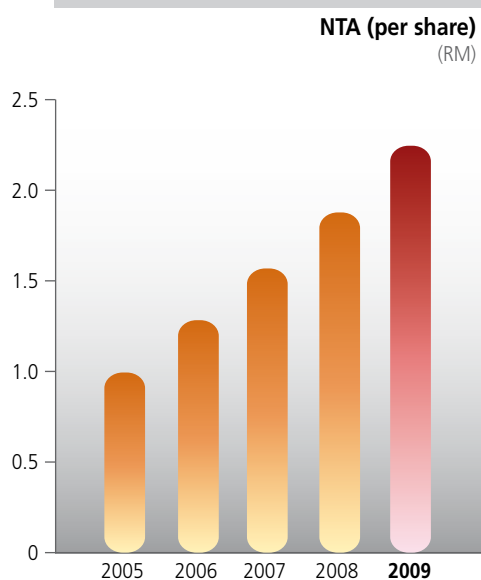
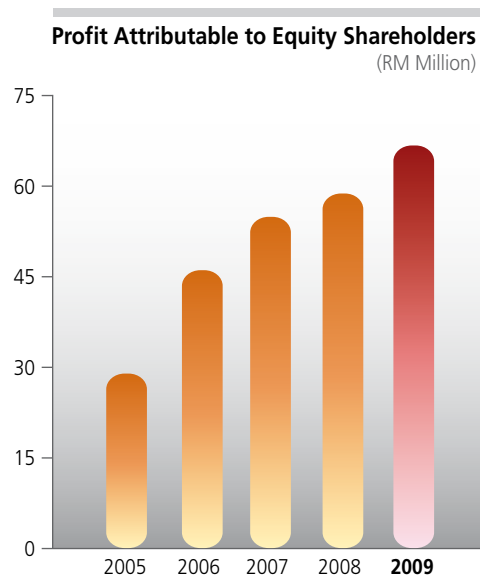
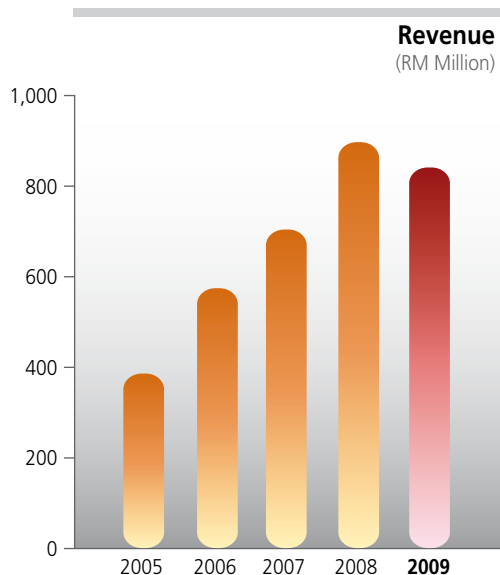
Main Market of Bursa Malaysia Securities Berhad

Financial Highlights

Operations (RM Million) for the year ended 31 December	2005	2006	2007	2008	2009
Revenue	385.991	571.283	702.637	897.194	842.135
Profit Before Taxation	36.181	48.453	58.318	72.906	85.828
Profit Attributable to Equity Shareholders	28.946	46.152	55.085	58.639	66.679
Dividend (%)	12.0	13.0	16.0	12.0	18.0

Balance Sheets (RM Million) as at 31 December	2005	2006	2007	2008	2009
Share Capital	79.933	79.933	79.933	79.933	79.933
Shareholders' Funds	158.566	205.456	251.370	298.883	357.369
NTA (per share) (RM)	0.99*	1.28*	1.57*	1.87*	2.24*

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



Chairman's Statement

FOURTEEN YEARS OF CONSECUTIVE GROWTH

FY2009 was indeed a year of unparalleled economic turbulence and market volatility that has its origin in the subprime credit problems in the United States of America in the second half of FY2008 which brought about the collapse of some leading international financial institutions and impacted on all businesses across many industries. Malaysia was not spared from this financial contagion and has suffered from the effects of this global recession with the economy contracting in the first three quarters. Despite the volatile prevailing external environment, I am pleased and proud to report that Kossan was able to deliver another set of solid results. This set of commendable results marks the Group's 14th year of unbroken profitability record since its listing in the Bursa Malaysia in 1996, amidst the backdrop of stiffer competition and escalating production cost.

FINANCIAL PERFORMANCE

The sales revenue for the year was RM842.135 million with a profit before tax of RM85.828 million compared to revenue of RM897.194 million and profit before tax of RM72.906 million in 2008. Profit before taxation grew by 18% to RM85.828 million from RM72.906 million in the previous year. Although current Group revenue of RM842.135 million was approximately 6% lower compared with the previous year, the synergistic effect from our higher profit margin product-mix, driven by nitrile glove segment; and effective cost control have contributed significantly to our profit after tax which saw an increase by almost 14% year-on-year.

The Group's balance sheet continues to grow from strength to strength. Kossan has net debt of RM183.285 million at the end of December, down from RM211.123 million a year earlier. Out of the total bank borrowings of RM206.800 million for the year under review; approximately 77% of the total borrowings are short term in nature, made up mainly of trade facilities for our export business. The Group also continues to maintain a healthy cash and bank balance, which as at 31 December 2009 stood at RM23.516 million, and a net gearing of 51%. The most fascinating achievement was the approximate 20% growth in our shareholders' funds to RM357.369 million from RM298.883 million in the previous year.

It is noteworthy to note that the strategic business measures consistently adopted by the Group all these year such as cost-savings measures, continuous improvement in production processes, better product-mix, effective marketing approach and strategies and reliable customer delivery services have blended well and yielded solid returns. All these ingredients are vital to ensure our shareholders enjoy continuous and sustainable growth in their investments.



TO OUR CUSTOMERS, EMPLOYEES AND SHAREHOLDERS:

On Behalf of the Board of Directors, it is my pleasure to present the Annual Report and audited financial statements of Kossan Rubber Industries Bhd. and its subsidiaries ("Kossan Group") for the financial year ended 31 December 2009.

DESPITE THE VOLATILE PREVAILING EXTERNAL ENVIRONMENT, I AM PLEASED AND PROUD TO REPORT THAT KOSSAN WAS ABLE TO DELIVER ANOTHER SET OF SOLID RESULTS. THIS SET OF COMMENDABLE RESULTS MARKS THE GROUP'S 14TH YEAR OF UNBROKEN PROFITABILITY RECORD SINCE ITS LISTING IN THE BURSA MALAYSIA IN 1996.

Chairman's Statement

LOOKING AHEAD

Moving forward into 2010, we anticipate the operating environment for glove manufacturing will remain challenging. Production and business overhead will continue to escalate as a result of anticipated increases in raw material prices and energy cost increases in the first half of the year. Being export oriented, a volatile US Dollar-MYR exchange rate regime will have a significant impact on revenue and earnings if not carefully managed. Nonetheless, I am confident, the Kossan team is well prepared to ride these challenges, relying on the strong foundations that we have built over the years.

Our focus in strategic quality product-mix to secure higher profit margin and set a higher barrier for competitors all this years have been a great success and provided great stability to our business. We will continue to forge ahead in our quest to expand our nitrile glove capacity in key export market. In the Group's strategic expansion masterplan, some 60 new production lines will be gradually added to its existing capacity in the next one to two years to capture growing demand in nitrile and powder-free segments.

It is worthy to note that orders for the Group's technical rubber products ("TRP") from overseas have been overwhelming. Improving economic condition albeit at a slower momentum, will bring brighter prospect for our TRPs business.

Riding on this positive backdrop and barring any unforeseen circumstances, the Group is confident of delivering another year of solid result.

DELIVERING VALUE TO SHAREHOLDERS

The Company's strong performance over the years has enabled us to continue give good returns on investment to our shareholders year-on-year. We remain committed to creating value for our shareholders and are pleased to announce our intention to distribute a substantial part of our reserves and earnings to you, being our valued and loyal shareholders. As such, the Board has recommended a bonus issue and final dividend for the financial year ended 31 December 2009. These recommendations are subject to shareholders' approval at the forthcoming General Meetings.

Bonus Issue

A Bonus Issue of up to 159,866,976 ordinary shares on the basis of one (1) bonus share for every one (1) existing share held in the Company.

Dividend

A final tax exempt dividend of 9.0sen per ordinary share RM0.50 each, amounting to RM14.388 million. This is the 14th consecutive year that Kossan Rubber has declared dividends to shareholders since listing on the Main Market of Bursa Malaysia in 1996.

I am pleased to note that in the past 14 years (since FY1996), the Company has consistently rewarded its shareholders with increased payout of dividends year after year and 4 rounds of bonus shares in line with improved financial performance. It is noteworthy that the market capitalization of Kossan was a mere RM55.720 million during its initial debut on 16 March 1996 and it has risen to above RM1.25 billion on 30 April 2010. This is a 22.3 fold increase over the past 14 years, a praise-worth record of its performance. Depending on Group performance, we will endeavor to maintain or increase dividend payout in the years ahead.

Record of Bonus Issues (1996 to 2005)

Financial Year	Description	Amount of New Shares million	Cumulative Paid-Up Capital RM' million
1996	Initial Public Offerings ("IPO")	-	19.9
1999	Bonus Issue 8 for 5	31.8	51.7
2003	Bonus Issue 1 for 5	10.3	62.0
2005	Bonus Issue 1 for 5	12.4	74.4
	ESOS	5.5	79.9
	Share Split	79.9	79.9

CORPORATE SOCIAL RESPONSIBILITY

The Group has long recognized and acknowledged the importance of a corporate culture that emphasizes good corporate social responsibility ("CSR") and corporate citizenship. While delivering sustainable and growing stakeholders value through the core business, the Group also contributes and provides for the betterment of the employee welfare, market place and community. In this respect, a blood donation campaign was carried out on 16 April 2010 and over 100 pints were collected for the Blood Bank.

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

IN APPRECIATION

I, on behalf of the Group, wish to express my appreciation and thanks to all our valued customers, suppliers, business associates, bankers, the regulatory authorities, investment analysts and members of the press and media for your continued support, confidence, trust and contributions during the past year.

To the Management team and staff of Kossan, I wish to place on record my heartfelt gratitude for your invaluable contributions, loyalty, diligence and whole-hearted commitment that have indeed contributed to the continuing success of the Group.

Last but not least, I also wish to convey my sincere appreciation and gratitude to all our shareholders for their confidence and continuous support of Kossan.

Y.BHG DATO' HAJI MOKHTAR BIN HAJI SAMAD

Chairman

26 May 2010

Managing Director's Review of Operation



KOSSAN KEPT ITS PROMISE TO DELIVER SUSTAINABLE GROWTH AND CHARTED ANOTHER RECORD EARNINGS WHICH SAW 18% HIGHER PROFIT BEFORE TAXATION COMPARED TO FY2008. THIS MARKED THE NINTH CONSECUTIVE YEAR OF DOUBLE DIGIT EARNINGS GROWTH.

DEAR SHAREHOLDERS,

The unprecedented subprime credit problems which had its origins in the United States of America erupted in the second half of 2008 and spilled over to 2009, had resulted in massive losses or earnings contraction of many organizations globally. Nevertheless, Kossan kept its promise to deliver sustainable growth and charted another record earnings which saw 18% higher profit before taxation compared to FY2008. This marked the ninth consecutive year of double digit earnings growth.

Examination Gloves Division

Our focus on better margin product-mix coupled with strong market demand for nitrile gloves has yielded a much stronger pre-tax profits for the fiscal year.

To continuously deliver sustainable growth, the Group has acquired two pieces industrial land in Meru area measuring about 22.5 acres in December 2005 and we intend to construct four factories and commission some 30 double-formers dipping production lines in 4 phases over 1 to 2 years. These four state-of-art glove plants when fully commissioned would position Kossan as a leading premium powder-free and nitrile glove manufacturer in the world and will provide a strong platform for sustainable growth in the coming years. We broke ground for Phase 1 in October 2009 and target the 8 double-formers advanced production lines to commence commercial production by September 2010.

Managing Director's Review of Operation

Technical Rubber Products ("TRP") Division

Despite the global recession that impacted sales in technical rubber products especially automotive parts, particularly in the critical major markets of North America and Europe, our products diversity and efficient cost-monitoring measures has enabled us to deliver an overall commendable result in our TRP division for the fiscal year. Demands for our TRP rebounded strongly since the second quarter and earnings recovered with total profit before taxation of RM6.510 million for the financial year under review. Kudos to our strategy of maintaining a wide range of products which enabled us to avert a single product reliance risk!

MOVING FORWARD

As we move forward, our ultimate objective is to deliver long term and sustainable growth to our shareholders. There are several business challenges we need to focus and arrest in order to achieve our objective. Shortage of manpower, escalating production cost arising from increasing utilities and energy costs, rising raw material prices and exchange rate volatility will remain as the most crucial key challenges going forward. To tackle these challenges, we have taken proactive approach which are heavily emphasized on 4 key elements namely

- Research and development
- Process automation and optimization
- Business process computerization; and
- Internal and external trainings for employees.

The above 4 key elements are progressing well so far.

We believe in differentiating ourselves from our peers in the glove industry and will continue in developing more products with efficient features to meet market demand with competitive costs.

Overall, the year of 2010 will be a better year for the Group despite stiffer market competition exacerbated by the higher cost of doing business. We are certain our strategic focus on high margin quality product-mix and continual R & D for new products will enable us to achieve first mover benefits; we will do even better than before.

INVESTOR RELATIONS

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



OUR EMPLOYEES

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

Managing Director's Review of Operation



OUR CUSTOMERS

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

ACKNOWLEDGEMENT

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

Wholeheartedly, I hope all employees of the Group will continue with their strong and thoughtful spirits in such tumultuous times. We must be always ready to change and remain committed to our Mission to deliver to our stakeholders with sustainable growth in value. Most importantly, we have to stay focused and hold on firmly to our strength as a Group to drive the Company forward.

LIM KUANG SIA

Managing Director/Chief Executive Officer
26 May 2010

Directors' Profile

Y. BHG DATO' HAJI MOKHTAR BIN HAJI SAMAD

Y. Bhg Dato' Haji Mokhtar Bin Haji Samad, a Malaysian aged 62, was appointed the Non-Executive Chairman of Kossan on 22 February 2002. He is an Independent Director and is the Chairman of the Audit Committee. He is a member of the Nomination Committee and the Remuneration Committee.

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

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

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

LIM KUANG SIA

Mr. Lim Kuang Sia, ("KS Lim") a Malaysian aged 58, was appointed the Managing Director/ Chief Executive Officer of Kossan on 22 February 2002. He is a founder director of Kossan. Mr. KS Lim graduated from Nanyang University in Singapore with a Bachelor of Science (Chemistry) degree. He also has a post-graduate Diploma in Chemical Engineering from University College and a Master in Chemical Engineering from Imperial College, both at the University of London.

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

Mr. KS Lim is a member of the Remuneration Committee.

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

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

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

LIM KUANG YONG

Mr. Lim Kuang Yong, ("KY Lim") a Malaysian aged 63, was appointed to the Board of Kossan on 22 October 1979. He has more than 20 years business experience in marine hardware. He is in charge of the Examination Gloves Division.

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

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

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

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

Directors' Profile

LIM KUANG WANG

Mr. Lim Kuang Wang, ("KW Lim") a Malaysian aged 61, was appointed to the Board of Kossan on 27 May 1995. He has more than 20 years business experience in trading and manufacturing. He is involved in the Examination Gloves Division.

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

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

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

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

LIM KWAN HWA

Mr. Lim Kwan Hwa, ("KH Lim") a Malaysian aged 59, was appointed to the Board of Kossan on 27 May 1995. He is in charge of Kossan Latex Industries (M) Sdn. Bhd., a wholly owned subsidiary of Kossan.

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

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

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

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

LIM LENG BUNG

Mr. Lim Leng Bung, ("LB Lim") a Malaysian aged 47, was appointed to the Board of Kossan on 27 May 1995 as an alternate to Mr Lim Kuang Wang. He heads the technical rubber production portfolio in Kossan.

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

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

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

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

Directors' Profile

HENG BAK TAN

Mr. Heng Bak Tan, a Malaysian aged 61, was appointed to the Board of Kossan on 29 October 1984. He is a Non Independent Non Executive Director. He has more than 10 years experience in rubber moulding and extrusion.

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

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

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

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

Y. Bhg. Dato' Tai Chang Eng @ Teh Chang Ying, a Malaysian aged 64, was appointed to the Board of Kossan on 12 August 1996. He is an Independent Non Executive Director. He is a Deputy Chairman, Board of Visitors, of the Klang General Hospital. He is the Chairman of the Nomination Committee and the Remuneration Committee and a member of the Audit Committee.

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

He sits on the boards of several private companies.

He holds 114,760 shares in Kossan.

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

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

TONG SIEW CHOO

Madam Tong Siew Choo, a Malaysian aged 49, was appointed to the Board of Kossan on 22 February 2002 as an Independent Non Executive Director. She is a Chartered Accountant with membership in the Malaysian Institute of Accountants and the Malaysian Association of Certified Public Accountants. She is the senior partner of an audit firm.

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

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

She holds 14,976 shares in Kossan.

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

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

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

Corporate Governance Statement

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

BOARD OF DIRECTORS

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

The Board is pleased to report to shareholders on the manner the Group has applied the principles, and the extent of compliance with the best practices of corporate governance of the Code for the financial year ended 31 December 2009.

DIRECTORS

Board and Board Balance

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

Duties and responsibilities of the Board

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

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

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

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

Corporate Governance Statement

Board Meetings And Supply Of Information To The Board

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

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

The Board met on five (5) occasions during the financial year ended 31 December 2009. The details of attendance of each Director are set out below:

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

Details of Board Meetings

Date of Meeting	Time
19.02.2009	4.00 p.m.
22.04.2009	4.00 p.m.
21.05.2009	4.00 p.m.
20.08.2009	4.00 p.m.
24.11.2009	4.40 p.m.

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

Appointments To The Board

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

Re-appointment And Re-election Of Directors

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

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

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

The Nomination Committee carries out annual evaluation and assessment on each Director's contributions and recommend for the re-appointment and re-election of Directors seeking re-appointment and re-election at annual general meetings.

Corporate Governance Statement

DIRECTORS REMUNERATION

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

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

The Directors' remuneration for the financial year ended 31 December 2009 are as follow:-

	Salaries RM	Other allowances RM	Fees RM	Total RM
Executive Directors	2,508,000	1,811,320	-	4,319,320
Non-Executive Directors	-	-	120,000	120,000
Total	2,508,000	1,811,320	120,000	4,439,320

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

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

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

DIRECTORS' TRAINING AND EDUCATION

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

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

During the financial year, the directors had attended the following trainings:

Director	Type of training
Y.Bhg. Dato' Haji Mokhtar Bin Haji Samad	FRS 139
Y.Bhg. Dato' Tai Chang Eng @ The Chang Ying	FRS 139
Mdm. Tong Siew Choo	FRS 139

Corporate Governance Statement

BOARD COMMITTEES

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

Nomination Committee

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

Dato' Tai Chang Eng @ Teh Chang Ying - (Chairman, Independent Non-Executive)

Dato' Haji Mokhtar Bin Haji Samad - (Independent Non-Executive)

Tong Siew Choo - (Independent Non-Executive)

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

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

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

Remuneration Committee

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

Dato' Tai Chang Eng @ Teh Chang Ying (Chairman, Independent Non-Executive)

Dato' Haji Mokhtar Bin Haji Samad (Independent Non-Executive)

Lim Kuang Sia (Non-Independent Executive)

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

The Committee met on one (1) occasion in the financial year 2009.

Audit Committee

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

The report of the Audit Committee for the year ended 31 December 2009 is set out on pages 21 to 22.

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

Corporate Social Responsibility Committee ("CSR Committee")

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

The members of the CSR Committee as at 31 December 2009 are as follows:-

Lim Kuang Sia - Chairman

Tong Siew Choo - Member

Corporate Governance Statement

SHAREHOLDERS

Dialogue Between Company And Investors

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

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

Annual General Meeting

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

Internal Control

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

The Group's Statement on Internal Control for the year ended 31 December 2009 as set out on pages 19 to 20 of this Annual Report provides an overview of the state of internal control within the Group and the Company. This statement has been approved by the Board.

Relationship with Auditors

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

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

OTHER INFORMATION

During the financial year under review

(a) **Executive Share option Scheme (ESOS)**

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

(b) **Utilization of proceeds**

The Company did not implement any fund raising exercise.

(c) **Share Buy-Back**

The Company has proposed to implement a share buy back scheme for the approval of shareholders at the Annual General Meeting.

Corporate Governance Statement

OTHER INFORMATION (CONT'D)

(d) **Options, Warrants or Convertible Securities exercised**

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

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

The Company did not sponsor any ADR or GDR programme.

(f) **Conflict of interest**

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

(g) **Material Contracts**

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

(h) **Sanctions and/or penalties**

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

(i) **Non-audit fees**

Apart from the RM187,500 audit fees paid to the external auditors, non-audit fee of RM8,000 was payable to the external auditors for the financial year ended 31 December 2009.

(j) **Variation in results**

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

(k) **Profit guarantee**

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

(l) **Revaluation policy**

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

This Corporate Governance Statement is made in accordance with a resolution of the Board of Directors dated 21 April 2010.

Corporate Governance Statement

CORPORATE SOCIAL RESPONSIBILITY

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

Workplace

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

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

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

Market place

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

Community

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

Statement of Responsibility by Directors

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

In preparing these financial statements, the Directors have:-

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

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

This Statement of Responsibility by Directors is made in accordance with the resolution of the Board of Directors dated 21 April 2010.

Statement on Internal Control

RESPONSIBILITY

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

RISK MANAGEMENT

The Board has always regarded risk management as an integral part of the Group's business operations. Accordingly, it is in the process of establishing a formal and structured enterprise risk management ('ERM') framework for identifying, evaluating and managing the key business risks faced by the Group, going forward. The Board's primary objective and direction in managing the Group's risks are focused on the achievement of the Group's business objectives.

Towards the end of 2009, the Board engaged a professional firm to assist in the establishment of an ERM framework for the Group. The objectives of the framework are to assist the Board in the following areas:

- Developing a structured process where business risks faced by the Group may be identified, evaluated, controlled, reported and monitored on an ongoing basis, including the development of a risk management policy and guidelines documents for the Board's consideration and adoption;
- Facilitate an objective assessment of key controls deployed by Management of the Group in addressing the relevant business risks identified; and
- Develop risk profiles for various business units in the Group for ongoing monitoring.

THE GROUP'S SYSTEM OF INTERNAL CONTROL

Key Features of the System of Internal Control

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

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

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

The internal audit reviews the Group's system of internal control on a systematic and cyclic basis and on selected functions, and tables the results of the review at the Audit Committee meetings on a quarterly basis, commencing from the quarter ended 30 June 2009. During the financial year, the internal audit covered sales and purchases cycles of a technical rubber product subsidiary, store operation, information technology security and health & safety operation of the Company and accounts, purchasing, marketing and shipping operations of a glove subsidiary. The Audit Committee reviewed the findings, recommendations and management response and action plans and presented the findings and recommendations to the Board of Directors.

Statement on Internal Control

Other salient features of the Group on the system of internal controls are described as follows:-

- Clearly defined organisation structure defining the delegation of authority and responsibility of the management and reporting mechanism.
- Monthly review of the financial and manufacturing operational performance of business units including productivity, efficiency and effectiveness of the cost of production. This includes evaluation of factors such as business, operational and key management issues impacting on their performance.
- Regular visits to business and manufacturing units by MD, Executive Directors and senior management personnel.
- Review of quarterly financial results of the Group by the Audit Committee and the Board.
- Identify and review the risk element impact on the financial performance of the Group and establish mechanism to manage risk including and not limiting to foreign exchange rate and escalating cost of operations.
- Regular operations and various management meetings are held to discuss, manage and address operational and management issues and to ensure compliance and adherence to policies set by the Group.
- as part of the requirements of the ISO 9001, ISO 13485 and ISO/TS 16949 certifications, scheduled audits are conducted internally as well as by SAI Global, BSI Management Systems, SGS Yarsley International and LLOYD'S Register auditors. Results of these audits are reported to the Quality Management Committee, which is chaired by the MD.

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

The Board reviews the minutes of the AC's meetings. The Report of the AC is set out on pages 21 to 22 of the Annual Report.

The Board remains committed towards keeping abreast with the ever-changing business environment in order to support the Group's businesses and size of operations. The Board and the Management, in striving for continuous improvement, have and will continue to put in place appropriate measures to further strengthen the Group's system of internal control.

The statement is signed in accordance with a resolution of the Board of Director dated 20 May 2010.

Report of the Audit Committee

The Board of Directors have pleasure in submitting the report of the Audit Committee of the Board for the year ended 31 December 2009.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Composition

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

2. Authority

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

3. Responsibility

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

4. Functions

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

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

Report of the Audit Committee

5. Meeting and minutes

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

COMPOSITION AND ATTENDANCE AT MEETINGS

The Audit Committee comprises the following members and details of attendance of each member at committee meetings held during the year ended 31 December 2009 are as follows:-

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

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

The Group's external auditors attended four (4) of the meetings.

ACTIVITIES

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

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

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

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

Directors' Report

For the year ended 31 December 2009

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM	Company RM
Profit attributable to:		
Shareholders of the Company	66,679,295	82,757,260
Minority interest	654,944	-
	<u>67,334,239</u>	<u>82,757,260</u>

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the previous financial year, the Company paid a final ordinary dividend, consisting of 3.5 sen per ordinary share, less tax at 25% and 2.5 sen per ordinary share, tax-exempted, totalling RM8,193,183 in respect of the year ended 31 December 2008 on 11 August 2009.

The final ordinary dividend recommended by the Directors in respect of the year ended 31 December 2009 is 9 sen per ordinary share, tax-exempted, totalling RM14,388,028.

DIRECTORS OF THE COMPANY

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

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

Directors' Report

For the year ended 31 December 2009

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM0.50 each			
	At 1.1.2009	Bought	Sold	At 31.12.2009
Direct interest				
Lim Kuang Sia	190,944	-	-	190,944
Lim Kuang Wang	359,424	-	-	359,424
Y. Bhg. Dato' Tai Chang Eng @ Teh Chang Ying, D.S.S.A., A.M.S., P.J.K.	149,760	-	-	149,760
Tong Siew Choo	14,976	-	-	14,976
Deemed interest				
Lim Kuang Sia				
- ultimate holding company	82,728,120	-	-	82,728,120
- spouse	359,424	-	-	359,424
Lim Kuang Yong				
- ultimate holding company	82,728,120	-	-	82,728,120
Heng Bak Tan				
- spouse	14,448	-	-	14,448
Lim Kuang Wang				
- ultimate holding company	82,728,120	-	-	82,728,120
Lim Kwan Hwa				
- ultimate holding company	82,728,120	-	-	82,728,120
Lim Leng Bung				
- ultimate holding company	82,728,120	-	-	82,728,120

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

DIRECTORS' BENEFITS

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

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

ISSUE OF SHARES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

Directors' Report

For the year ended 31 December 2009

OTHER STATUTORY INFORMATION

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

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

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

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

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

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

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

In the opinion of the Directors, except for as disclosed in Note 15 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2009 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SIGNIFICANT EVENTS

- (a) On 6 May 2009, a fire occurred at one of the Company's subsidiaries resulting in the subsidiary's rented building which contained off-line production processing facility for finished goods with total carrying amount of RM10,570,924 being destroyed. During the year, the subsidiary recovered the losses in full from its insurance company and the production processing facility was reconstructed and commenced operations in November 2009, and
- (b) On 17 November 2009, another fire occurred at the same subsidiary destroying one of the subsidiary's factory buildings. The factory building housed nine (9) glove production lines and ancillary processing equipments for raw materials and finished goods inventories, with total carrying amount of RM36,097,003. The Board of Directors represented that these assets and inventories destroyed in the fire are adequately insured.

Directors' Report

For the year ended 31 December 2009

AUDITORS

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

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

Lim Kuang Sia

Lim Kuang Yong

Klang, Selangor Darul Ehsan

Date: 21 April 2010

Balance Sheets

At 31 December 2009

		Group		Company	
	Note	2009 RM	2008 RM	2009 RM	2008 RM
Assets					
Property, plant and equipment	3	359,255,421	361,286,374	34,639,213	37,493,185
Investment in subsidiaries	4	-	-	8,241,963	8,241,963
Other investments	5	116,000	116,000	116,000	116,000
Deferred tax assets	6	433,604	1,690,527	-	-
Goodwill on consolidation	7	864,456	864,456	-	-
Total non-current assets		360,669,481	363,957,357	42,997,176	45,851,148
Inventories	8	109,917,464	112,002,824	15,198,402	18,744,805
Receivables, deposits and prepayments	9	193,401,246	160,921,420	145,464,737	75,806,307
Current tax assets		1,043,044	1,032,380	866,093	906,635
Cash and cash equivalents	10	23,515,518	15,782,092	468,853	405,788
Total current assets		327,877,272	289,738,716	161,998,085	95,863,535
Total assets		688,546,753	653,696,073	204,995,261	141,714,683
Equity					
Share capital		79,933,488	79,933,488	79,933,488	79,933,488
Share premium		10,601	10,601	10,601	10,601
Translation reserve		(45,935)	(45,935)	-	-
Revaluation reserve		1,244,165	1,305,183	645,923	706,941
Retained earnings		276,226,556	217,679,426	98,926,215	24,301,120
Total equity attributable to shareholders of the Company		357,368,875	298,882,763	179,516,227	104,952,150
Minority interest		1,630,838	975,894	-	-
Total equity	11	358,999,713	299,858,657	179,516,227	104,952,150
Liabilities					
Loans and borrowings	12	47,352,880	54,345,075	-	257,709
Deferred tax liabilities	6	21,282,736	10,530,397	4,568,075	4,469,078
Total non-current liabilities		68,635,616	64,875,472	4,568,075	4,726,787
Payables and accruals	13	97,482,807	114,939,690	8,487,989	21,467,578
Current tax liabilities		3,981,358	1,462,569	-	-
Loans and borrowings	12	159,447,259	172,559,685	12,422,970	10,568,168
Total current liabilities		260,911,424	288,961,944	20,910,959	32,035,746
Total liabilities		329,547,040	353,837,416	25,479,034	36,762,533
Total equity and liabilities		688,546,753	653,696,073	204,995,261	141,714,683

The notes on pages 32 to 62 are an integral part of these financial statements.

Income Statements

For the year ended 31 December 2009

		Group		Company	
	Note	2009 RM	2008 RM	2009 RM	2008 RM
Revenue	14	842,135,011	897,194,335	153,155,361	92,377,602
Other income		2,481,031	3,051,351	238,474	487,644
Changes in inventories of finished goods and work-in-progress		27,096,479	22,386,186	(2,382,236)	276,360
Raw materials and consumables used		(523,092,820)	(646,291,573)	(31,058,068)	(46,809,914)
Goods purchased for resale		-	(5,134,320)	(1,068,373)	(3,819,924)
Staff cost		(90,642,736)	(82,434,195)	(17,069,959)	(19,040,457)
Depreciation	3	(33,652,040)	(25,602,670)	(3,897,615)	(3,827,939)
Other expenses		(129,334,561)	(79,732,106)	(10,663,552)	(13,618,216)
Results from operating activities		94,990,364	83,437,008	87,254,032	6,025,156
Finance costs	16	(9,162,313)	(10,531,172)	(344,783)	(658,070)
Profit before tax	15	85,828,051	72,905,836	86,909,249	5,367,086
Tax expense	18	(18,493,812)	(13,722,239)	(4,151,989)	(1,397,090)
Profit for the year		67,334,239	59,183,597	82,757,260	3,969,996
Attributable to:					
Shareholders of the Company		66,679,295	58,639,125	82,757,260	3,969,996
Minority interest		654,944	544,472	-	-
Profit for the year		67,334,239	59,183,597	82,757,260	3,969,996
Basic earnings per ordinary share (sen)	19	41.71	36.68		
Diluted earnings per ordinary share (sen)	19	41.71	36.68		

The notes on pages 32 to 62 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

		Attributable to shareholders of the Company							
		Non-distributable			Distributable				
	Note	Share capital RM	Share premium RM	Translation reserve RM	Revaluation reserve RM	Retained earnings RM	Total RM	Minority interest RM	Total equity RM
Group									
At 1 January 2008		79,933,488	10,601	(45,935)	1,366,201	170,106,025	251,370,380	431,422	251,801,802
Transfers from revaluation reserve to retained earnings		-	-	-	(61,018)	61,018	-	-	-
Profit for the year		-	-	-	-	58,639,125	58,639,125	544,472	59,183,597
Dividends to shareholders	20	-	-	-	-	(11,126,742)	(11,126,742)	-	(11,126,742)
At 31 December 2008 / 1 January 2009		79,933,488	10,601	(45,935)	1,305,183	217,679,426	298,882,763	975,894	299,858,657
Transfers from revaluation reserve to retained earnings		-	-	-	(61,018)	61,018	-	-	-
Profit for the year		-	-	-	-	66,679,295	66,679,295	654,944	67,334,239
Dividends to shareholders	20	-	-	-	-	(8,193,183)	(8,193,183)	-	(8,193,183)
At 31 December 2009		79,933,488	10,601	(45,935)	1,244,165	276,226,556	357,368,875	1,630,838	358,999,713

Company	Note	Non-distributable		Distributable		Total equity RM
		Share capital RM	Share premium RM	Revaluation reserve RM	Retained earnings RM	
At 1 January 2008		79,933,488	10,601	767,959	31,396,848	112,108,896
Transfer from revaluation reserves to retained earnings		-	-	(61,018)	61,018	-
Dividends to shareholders	20	-	-	-	(11,126,742)	(11,126,742)
Profit for the year		-	-	-	3,969,996	3,969,996
At 31 December 2008 / 1 January 2009		79,933,488	10,601	706,941	24,301,120	104,952,150
Transfer from revaluation reserves to retained earnings		-	-	(61,018)	61,018	-
Dividends to shareholders	20	-	-	-	(8,193,183)	(8,193,183)
Profit for the year		-	-	-	82,757,260	82,757,260
At 31 December 2009		79,933,488	10,601	645,923	98,926,215	179,516,227

The notes on pages 32 to 62 are an integral part of these financial statements.

Cash Flow Statements

For the year ended 31 December 2009

		Group		Company	
	Note	2009 RM	2008 RM	2009 RM	2008 RM
Cash flows from operating activities					
Profit before tax		85,828,051	72,905,836	86,909,249	5,357,086
Adjustments for:					
Depreciation of property, plant and equipment	3	33,652,040	25,602,670	3,897,615	3,827,939
Dividend income	14	-	-	(82,996,573)	-
Finance costs		9,162,313	10,531,172	344,783	668,070
(Gain)/Loss on disposal of property, plant and equipment	15	(240,770)	215,044	(169,979)	220,707
Loss on liquidation of an associate	15	-	17,101	-	-
Interest income		(104,147)	(1,187,607)	(10,659)	(5,427)
Property, plant and equipment written off	15	18,121,291	59,439	169,388	31,098
Unrealised foreign exchange (gain)/loss	15	(1,484,192)	2,770,747	(26,984)	92,584
Operating profit before changes in working capital		144,934,586	110,914,402	8,116,840	10,192,057
Changes in working capital:					
Inventories		2,085,360	(25,229,817)	3,546,403	276,247
Receivables, deposits and prepayments		(34,995,638)	(24,861,697)	(69,631,446)	2,021,903
Payables and accruals		(17,456,883)	22,296,886	(12,979,589)	10,877,441
Cash generated from/(used in) operations		94,567,425	83,119,774	(70,947,792)	23,367,648
Dividends paid		(8,193,183)	(11,126,742)	(8,193,183)	(11,126,742)
Interest received		104,147	1,187,607	10,659	5,427
Interest paid		(9,162,313)	(10,531,172)	(344,783)	(668,070)
Tax paid		(3,976,425)	(5,100,386)	(1,079,782)	(1,787,680)
Net cash from/(used in) operating activities		73,339,651	57,549,081	(80,554,881)	9,790,583
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		374,277	242,073	172,201	5,000
Purchase of property, plant and equipment	(ii)	(40,573,923)	(66,138,129)	(1,215,253)	(4,805,646)
Proceeds from insurance claim		4,000,000	-	-	-
Proceeds from liquidation of an associate		-	112,272	-	-
Dividend received		-	-	80,063,905	-
Net cash (used in)/from investing activities		(36,199,646)	(65,783,784)	79,020,853	(4,800,646)
Cash flows from financing activities					
Repayment of hire purchase liabilities		(22,759,692)	(21,237,917)	(508,866)	(1,266,381)
Drawdown of borrowings		49,172,230	32,662,888	1,618,508	-
Repayment of borrowings		(57,983,484)	(9,631,116)	(2,007,864)	(3,305,830)
Short-term deposit pledged to bank		-	(92,936)	-	-
Net cash (used in)/from financing activities		(31,570,946)	1,700,919	(898,222)	(4,572,211)
Net increase/(decrease) in cash and cash equivalents		5,569,059	(6,533,784)	(2,432,250)	417,726
Cash and cash equivalents at 1 January		11,833,354	18,367,138	(866,120)	(1,283,846)
Cash and cash equivalents at 31 December		17,402,413	11,833,354	(3,298,370)	(866,120)

Cash Flow Statements

For the year ended 31 December 2009

i) *Cash and cash equivalents*

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

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
Cash and bank balances	10	4,824,217	5,090,791	468,853	405,788
Short term deposits with licensed banks	10	18,691,301	10,691,301	-	-
Bank overdrafts	12	(5,421,804)	(3,257,437)	(3,767,223)	(1,271,908)
		18,093,714	12,524,655	(3,298,370)	(866,120)
Less: Deposits pledged to licensed banks	10	(691,301)	(691,301)	-	-
		17,402,413	11,833,354	(3,298,370)	(866,120)

ii) *Acquisition of property, plant and equipment*

During the year, the Group and the Company acquired property, plant and equipment with aggregate cost of RM49,875,881 (2008 - RM109,133,477) and RM1,215,253 (2008 - RM4,975,646) respectively of which RM9,301,958 (2008 - RM42,995,348) and nil (2008 - RM170,000) respectively were acquired by means of hire purchase arrangements.

Notes to the Financial Statements

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

Registered office/Principal place of business

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

The consolidated financial statements of the Company at and for the year ended 31 December 2009 comprise the Company and its subsidiaries. The financial statements of the Company at and for the year ended 31 December 2009 do not include other entities.

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

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

The financial statements were approved by the Board of Directors on 21 April 2010.

1. BASIS OF PREPARATION

(a) Statement of compliance

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

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

FRS effective for annual periods beginning on or after 1 July 2009

- FRS 8, Operating Segments

FRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2010

- FRS 4, Insurance Contracts
- FRS 7, Financial Instruments: Disclosures
- FRS 101, Presentation of Financial Statements (revised)
- FRS 123, Borrowing Costs (revised)
- FRS 139, Financial Instruments: Recognition and Measurement
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
- Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations
- Amendments to FRS 7, Financial Instruments: Disclosures
- Amendments to FRS 101, Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 132, Financial Instruments: Presentation
 - Puttable Financial Instruments and Obligations Arising on Liquidation
 - Separation of Compound Instruments
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement
 - Reclassification of Financial Assets
 - Collective Assessment of Impairment for Banking Institutions
- Improvements to FRSs (2009)
- IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 10, Interim Financial Reporting and Impairment
- IC Interpretation 11, FRS 2 - Group and Treasury Share Transactions
- IC Interpretation 13, Customer Loyalty Programmes
- IC Interpretation 14, FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

Notes to the Financial Statements

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

FRS and Amendment effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, Financial Instruments: Presentation - Classification of Rights Issues

FRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, First-time Adoption of Financial Reporting Standards (revised)
- FRS 3, Business Combinations (revised)
- FRS 127, Consolidated and Separate Financial Statements (revised)
- Amendments to FRS 2, Share-based Payment
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138, Intangible Assets
- IC Interpretation 12, Service Concession Agreements
- IC Interpretation 15, Agreements for the Construction of Real Estate
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17, Distribution of Non-cash Assets to Owners
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives

FRSs and Amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Amendments to FRS 7, Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments

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

- from the annual period beginning 1 January 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2009 or 1 January 2010; and
- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, is not expected to have any financial impacts to the current and prior periods' financial statements upon their first adoption.

The impacts and disclosures as required by FRS 108.30(b), Accounting Policies, Changes in Accounting Estimates and Errors, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs.

Material impacts of initial application of a standard, an amendment or an interpretation, which will be applied retrospectively, are disclosed below:

(i) FRS 8, Operating Segments

FRS 8 replaces FRS 114₂₀₀₄, Segment Reporting and requires the identification and reporting of operating segments based on internal reports that are regularly reviewed by the chief operating decision maker of the Group in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its business and geographical segments (Note 21). Management will embark on a project to assess and identify the appropriate segment information in respect of the Group's operating segments, including formulating information-gathering processes.

(ii) FRS 123, Borrowing Costs (revised)

The revised FRS 123 removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The adoption of this standard will result in a change in accounting policy. In accordance with the transitional provisions, the Group and the Company will apply the revised FRS 123 to borrowing costs related to qualifying assets for which the commencement date of capitalisation is on or after 1 January 2010.

Notes to the Financial Statements

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

(iii) IC Interpretation 10, Interim Financial Reporting and Impairment

IC Interpretation 10 prohibits the reversal of an impairment loss that has been recognised in an interim period during a financial year in respect of the following:

- (a) goodwill;
- (b) an investment in an equity instrument; or
- (c) a financial asset carried at cost.

In accordance with the transitional provisions, the Group and the Company will apply IC Interpretation 10 to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date the Group and the Company first applied the measurement criteria of FRS 136, Impairment of Assets and FRS 139, Financial Instruments: Recognition and Measurement respectively.

The initial application of other standards (and its consequential amendments) and interpretations is not expected to have any material impact on the Group's and the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statements.

When a Group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(iii) *Minority interest*

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

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

(iv) *Transactions eliminated on consolidation*

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

(b) Foreign currency

Foreign currency transactions

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

(c) Derivative financial instruments

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

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

(d) Property, plant and equipment

(i) *Recognition and measurement*

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

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

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(i) Recognition and measurement (Cont'd)

Revalued property, plant and equipment where no revaluation policy is adopted (Cont'd)

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

The depreciable amount is determined after deducting the residual value.

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

(e) Intangible assets

Goodwill

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

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

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

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Investments in equity securities

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

Subsequent to initial recognition:

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

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

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

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

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

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Receivables

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

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

Receivables are not held for the purpose of trading.

(i) Cash and cash equivalents

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment of assets

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

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statements in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statements, a reversal of that impairment loss is also recognised in the income statements.

(k) Equity instruments

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

Issue expenses

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

(l) Loans and borrowings

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

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

Accounting for hire purchase

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Employee benefits

Short term employee benefits

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

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

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

(n) Provisions

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

Contingent liabilities

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

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

(o) Payables

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

(p) Revenue

(i) Goods sold

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

(ii) Services

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

(iii) Dividend income

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Lease payments

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

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

(r) Tax expense

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

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit/(tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

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

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

(s) Earnings per share

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

(t) Segment reporting

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

Notes to the Financial Statements

3. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Building RM	Plant and machinery RM	Motor vehicle RM	Factory renovation RM	Factory furniture and equipment RM	Electrical installation RM	Plant and machinery under construction RM	Office furniture, equipment and renovation RM	Building under construction RM	Total RM
Group											
Cost/valuation											
At 1 January 2008	34,153,688	69,818,701	250,767,228	8,566,103	4,412,968	3,754,749	1,869,133	23,973,761	6,686,907	5,023,944	409,027,182
Additions	46,823	8,417,918	58,991,696	87,819	193,624	715,778	425,883	8,343,778	2,017,330	29,892,828	109,133,477
Disposals	-	-	(525,449)	-	-	(24,300)	-	-	-	-	(549,749)
Write off	(500)	-	(181,098)	-	-	(147,862)	-	-	(1,403,208)	-	(1,732,668)
Transfers	15,572,714	19,344,058	30,185,985	-	-	-	-	(30,185,985)	-	(34,916,772)	-
At 31 December 2008 / 1 January 2009	49,772,725	97,580,677	339,238,362	8,653,922	4,606,592	4,298,365	2,295,016	2,131,554	7,301,029	-	515,878,242
Additions	957,796	6,925,072	36,202,931	586,151	746,027	710,431	512,203	1,829,079	1,033,073	373,118	49,875,881
Disposals	-	-	(227,590)	(1,213,040)	-	(19,500)	-	-	-	-	(1,460,130)
Write off	-	(8,934,583)	(25,449,919)	-	(1,587,895)	(160,222)	(151,768)	-	(946,398)	-	(37,230,785)
Reclassification	-	(564,162)	259,061	(101,410)	292,044	110,467	-	-	4,000	-	-
Transfer	-	-	1,078,667	-	-	-	-	(1,078,667)	-	-	-
At 31 December 2009	50,730,521	95,007,004	351,101,512	7,925,623	4,056,768	4,939,541	2,655,451	2,881,966	7,391,704	373,118	527,063,208
Representing items at:											
At cost	45,891,725	85,408,800	351,101,512	7,925,623	4,056,768	4,939,541	2,655,451	2,881,966	7,391,704	373,118	512,626,208
At valuation	4,838,796	9,598,204	-	-	-	-	-	-	-	-	14,437,000
At 31 December 2009	50,730,521	95,007,004	351,101,512	7,925,623	4,056,768	4,939,541	2,655,451	2,881,966	7,391,704	373,118	527,063,208
Accumulated depreciation											
At 1 January 2008	-	6,891,239	110,304,064	5,419,078	2,111,425	1,313,200	1,188,030	-	3,528,023	-	130,755,059
Charge for the year	-	1,658,226	21,339,787	1,180,673	383,108	370,089	114,982	-	555,805	-	25,602,670
Disposals	-	-	(83,833)	-	-	(8,699)	-	-	(100)	-	(92,632)
Write off	-	-	(153,673)	-	-	(147,815)	-	-	(1,371,741)	-	(1,673,229)
At 31 December 2008 / 1 January 2009	-	8,549,465	131,406,345	6,599,751	2,494,533	1,526,775	1,303,012	-	2,711,987	-	154,591,868
Charge for the year	-	2,174,150	28,844,614	993,592	397,620	363,791	168,927	-	709,346	-	33,652,040
Reclassification	-	(17,893)	(19,022)	(30,250)	27,044	39,574	-	-	547	-	-
Disposals	-	-	(147,190)	(1,172,490)	-	(6,500)	-	-	(447)	-	(1,326,627)
Write off	-	(738,801)	(16,505,529)	-	(1,077,504)	(63,420)	(92,128)	-	(632,112)	-	(19,109,494)
At 31 December 2009	-	9,966,921	143,579,218	6,390,603	1,841,693	1,860,220	1,379,811	-	2,789,321	-	167,807,787
Carrying amounts											
At 1 January 2008	34,153,688	62,927,462	140,463,164	3,147,025	2,301,543	2,441,549	681,103	23,973,761	3,158,884	5,023,944	278,272,123
At 31 December 2008 / 1 January 2009	49,772,725	89,031,212	207,832,017	2,054,171	2,112,059	2,771,590	992,004	2,131,554	4,589,042	-	361,286,374
At 31 December 2009	50,730,521	85,040,083	207,522,294	1,535,020	2,215,075	3,079,321	1,275,640	2,881,966	4,602,383	373,118	359,255,421

Notes to the Financial Statements

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

	Freehold land RM	Building RM	Plant and machinery RM	Motor vehicle RM	Factory renovation RM	Factory furniture and equipment RM	Building under construction RM	Total RM
Company								
Cost/valuation								
At 1 January 2008	5,688,582	13,497,981	45,087,272	3,395,645	133,158	2,347,072	1,839,368	71,989,078
Additions	-	-	2,379,934	-	-	1,231,766	1,363,946	4,975,646
Disposals	-	-	(287,204)	-	-	-	-	(287,204)
Write off	-	-	(72,466)	-	-	(1,258,909)	-	(1,331,375)
Transfers	-	3,203,314	-	-	-	-	(3,203,314)	-
At 31 December 2008/ 1 January 2009	5,688,582	16,701,295	47,107,536	3,395,645	133,158	2,319,929	-	75,346,145
Additions	-	335,187	256,055	102,374	-	521,637	-	1,215,253
Disposals	-	-	(20,500)	(1,006,679)	-	-	-	(1,027,179)
Write off	-	-	-	-	-	(767,215)	-	(767,215)
At 31 December 2009	5,688,582	17,036,482	47,343,091	2,491,340	133,158	2,074,351	-	74,767,004
Representing items at:								
Cost	849,786	7,438,278	47,343,091	2,491,340	133,158	2,074,351	-	60,330,004
Valuation	4,838,796	9,598,204	-	-	-	-	-	14,437,000
At 31 December 2009	5,688,582	17,036,482	47,343,091	2,491,340	133,158	2,074,351	-	74,767,004
Accumulated depreciation								
At 1 January 2008	-	3,130,219	27,786,814	2,601,263	131,890	1,736,609	-	35,386,795
Charge for the year	-	305,520	2,961,600	373,513	1,268	186,038	-	3,827,939
Disposals	-	-	(61,497)	-	-	-	-	(61,497)
Write off	-	-	(72,466)	-	-	(1,227,811)	-	(1,300,277)
At 31 December 2008/ 1 January 2009	-	3,435,739	30,614,451	2,974,776	133,158	694,836	-	37,852,960
Charge for the year	-	338,288	3,046,385	249,115	-	263,827	-	3,897,615
Disposals	-	-	(18,279)	(1,006,678)	-	-	-	(1,024,957)
Write off	-	-	-	-	-	(597,827)	-	(597,827)
At 31 December 2009	-	3,774,027	33,642,557	2,217,213	133,158	360,836	-	40,127,791
Carrying amounts								
At 1 January 2008	5,688,582	10,367,762	17,300,458	794,382	1,268	610,463	1,839,368	36,602,283
At 31 December 2008/ 1 January 2009	5,688,582	13,265,556	16,493,085	420,869	-	1,625,093	-	37,493,185
At 31 December 2009	5,688,582	13,262,455	13,700,534	274,127	-	1,713,515	-	34,639,213

Notes to the Financial Statements

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

3.1 Property, plant and equipment acquired on hire purchase plans

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

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Plant and machinery	93,783,212	78,087,684	908,796	1,719,866
Motor vehicles	632,062	1,111,572	-	103,135
	94,415,274	79,199,256	908,796	1,823,001

3.2 Security

The net book value of the following property, plant and equipment have been pledged to the banks for borrowings granted to the Group and the Company as referred to in Note 12:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Freehold land and building	35,170,048	30,214,851	11,653,918	11,896,708

3.3 Property, plant and equipment under the revaluation model

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

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

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Freehold land and building	8,142,795	8,261,247	6,314,806	6,409,129

Notes to the Financial Statements

4. INVESTMENTS IN SUBSIDIARIES

	Company	
	2009 RM	2008 RM
Unquoted shares, at cost	8,241,963	8,241,963

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest	
			2009 %	2008 %
Kossan Latex Industries (M) Sdn. Bhd.	Malaysia	Manufacturing of latex examination gloves	100	100
Perusahaan Getah Asas Sdn. Bhd.	Malaysia	Manufacturing of latex examination gloves	100	100
Hibon Corporation Sdn. Bhd.	Malaysia	Manufacturing and marketing of rubber based parts and products	100	100
Doshin Rubber Products (M) Sdn. Bhd.	Malaysia	Manufacturing and dealing in rubber products	70	70
Ideal Quality Sdn. Bhd.	Malaysia	Investment holding	100	100
Kossan Engineering (M) Sdn. Bhd.	Malaysia	Fabrication and installation of machinery	100	100
Top Calibre Sdn. Bhd.	Malaysia	Investment holding	100	100
Subsidiary of Doshin Rubber Products (M) Sdn. Bhd.				
Quality Profile Sdn. Bhd.	Malaysia	Manufacturing and dealing in rubber products	70	70
Subsidiary of Ideal Quality Sdn. Bhd.				
Normandin Pacific Holdings Corp. # *	United States of America	Trading of latex examination gloves	51	51
Subsidiary of Kossan Engineering (M) Sdn. Bhd.				
Envi-Care Sdn. Bhd.	Malaysia	Investment holding	100	100
Subsidiary of Envi-Care Sdn. Bhd.				
Wear Safe (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing of surgical, procedure and examination gloves	100	100

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

* Not audited by KPMG.

Notes to the Financial Statements

5. OTHER INVESTMENTS

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Investment in club membership, at cost	116,000	116,000	116,000	116,000

6. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2009 RM	2008 RM	2009 RM	2008 RM	2009 RM	2008 RM
Group						
Property, plant and equipment	-	-	(28,544,626)	(25,626,163)	(28,544,626)	(25,626,163)
Revaluation on properties	-	-	(703,577)	(723,915)	(703,577)	(723,915)
Unabsorbed capital allowance	171,901	48,462	-	-	171,901	48,462
Unutilised reinvestment allowance	8,504,592	16,940,710	-	-	8,504,592	16,940,710
Tax loss carry-forwards	-	521,036	-	-	-	521,036
Other item	-	-	(277,422)	-	(277,422)	-
Tax assets/(liabilities)	8,676,493	17,510,208	(29,525,625)	(26,350,078)	(20,849,132)	(8,839,870)
Set off	(8,242,889)	(15,819,681)	8,242,889	15,819,681	-	-
Net tax assets/(liabilities)	433,604	1,690,527	(21,282,736)	(10,530,397)	(20,849,132)	(8,839,870)
Company						
Property, plant and equipment	-	-	(3,897,583)	(3,778,248)	(3,897,583)	(3,778,248)
Revaluation on properties	-	-	(670,492)	(690,830)	(670,492)	(690,830)
Net tax liabilities	-	-	(4,568,075)	(4,469,078)	(4,568,075)	(4,469,078)

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

Unrecognised deferred tax assets

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

	Group	
	2009 RM	2008 RM
Taxable temporary differences	(2,793,590)	(2,995,334)
Unabsorbed capital allowance	1,690,071	4,255,174
Unutilised reinvestment allowance	2,164,433	1,628,377
Tax losses carry-forwards	728,241	728,241
	1,789,155	3,616,458

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

Notes to the Financial Statements

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

Movement in temporary differences during the year (Cont'd)

	Property, plant and equipment RM	Revaluation on properties RM	Unasorbed capital allowance RM	Unutilised reinvestment allowance RM	Tax loss carry-forwards RM	Other item RM	Total RM
Group							
At 1 January 2008	(20,589,380)	(772,690)	1,456,238	19,403,723	1,149,134	-	647,025
Recognised in income statement	(5,036,783)	48,775	(1,407,776)	(2,463,013)	(628,098)	-	(9,486,895)
At 31 December 2008/ 1 January 2009	(25,626,163)	(723,915)	48,462	16,940,710	521,036	-	(8,839,870)
Recognised in income statement	(2,918,463)	20,338	123,439	(8,436,118)	(521,036)	(277,422)	(12,009,262)
At 31 December 2009	(28,544,626)	(703,577)	171,901	8,504,592	-	(277,422)	(20,849,132)

	Property, plant and equipment RM	Revaluation on properties RM	Total RM
Company			
At 1 January 2008	(3,574,446)	(739,605)	(4,314,051)
Recognised in income statement	(203,802)	48,775	(155,027)
At 31 December 2008	(3,778,248)	(690,830)	(4,469,078)
Recognised in income statement	(119,335)	20,338	(98,997)
At 31 December 2009	(3,897,583)	(670,492)	(4,568,075)

7. GOODWILL ON CONSOLIDATION

	Group 2009 RM	Group 2008 RM
Acquisition of a subsidiary company	864,456	864,456

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

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. The goodwill impairment test was based on value in use and was determined by the management.

Notes to the Financial Statements

8. INVENTORIES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Raw material	29,974,178	33,736,983	9,040,573	10,204,739
Work-in-progress	5,208,044	4,014,182	2,863,137	2,247,409
Finished goods	74,735,242	74,251,659	3,294,692	6,292,657
	109,917,464	112,002,824	15,198,402	18,744,805

9. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
Trade					
Trade receivables		143,247,660	153,338,943	14,055,722	12,804,625
Less: Allowance for doubtful debts		(1,201,651)	(1,051,051)	(190,494)	(769,494)
		142,046,009	152,287,892	13,865,228	12,035,131
Amount due from subsidiaries	9.1	-	-	16,156,187	15,357,636
Amount due from related parties	9.1	295,841	1,095,878	183,341	518,009
		142,341,850	153,383,770	30,204,756	27,910,776
Non-trade					
Amount due from ultimate holding company	9.2	-	911	-	911
Amount due from subsidiaries	9.1	-	-	114,389,422	45,488,677
Amount due from related parties	9.1	288,997	-	-	-
Sundry debtors		2,847,921	2,578,603	9,738	3,895
Insurance claim receivable		43,057,955	-	-	-
Refundable deposits		1,472,916	1,315,011	756,509	474,556
Prepayments		3,391,607	3,643,125	104,312	1,927,492
		51,059,396	7,537,650	115,259,981	47,895,531
		193,401,246	160,921,420	145,464,737	75,806,307

The credit term granted for trade debtors range from 30 to 60 days (2008 - 30 to 60 days)

9.1 Amount due from subsidiaries and related parties

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

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

9.2 Amount due from ultimate holding company

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

Notes to the Financial Statements

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

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

Functional currency	Currency	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
RM	USD	120,157,909	135,357,859	4,461,731	2,629,570
RM	RM	72,380,439	24,774,171	140,533,030	72,537,022
RM	EUR	509,241	528,658	310,355	528,658
RM	AUD	335,968	242,023	141,932	92,348
RM	CHF	17,689	18,709	17,689	18,709
		193,401,246	160,921,420	145,464,737	75,806,307

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Short term deposits with licensed banks	18,691,301	10,691,301	-	-
Cash and bank balances	4,824,217	5,090,791	468,853	405,788
	23,515,518	15,782,092	468,853	405,788

Included in deposits with licensed banks of the Group are amounts of RM691,301 (2008 – RM691,301) pledged to the banks for banking facilities granted to the Group.

11. CAPITAL AND RESERVES

	Group and Company			
	Amount 2009 RM	Number of shares 2009	Amount 2008 RM	Number of shares 2008
Authorised:				
Ordinary shares of RM0.50 each	150,000,000	300,000,000	150,000,000	300,000,000
Issued and fully paid:				
Ordinary shares of RM0.50 each	79,933,488	159,866,976	79,933,488	159,866,976

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

Notes to the Financial Statements

11. CAPITAL AND RESERVES (CONT'D)

Share premium

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

Translation reserve

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

Revaluation reserve

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

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its distributable reserves at 31 December 2009 if paid out as dividends.

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

12. LOANS AND BORROWINGS

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

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Non-current				
Term loans				
- secured	33,791,080	20,217,336	-	-
- unsecured	-	6,909,410	-	-
Hire purchase liabilities	13,561,800	27,218,329	-	257,709
	47,352,880	54,345,075	-	257,709
Current				
Term loans				
- secured	8,854,209	4,528,094	-	-
- unsecured	30,908,010	38,089,197	-	-
Revolving credit - unsecured	12,000,000	13,511,686	2,000,000	3,011,686
Bank overdraft - unsecured	5,421,804	3,257,437	3,767,223	1,271,908
Trade finance - unsecured	80,810,398	91,919,227	6,320,000	5,731,000
Hire purchase liabilities	21,452,838	21,254,044	335,747	553,574
	159,447,259	172,559,685	12,422,970	10,568,168
	206,800,139	226,904,760	12,422,970	10,825,877

12.1 Security

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

Notes to the Financial Statements

12. LOANS AND BORROWINGS (CONT'D)

12.2 Terms and debt repayment schedule

	Year of maturity	Carrying amount RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
Group						
2009						
Term loans						
- secured	2012 - 2016	39,453,706	8,854,209	14,071,669	13,397,290	3,130,538
- unsecured	2010 - 2012	34,099,593	30,908,010	1,028,580	2,163,003	-
Bank overdraft						
- unsecured	2010	5,421,804	5,421,804	-	-	-
Revolving credit						
- unsecured	2010	12,000,000	12,000,000	-	-	-
Trade finance						
- unsecured	2010	80,810,398	80,810,398	-	-	-
		171,785,501	137,994,421	15,100,249	15,560,293	3,130,538
2008						
Term loans						
- secured	2012 - 2014	24,745,430	4,528,094	5,062,718	12,240,330	2,914,288
- unsecured	2010 - 2012	44,998,607	38,089,197	2,970,000	3,939,410	-
Bank overdraft						
- unsecured	2009	3,257,437	3,257,437	-	-	-
Revolving credit						
- unsecured	2009	13,511,686	13,511,686	-	-	-
Trade finance						
- unsecured	2009	91,919,227	91,919,227	-	-	-
		178,432,387	151,305,641	8,032,718	16,179,740	2,914,288
Company						
2009						
Bank overdraft						
- unsecured	2010	3,767,223	3,767,223	-	-	-
Revolving credit						
- unsecured	2010	2,000,000	2,000,000	-	-	-
Trade finance						
- unsecured	2010	6,320,000	6,320,000	-	-	-
		12,087,223	12,087,223	-	-	-
2008						
Bank overdraft						
- unsecured	2009	1,271,908	1,271,908	-	-	-
Revolving credit						
- unsecured	2009	3,011,686	3,011,686	-	-	-
Trade finance						
- unsecured	2009	5,731,000	5,731,000	-	-	-
		10,014,594	10,014,594	-	-	-

Notes to the Financial Statements

12. LOANS AND BORROWINGS (CONT'D)

12.3 Significant loans and borrowings covenants

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

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

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

12.4 Hire purchase liabilities

Hire purchase liabilities are payable as follows:

	Minimum lease payments 2009 RM	Interest 2009 RM	Principal 2009 RM	Minimum lease payments 2008 RM	Interest 2008 RM	Principal 2008 RM
Group						
Less than one year	22,758,369	(1,305,531)	21,452,838	23,288,513	(2,034,469)	21,254,044
Between one and five years	13,990,963	(429,163)	13,561,800	28,478,401	(1,260,072)	27,218,329
	36,749,332	(1,734,694)	35,014,638	51,766,914	(3,294,541)	48,472,373
Company						
Less than one year	345,505	(9,758)	335,747	584,079	(30,505)	553,574
Between one and five years	-	-	-	269,285	(11,576)	257,709
	345,505	(9,758)	335,747	853,364	(42,081)	811,283

Notes to the Financial Statements

13. PAYABLES AND ACCRUALS

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
Trade					
Trade payable		64,201,697	78,499,086	3,976,095	2,892,522
Amount due to related parties	13.1	52,217	66,828	420,272	66,828
		64,253,914	78,565,914	4,396,367	2,959,350
Non-trade					
Amount due to ultimate holding company	13.2	8,543	8,543	-	-
Amount due to subsidiaries	13.3	-	-	669,659	14,399,511
Amount due to related parties	13.1	4,813,956	2,967,519	-	-
Other payables		15,083,350	19,050,855	749,795	361,096
Accrued expenses		13,323,044	14,346,859	2,672,168	3,747,621
		33,228,893	36,373,776	4,091,622	18,508,228
		97,482,807	114,939,690	8,487,989	21,467,578

The credit term granted for trade payables range from 30 to 60 days (2008 - 30 to 60 days).

13.1 Amount due to related parties

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

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

13.2 Amount due to ultimate holding company

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

13.3 Amount due to subsidiaries

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

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

		Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
Functional currency	Currency				
RM	USD	15,023,817	23,309,179	-	-
RM	RM	82,458,990	91,630,511	8,487,989	21,467,578
		97,482,807	114,939,690	8,487,989	21,467,578

14. REVENUE

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Sales of goods	842,135,011	897,194,335	70,158,788	92,377,602
Dividend income	-	-	82,996,573	-
	842,135,011	897,194,335	153,155,361	92,377,602

Notes to the Financial Statements

15. PROFIT BEFORE TAX

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Profit before tax is arrived at after charging:				
Allowance for doubtful debts	744,544	414,025	-	131,468
Auditors' remuneration				
- statutory audit	187,500	178,500	63,900	60,900
- other services	8,000	8,000	8,000	8,000
Depreciation (Note 3)	33,652,040	25,602,670	3,897,615	3,827,939
Hire of equipment	46,971	108,016	-	-
Inventories written off due to fire, net insurance claim of RM29,487,954 (2008: Nil)	-	-	-	-
Loss on liquidation of an associate	-	17,101	-	-
Personnel expenses (including key management personnel):				
- Contributions to Employees' Provident Funds	3,651,877	3,304,082	1,106,955	1,132,978
- Wages, salaries and others	86,035,216	82,898,322	15,963,004	17,907,479
Property, plant and equipment written off	941,318	59,439	169,388	31,098
Property, plant and equipment written off due to fire, net insurance claim of RM17,570,000 (2008: Nil)	(390,027)	-	-	-
Rental of premises	1,671,090	1,731,000	813,490	827,040
and after crediting:				
Interest on short term deposits received	104,147	1,187,607	10,659	5,427
(Loss)/Gain on disposal of property, plant and equipment	240,770	(215,044)	169,979	(220,707)
Rental income	218,740	138,500	200,240	204,000
Reversal on allowance for doubtful debts	22,621	-	22,621	-
(Loss)/Gain on foreign exchange				
- realised	(54,388,421)	(12,665,436)	(356,724)	(1,241,926)
- unrealised	1,484,192	(2,770,747)	26,984	(92,584)

16. FINANCE COSTS

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Interest expense on:				
- Bank overdraft	119,056	165,523	43,451	62,303
- Hire purchase	2,292,870	1,205,451	32,323	79,331
- Term loans	3,125,364	2,429,879	-	-
- Trade finance	1,992,718	5,764,270	269,009	516,436
- Revolving credits	1,248,863	966,049	-	-
- Others	383,442	-	-	-
	9,162,313	10,531,172	344,783	658,070

Notes to the Financial Statements

17. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Directors				
- Fees	120,000	120,000	120,000	120,000
- Salaries and allowances	5,450,804	5,359,640	1,925,255	1,933,955
	5,570,804	5,479,640	2,045,255	2,053,955
Other key management personnel:				
- Salaries and allowances	2,127,342	2,200,192	1,297,873	1,439,002

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

18. TAX EXPENSE

Recognised in the income statements

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Current tax expense				
Current year	6,513,227	4,390,500	4,183,402	1,403,701
Over provision in prior year	(28,676)	(155,156)	(130,410)	(161,638)
	6,484,551	4,235,344	4,052,992	1,242,063
Deferred tax expense				
Origination and reversal of temporary differences	11,352,639	8,642,432	17,820	280,092
Under/(Over) provision in prior year	656,622	844,463	81,177	(125,065)
	12,009,261	9,486,895	98,997	155,027
Total tax expense	18,493,812	13,722,239	4,151,989	1,397,090

Reconciliation of effective tax expense

Profit before tax	85,828,051	72,905,836	86,909,249	5,367,086
Tax at Malaysian tax rate of 25% (2008 - 26%)	21,457,013	18,955,518	21,727,312	1,395,442
Effect of lower tax rate for certain subsidiaries*	-	(139,241)	-	-
Effect of change in tax rate**	-	(375,015)	-	-
Non-deductible expenses	808,317	1,402,476	254,881	258,544
Tax incentives	(4,166,559)	(7,062,626)	-	-
Income not subject to tax	-	(3,926)	(17,816,476)	-
Recognition of previously unrecognised temporary difference	-	(33,690)	-	-
Others	(232,905)	289,436	35,505	29,807
	17,865,866	13,032,932	4,201,222	1,683,793
Under/(Over) provided in prior years				
- income tax expense	(28,676)	(155,156)	(130,410)	(161,638)
- deferred tax expense	656,622	844,463	81,177	(125,065)
	18,493,812	13,722,239	4,151,989	1,397,090

Notes to the Financial Statements

18. TAX EXPENSE (CONT'D)

- * With effect from year of assessment 2004, companies with paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to corporate tax at 20% on chargeable income up to RM500,000. However, with effect from year of assessment 2009, such incentives will no longer be eligible for companies which are subsidiaries of a company with paid up capital in excess of RM2.5 million.
- ** The corporate tax rates are 25% for year of assessment 2009 and for the subsequent years of assessment. Consequently deferred tax assets and liabilities are measured using these tax rates.

19. EARNINGS PER ORDINARY SHARE

The basic earnings per share is calculated by dividing the profit for the year attributable to the equity holders of the Company of RM66,679,295 (2008 - RM58,639,125) by the weighted average number of 159,866,976 (2008 - 159,866,976) ordinary shares in issue during the financial year.

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

20. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM	Date of payment
2009			
First and final 2008 ordinary, less tax 25%	2.62	4,196,511	11.8.2009
First and final 2008, tax-exempt	2.50	3,996,672	11.8.2009
Total amount		<u>8,193,183</u>	
2008			
First and final 2007 ordinary, less tax 26%	2.96	4,732,063	11.08.2008
First and final 2007, tax-exempt	4.00	6,394,679	11.08.2008
Total amount		<u>11,126,742</u>	

21. SEGMENT REPORTING

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

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

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

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment. Inter-segment pricing is determined on a negotiation basis.

Business segments

The Group comprises the following main business segments:

- Technical rubber products
- Gloves
- Others

Notes to the Financial Statements

21. SEGMENT REPORTING (CONT'D)

	Technical rubber products		Gloves		Others		Total	
	2009 RM	2008 RM	2009 RM	2008 RM	2009 RM	2008 RM	2009 RM	2008 RM
Business segments								
Total external revenue	87,220,547	108,285,427	754,771,564	788,898,829	142,900	10,079	842,135,011	897,194,335
Segment result	6,510,176	8,137,463	88,758,165	75,597,685	(277,977)	(298,140)	94,990,364	83,437,008
Finance costs							(9,162,313)	(10,531,172)
Tax expense							(18,493,812)	(13,722,239)
Profit for the year							67,334,239	59,183,597
Segment assets	100,130,828	105,581,451	585,809,481	543,956,884	1,129,796	1,434,831	687,070,105	650,973,166
Unallocated assets							1,476,648	2,722,907
Total assets							688,546,753	653,696,073
Segment liabilities	26,608,477	25,376,517	277,002,540	311,455,079	671,929	5,012,854	304,282,946	341,844,450
Unallocated liabilities							25,264,094	11,992,966
Total liabilities							329,547,040	353,837,416
Capital expenditure	2,600,907	12,213,908	47,274,974	96,919,569	-	-	49,875,881	109,133,477
Depreciation	6,506,785	6,202,115	27,145,255	19,400,555	-	-	33,652,040	25,602,670
Non-cash expenses other than depreciation	574,565	629,069	(69,415)	-	-	-	505,150	629,069

22. FINANCIAL INSTRUMENTS

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

Market risk

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

Credit risk

The Group's primary exposure to credit risk arises from trade receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

At the balance sheet date, there were no significant concentrations of credit risk other than 48% (2008 - 34%) of the Group's trade debts owed by 8 (2008 - 4) trade customers, which fall within the credit period and received subsequent to year-end. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Interest rate risk

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

Notes to the Financial Statements

22. FINANCIAL INSTRUMENTS (CONT'D)

Effective interest rates and repricing analysis

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

	Note	Average effective interest %	Total RM	Less than 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM
2009									
Group									
Fixed rate instruments									
Short term deposits	10	2.00 - 3.25	18,691,301	18,691,301	-	-	-	-	-
Hire purchase liabilities	12	3.04 - 5.60	(35,014,638)	(21,452,838)	(13,534,618)	(27,182)	-	-	-
			(16,323,337)	(2,761,537)	(13,534,618)	(27,182)	-	-	-
Floating rate instruments									
Term loans									
- secured	12	6.33 - 7.50	(39,453,706)	(39,453,706)	-	-	-	-	-
- unsecured	12	6.33 - 7.25	(34,099,593)	(34,099,593)	-	-	-	-	-
Bank overdraft									
- unsecured	12	6.55 - 7.30	(5,421,804)	(5,421,804)	-	-	-	-	-
Revolving credits									
- unsecured	12	4.70 - 5.10	(12,000,000)	(12,000,000)	-	-	-	-	-
Trade finance									
- unsecured	12	3.58 - 4.71	(80,810,398)	(80,810,398)	-	-	-	-	-
			(171,785,501)	(171,785,501)	-	-	-	-	-
2008									
Group									
Fixed rate instruments									
Short term deposits	10	3.00 - 3.80	10,691,301	10,691,301	-	-	-	-	-
Hire purchase liabilities	12	2.90 - 3.37	(48,472,373)	(21,254,044)	(18,326,040)	(8,865,107)	(27,182)	-	-
			(37,781,072)	(10,562,743)	(18,326,040)	(8,865,107)	(27,182)	-	-
Floating rate instruments									
Term loans									
- secured	12	6.75 - 7.50	(24,745,430)	(24,745,430)	-	-	-	-	-
- unsecured	12	6.33 - 7.50	(44,998,607)	(44,998,607)	-	-	-	-	-
Bank overdraft									
- unsecured	12	7.30 - 7.38	(3,257,437)	(3,257,437)	-	-	-	-	-
Revolving credits									
- unsecured	12	4.80	(13,511,686)	(13,511,686)	-	-	-	-	-
Trade finance									
- unsecured	12	3.63 - 4.27	(91,919,227)	(91,919,227)	-	-	-	-	-
			(178,432,387)	(178,432,387)	-	-	-	-	-

Notes to the Financial Statements

22. FINANCIAL INSTRUMENTS (CONT'D)

	Note	Average effective interest %	Total RM	Less than 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM
2009									
Company									
Fixed rate instrument									
Hire purchase liabilities	12	3.37	335,747	335,747	-	-	-	-	-
Floating rate instruments									
Bank overdraft - unsecured	12	6.55	(3,767,223)	(3,767,223)	-	-	-	-	-
Revolving credits - unsecured	12	4.85 - 5.04	(2,000,000)	(2,000,000)	-	-	-	-	-
Trade finance - unsecured	12	2.45 - 3.1	(6,320,000)	(6,320,000)	-	-	-	-	-
			(12,087,223)	(12,087,223)	-	-	-	-	-
2008									
Fixed rate instrument									
Hire purchase liabilities	12	3.37	(811,283)	(553,574)	(257,709)	-	-	-	-
Floating rate instruments									
Bank overdraft - unsecured	12	7.38	(1,271,908)	(1,271,908)	-	-	-	-	-
Revolving credits - unsecured	12	4.85 - 5.04	(3,011,686)	(3,011,686)	-	-	-	-	-
Trade finance - unsecured	12	4.27	(5,731,000)	(5,731,000)	-	-	-	-	-
			(10,014,594)	(10,014,594)	-	-	-	-	-

Foreign currency risk

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

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

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

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

Notes to the Financial Statements

22. FINANCIAL INSTRUMENTS (CONT'D)

As at balance sheet date, forward exchange contracts entered into with the following amounts:

Forward contracts used to hedge receivables

Hedged item	Currency	Amount to be received	Average contact rate	Equivalent RM
2009				
Trade receivables	USD	38,006,862	3.2114	122,056,898
2008				
Trade receivables	USD	31,979,327	3.3712	107,808,563

Foreign exchange option contracts

The notional amount of forward exchange option contracts entered into as at balance sheet date, are as follows:

Currency	National amount USD'000	Average contact rate	Equivalent RM'000	Expiration date
USD	25,600,000	3.2045	82,035,000	January 2010
USD	19,000,000	3.1950	60,705,000	February 2010
USD	12,460,000	3.1873	39,714,500	March 2010
	<u>57,060,000</u>		<u>182,454,500</u>	

Fair values

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

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

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

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

	2009		2008	
Group	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial assets				
Other investments	116,000	116,000	116,000	116,000
Financial liabilities				
Hire purchase liabilities	35,014,638	33,498,232	48,472,373	46,329,685
Forward exchange contracts	-	(6,482,619)	-	(3,335,588)
Forward exchange option contracts	-	(7,823,300)	-	-

Notes to the Financial Statements

23. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Property, plant and equipment				
Within one year:				
Contracted but not provided for	2,143,750	-	-	-

24. CONTINGENCIES

As at 31 December 2009, the Company has outstanding unsecured contingent liabilities amounting to RM159,241,069 (2008 - RM167,613,394) being corporate guarantees given to banks for banking facilities granted to certain subsidiaries.

25. SIGNIFICANT EVENTS

- (a) On 6 May 2009, a fire occurred at one of the Company's subsidiaries resulting in the subsidiary's rented building which contained off-line production processing facility for finished goods with total carrying amount of RM10,570,924 being destroyed. During the year, the subsidiary recovered the losses in full from its insurance company and the production processing facility was reconstructed and commenced operations in November 2009, and
- (b) On 17 November 2009, another fire occurred at the same subsidiary destroying one of the subsidiary's factory buildings. The factory building housed nine (9) glove production lines and ancillary processing equipments for raw materials and finished goods inventories, with total carrying amount of RM36,097,003. The Board of Directors represented that these assets and inventories destroyed in the fire are adequately insured.

26. RELATED PARTIES

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

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

Notes to the Financial Statements

26. RELATED PARTIES (CONT'D)

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

	Transactions amount for the year ended 31 December			
	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Group				
Transactions with Kossan Holdings (M) Sdn. Bhd. and its subsidiaries				
<i>Kossan Chemical Industries (M) Sdn. Bhd.</i>				
Rental payable	(1,077,600)	(1,077,600)	(574,560)	(574,560)
<i>Kossan Japan Rollers Sdn. Bhd.</i>				
Sales*	2,824	300	2,824	300
<i>Pleasure Latex Products Sdn. Bhd.</i>				
Sales*	1,040	2,184	1,040	2,184
Rental receivable*	100,160	120,000	100,160	120,000
<i>Kossan Paint (M) Sdn. Bhd.</i>				
Sales*	411,030	386,317	302,130	386,317
Purchase of consumables	(552,174)	(403,980)	(10,445)	(42,229)
Purchase of raw materials	-	(1,141,253)	-	-
Purchase of property, plant and equipment	(215,915)	(32,264)	-	-
<i>Pan Asian Corporation Sdn. Bhd.</i>				
Rental payable	(535,080)	(535,080)	(297,960)	(297,960)
Transaction with corporation in which Directors have financial interest				
<i>HT Ceramics (M) Sdn. Bhd.</i>				
Purchase of consumables	-	(2,692,294)	-	-
Purchase of property, plant and equipment	(7,229,490)	(5,267,878)	-	-
Sales*	25,200	483	-	483
<i>Kossan F.R.P. Industries (M) Sdn. Bhd.</i>				
Purchase of consumables	(219,186)	(360,740)	(600)	(13,081)
Sales*	10,717	6,520	10,717	6,520
Purchase of property, plant and equipment	(1,166,130)	(5,610,650)	-	-
<i>Chemtube (M) Sdn. Bhd.</i>				
Sales*	118,670	266,053	118,670	266,053

Notes to the Financial Statements

26. RELATED PARTIES (CONT'D)

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

Balances with ultimate holding company and its subsidiaries and related parties at the balance sheet date are disclosed in Note 9 and Note 13 to the financial statements.

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

27. SUBSEQUENT EVENTS

Subsequent to year-end, the Company proposes the following:

- (a) a bonus issue of 159,866,976 new ordinary shares of RM0.50 each on the basis of one(1) bonus share for every one(1) existing ordinary share held at an entitlement date to be determined later; and
- (b) an increase in the authorised share capital of the Company from RM150,000,000, comprising 300,000,000 ordinary shares of RM0.50 each to RM1,000,000,000, comprising 2,000,000,000 ordinary shares of RM0.50 each, by creation of 1,700,000,000 new ordinary shares of RM0.50 each.

Statement by Directors

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

In the opinion of the Directors, the financial statements set out on pages 27 to 62 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as of 31 December 2009 and of their financial performances and cash flows for the year then ended.

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

Lim Kuang Sia

Lim Kuang Yong

Klang, Selangor Darul Ehsan

Date: 21 April 2010

Statutory Declaration

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

I, Lee Hon Chee, the officer primarily responsible for the financial management of Kossan Rubber Industries Bhd., do solemnly and sincerely declare that the financial statements set out on pages 27 to 62 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Klang, Selangor Darul Ehsan on 21 April 2010.

Lee Hon Chee

Before me:

Independent Auditors' Report

To the Members of Kossan Rubber Industries Bhd.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Kossan Rubber Industries Bhd, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 27 to 62.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as of 31 December 2009 and of their financial performances and cash flows for the year then ended.

Independent Auditors' Report

To the Members of Kossan Rubber Industries Bhd.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

OTHER MATTERS

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

KPMG

Firm Number: AF 0758
Chartered Accountants

Lee Yee Keng

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

Petaling Jaya,

Date: 21 April 2010

List of Properties

As at 31 December 2009

Location	Description	Date of Acquisition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2009 RM
No 14 Lrg Sg Puloh Tmn Klang Utama 42100 Klang	1 unit double storey link house	3/24/1995 *	16 yrs	990 sq.ft	Freehold	Staff quarters	76,281
No 16 Lrg Sg Puloh Tmn Klang Utama 42100 Klang	1 unit double storey link house	3/24/1995 *	16 yrs	990 sq.ft	Freehold	Staff quarters	76,281
Lot 754 Jalan Hj Sirat 42100 Klang	Factory	3/24/1995 *	15 yrs	246,550 sq.ft	Freehold	Factory	9,758,710
Lot 782 Jalan Hj Sirat 42100 Klang	Factory and office	3/24/1995 *	Factory-22 yrs Office-15 yrs	47,480 sq.ft	Freehold	Factory and office	2,483,351
	5 storey office		2 yrs			Office	3,454,537
Lot 16632 Batu 5 1/4 Jalan Meru 41050 Klang	Single storey detached factory	3/24/1995 *	20 yrs	65,175 sq.ft	Freehold	Factory and office	2,500,418
Lot 2401 Batu 17 Jln Sungai Sembilang 45800 Jeram	Factory	1/31/1995	11 yrs	106,177 sq.ft	Freehold	Factory	2,875,245
GM 554 Lot 2796 Mukim of Jeram District of Kuala Selangor	Factory	1/31/1995	7 yrs	213,916 sq.ft	Freehold	Factory	4,446,595
Lot 1365 Batu 17 Jln Sungai Sembilang 45800 Jeram	Factory	1/3/1995	11 yrs	217,800 sq.ft	Freehold	Factory and office	5,833,056
			2 yrs			Factory	3,692,467
HS (M) 15410 & 15405 PT 21715 & 15708 24 Jln Pengasah 4 Off Jln Kapar 42100 Klang	1 unit 1 1/2 storey light industrial building	4/3/2003	16 yrs	174 sq.mtr	Freehold	Store	226,633
HS (M) 1168 PT 476 Batu 15 1/4 Jalan Kapar Mukim Jeram	Staff quarters	2/27/2003	6 yrs	5,527 sq.mtr	Freehold	Staff quarters	1,133,888
Lot 6134 and 6135, Batu 16 Jalan Klang Jalan Sungai Sembilang 45000, Jeram	Factory	8/28/2003	under construction	152,460 sq.ft	Freehold	Factory and office	4,026,032

Location	Description	Date of Acquisition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2009 RM
Jalan Kapar Mukim Jeram Geran 40417, Lot 4761 Mukim Jeram Kuala Selangor	Factory	5/19/2004	5 yrs	7 acres 1 rood 14.67 poles	Freehold	Factory	4,453,433
Lot 6129, 5 1/4 Miles Jln Hj Abdul Manan, Jln Meru 41050 Klang	Factory	28/01/05	3 yrs	434,145 sq.ft	Freehold	Factory and office	27,252,919
HS (D) 116842 PT 54925 Mukim Kapar Daerah Klang	Vacant land	5/30/2005	nil	10.77 acres	Freehold	Vacant	4,979,176
HS (D) 116841 PT 54924 Mukim Kapar Daerah Klang	Factory	5/30/2005	under construction	11.25 acres	Freehold	Vacant	5,070,660
Lot PT 13726 Jln Hj Abdul Manan, Jln Meru 41050 Klang	Factory	9/26/2005	2 yrs	5.392 acres	Freehold	Factory and office	15,006,479
Lot 6130, 5 1/4 Miles Jln Hj Abdul Manan, Jln Meru 41050 Klang	Factory	3/21/2008	1 yr	10.0 acres	Freehold	Factory	37,961,593
Lot 1367 Batu 17 Jalan Kapar Mukim Jeram	Vacant land	7/21/2009	nil	1.9875 acres	Freehold	Vacant	835,968
							136,143,722

Statistics on Shareholdings

As at 30 April 2010

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

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	209	6.80	12,121	0.01
100 - 1,000	865	28.15	706,482	0.44
1,001 - 10,000	1,456	47.38	6,202,951	3.88
10,001 - 100,000	431	14.03	12,927,086	8.09
100,001 to less than 5% of issued shares	109	3.54	66,483,016	41.58
5% and above of issued shares	3	0.10	73,535,320	46.00
Total	3,073	100.00	159,866,976	100.00

DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	Direct Interest	No. of Shares		
			%	Indirect Interest	%
1.	Y. Bhg. Dato' Haji Mokhtar Bin Hj. Samad	-	-	-	-
2.	Lim Kuang Sia - Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Lim Kuang Sia (PB)	190,944	0.12	82,989,244	51.91
3.	Lim Kuang Yong	-	-	82,728,120	51.75
4.	Lim Kuang Wang	359,424	0.22	82,728,120	51.75
5.	Lim Kwan Hwa	-	-	82,728,120	51.75
6.	Heng Bak Tan	-	-	14,448	*
7.	Y. B. Dato' Tai Chang Eng @ Teh Chang Ying	114,760	0.07	-	-
8.	Tong Siew Choo	14,976	0.01	-	-
9.	Lim Leng Bung	-	-	82,728,120	51.75

* Non-meaningful

SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders	No. of Shares	%
1.	Kossan Holdings (M) Sdn Bhd - 2,216,600 shares held through own name - 56,996,784 shares held through own name - 8,538,736 shares held through own name - 7,776,000 shares held through Malaysia Nominees (Tempatan) Sdn Bhd - 7,200,000 shares held through EB Nominees (Tempatan) Sdn Bhd	82,728,120	51.75
2.	Kumpulan Wang Persaraan (Diperbadankan)	10,340,900	6.47

Statistics of Shareholdings

As at 30 April 2010

30 LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	KOSSAN HOLDINGS (M) SDN BHD	56,996,784	35.65
2	KOSSAN HOLDINGS (M) SDN BHD	8,538,736	5.34
3	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	7,999,800	5.00
4	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR KOSSAN HOLDINGS (M) SDN BHD (05-00042-000)	7,776,000	4.86
5	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR KOSSAN HOLDINGS (M) SDN BHD (PKG)	7,200,000	4.50
6	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND KG33 FOR AIM ASIA PACIFIC GROWTH FUND	4,571,000	2.86
7	EMPLOYEES PROVIDENT FUND BOARD	4,432,200	2.77
8	RUBY TECHNIQUE SDN BHD	2,724,820	1.70
9	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	2,563,000	1.60
10	KOSSAN HOLDINGS (M) SDN BHD	2,216,600	1.39
11	SBB NOMINEES (TEMPATAN) SDN. BHD. KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	2,141,100	1.34
12	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SUSY DING (CEB)	1,870,080	1.17
13	RUBY TECHNIQUE SDN BHD	1,582,080	0.99
14	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG FOR HIDDEN JEWELS FUND	1,422,301	0.89
15	MAYBAN NOMINEES (TEMPATAN) SDN BHD ETIQA TAKAFUL BERHAD (FAMILY FUND)	935,200	0.58
16	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY THEME FUND	880,000	0.55
17	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR CIMB-PRINCIPAL SMALL CAP FUND (240218)	757,900	0.47
18	MAYBAN NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (SHAREHLDR'S FD)	751,700	0.47
19	MAYBAN NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (LIFE NON-PAR FD)	700,000	0.44

Statistics of Shareholdings

As at 30 April 2010

30 LARGEST SHAREHOLDERS (CONT'D)

No.	Name of Shareholders	No. of Shares	%
20	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN LIFE ASSURANCE BERHAD (NON-PAR FUND)	696,400	0.44
21	HLG NOMINEE (TEMPATAN) SDN BHD PB TRUSTEE SERVICES BERHAD FOR HLG GROWTH FUND	660,000	0.41
22	CHIA BAK LANG	610,000	0.38
23	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD CIMB ISLAMIC SMALL CAP FUND	609,600	0.38
24	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND ITTE FOR COMMONFUND EMERGING MARKETS INVESTORS COMPANY	595,000	0.37
25	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	576,600	0.36
26	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR CACEIS BANK LUXEMBOURG (CLT ACCT-LUX)	546,800	0.34
27	YEE CHEK MUN	545,000	0.34
28	MAYBAN NOMINEES (TEMPATAN) SDN BHD MALAYSIAN TRUSTEES BERHAD FOR AMB SMALLCAP TRUST FUND (240165)	540,920	0.34
29	HSBC NOMINEES (ASING) SDN BHD DZ BANK INTL FOR UNIASIA TREUHANDKONTO, LUXEMBOURG	500,000	0.31
30	MAYBAN NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (LIFE PAR FUND)	500,000	0.31

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirtieth (30th) Annual General Meeting of the Company will be held at Concorde II, Level 2, Concorde Hotel Shah Alam, 3, Jalan Tengku Ampuan Zabedah C 9/C, 40100 Shah Alam on Tuesday, 22 June 2010 at 10.30 a.m. for the following purposes:

AGENDA

1. To receive the audited financial statements for the year ended 31 December 2009 and the Reports of the Directors' and the Auditors thereon.
2. To approve payment of a final tax exempt dividend of 9 sen per ordinary share of RM0.50 each for the financial year ended 31 December 2009. **(Ordinary Resolution 1)**
3. To approve the payment of directors' fees of RM120,000 for the financial year ended 31 December 2009. (2008 : RM120,000) **(Ordinary Resolution 2)**
4. To re-elect the following Directors retiring by rotation pursuant to Article 108 of the Articles of Association, and being eligible, have offered themselves for re-election:
 - (i) Y. Bhg. Dato' Tai Chang Eng @ Teh Chang Ying **(Ordinary Resolution 3)**
 - (ii) Mr. Lim Kuang Sia **(Ordinary Resolution 4)**
 - (iii) Mr. Heng Bak Tan **(Ordinary Resolution 5)**
5. To re-appoint KPMG as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 6)**
6. SPECIAL BUSINESS

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

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

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

Notice of Annual General Meeting

6. SPECIAL BUSINESS (Cont'd)

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

"That subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its subsidiaries shall be mandated to enter into the categories of recurrent related party transactions of a revenue or trading nature specified in Section 2.4 of the Circular to Shareholders dated 26 May 2010 with the following related parties:-

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

Subject further to the following:

- i) the transactions are in the ordinary course of business and are on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company;
- ii) the Proposed RRPT Mandate will take effect from the date of the passing of the Ordinary Resolutions proposed at the Annual General Meeting ("AGM") until the next AGM of the Company and shall apply in respect of the recurrent related party transactions to be entered into from the date of the forthcoming AGM until the conclusion of the next AGM of the Company. The proposed RRPT Mandate is subject to annual renewal. Any authority conferred by the Mandate shall only continue to be in force until:-
 - (a) the conclusion of the first AGM of the Company following the general meeting at which such Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
 - (b) the expiration of the period within which the next AGM is required to be held pursuant to section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to section 143 (2) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders in general meeting, whichever is earlier;
- iii) disclosure is made in the annual report of the breakdown of aggregate value of transactions conducted pursuant to the RRPT Mandate during the financial year and in the annual report for the subsequent financial year during which the RRPT Mandate is in force based on the type of recurrent transactions made and the names of the related parties involved in each type of the recurrent transactions made and their relationship with the Company, provided that such transactions are made on normal commercial terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company and are on arm's length basis; and
- iv) the Directors and/or any of them be and are hereby authorised to complete and do such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by these Ordinary Resolutions."

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

Notice of Annual General Meeting

NOTICE OF DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that a final tax exempt dividend of 9 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2009, if approved by members at the Annual General Meeting to be held on Tuesday, 22 June 2010, will be paid on 19 July 2010. The entitlement date for the dividend will be 28 June 2010.

A depositor shall qualify for entitlement only in respect of:

- (a) Shares transferred to the depositor's securities account before 4.00 p.m. on 28 June 2010 in respect of ordinary transfer; and
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

KOSSAN RUBBER INDUSTRIES BHD.

CHIA ONG LEONG

CHIA YEW NGO

Company Secretaries

Klang

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company, a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies in a particular case. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Wisma Kossan, Lot 782, Jalan Sungai Putus, Off Batu 3 ¾, Jalan Kapar, 42100 Klang not less than forty-eight hours before the time for holding the meeting.
3. If the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.
4. Authority to directors to issue shares pursuant to Section 132D

Ordinary Resolution 7

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

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

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

Proxy Form

I/We _____
of _____
being a member of KOSSAN RUBBER INDUSTRIES BHD, hereby appoint _____
_____ of _____ or
failing him, _____
of _____
as my/our proxy to vote for me/us and on my/our behalf at the Thirtieth (30th) Annual General Meeting of the Company to be held at Concorde II, Level 2, Concorde Hotel Shah Alam, 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam on Tuesday, 22 June 2010 at 10.30 a.m. or at any adjournment thereof.

ORDINARY BUSINESS		FOR	AGAINST
Receive Audited Financial Statements and Reports Final			
Approve Dividend	-Ordinary Resolution 1		
Approve Directors' Fees	-Ordinary Resolution 2		
Re-elect directors under Article 108			
(i) Y. Bhg. Dato' Tai Chang Eng @ Teh Chang Ying	-Ordinary Resolution 3		
(ii) Mr. Lim Kuang Sia	-Ordinary Resolution 4		
(iii) Mr. Heng Bak Tan	-Ordinary Resolution 5		
Re-appoint Messrs KPMG as the Company's Auditors for the ensuing year.	-Ordinary Resolution 6		
SPECIAL BUSINESS			
Authorise Directors to allot and issue shares pursuant to Section 132D of the Companies Act. 1965-General allotment	-Ordinary Resolution 7		
Approve Mandate for renewal of RRPT with:-			
(i) Kossan Holdings (M) Sdn. Bhd. and its subsidiaries	-Ordinary Resolution 8		
(ii) Kossan FRP Industries (M) Sdn. Bhd.	-Ordinary Resolution 9		
(iii) HT Ceramics (M) Sdn. Bhd.	-Ordinary Resolution 10		

As witness my hand this _____ day of _____ 2010

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

NAME OF PROXY	NO. OF SHARES ALLOCATED
TOTAL	

Signature(s) of Shareholders(s)

Notes

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

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STAMP

The Secretary
KOSSAN RUBBER INDUSTRIES BHD (48166-W)

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

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KOSSAN RUBBER INDUSTRIES BHD (48166-W)

Wisma Kossan, Lot 782, Jalan Sungai Putus, Off Batu 3 3/4,
Jalan Kapar, 42100 Klang, Selangor Darul Ehsan, Malaysia
Tel : 03-3291 2657 Fax : 03 3291 2903
E- mail : kossan@kossan.com.my

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