



KOSSAN

(Co. No. 48166-W)

**KOSSAN RUBBER INDUSTRIES BERHAD
ANNUAL REPORT**

1999

superior quality

teamwork

improvement

constant upgrading

excellent service

development



KOSSAN

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.



PERUSAHAAN GETAH ASAS SDN BHD
HAS BEEN REGISTERED BY
SGS YARLEY INTERNATIONAL CERTIFICATION
SERVICES LIMITED AGAINST ISO 9002: 1994



KOSSAN LATEX INDUSTRIES (M) SDN BHD
HAS BEEN REGISTERED BY
LLOYD'S REGISTER QUALITY ASSURANCE LIMITED
AGAINST MS ISO 9002: 1994



**Quality
Endorsed
Company**



REGISTRATION # :
61-QEC 12558



**Australian
Standard**

KOSSAN RUBBER INDUSTRIES BHD
HAS BEEN REGISTERED BY
QUALITY ASSURANCE SERVICES PTY LIMITED
AGAINST ISO 9002: 1994





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Corporate Information

BOARD OF DIRECTORS

Lim Kuang Sia (*Executive Chairman*)

Lim Kuang Yong

Lim Kwan Hwa

Sulaiman bin Mohd Hassan

Lim Kuang Wang

Heng Bak Tan

Y. Bhg. Dato' Mokhtar bin Hj. Samad, D.S.S.A., A.M.N. P.M.C., P.J.K.

YB Dato' Tai Chang Eng @ Teh Chang Ying, A.M.S., PJK

Lim Leng Bung (*alternate to Lim Kuang Wang*)



EPDM Chips

AUDIT COMMITTEE

Y. Bhg. Dato' Mokhtar bin Hj. Samad, D.S.S.A., A.M.N. P.M.C., P.J.K.

(*Chairman and Independent Non-executive Director*)

YB Dato' Tai Chang Eng @ Teh Chang Ying, A.M.S., PJK

(*Independent Non-executive Director*)

Lim Kuang Sia (*Executive Chairman*)



COMPANY SECRETARIES

Chia Ong Leong (MIA 4797)

Chia Yew Ngo (LS 01831)



REGISTERED OFFICE

Wisma Kossan

Lot 782 Jalan Sg. Putus, Off Batu 3 3/4,

Jalan Kapar, 42100 Klang.

Tel No: 03-3912657 Fax No: 03-3912903

E-mail: kossan@kossan.po.my



SHARE REGISTRAR

Malaysian Share Registration Services Sdn Bhd

7th Floor, Exchange Square,

Bukit Kewangan,

50200 Kuala Lumpur.

Tel No: 03-2068099 Fax No: 03-2063731



PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad

United Overseas Bank (Malaysia) Berhad

AUDITORS

Khoo Teng Keat & Co.

Public Accountants



STOCK EXCHANGE LISTING

Kuala Lumpur Stock Exchange - Second Board



Audit Committee Terms Of Reference

MEMBERS OF THE COMMITTEE

		<u>Designation in Company</u>
(a) Y. Bhg. Dato' Mokhtar bin Hj. Samad, D.S.S.A., A.M.N. P.M.C., P.J.K.	- Chairman	Director (Independent non-executive)
(b) YB Dato' Tai Chang Eng @ Teh Chang Ying, A.M.S., PJK	- Member	Director (Independent non-executive)
(c) Lim Kuang Sia	- Member	Executive Chairman

SECRETARY TO THE COMMITTEE

Chia Ong Leong	Company Secretary
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FORMATION

The Audit Committee was formed by the Board of Directors at its meeting on 11th December 1995.

COMPOSITION

Members of the Committee shall be appointed by the Board from among its numbers and shall compose of not fewer than three (3) members of whom a majority shall not be executive directors of the Company.

QUORUM

The quorum for a meeting shall be two members.

AUTHORITY

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It can obtain from all employees any information required and can seek outside legal or other professional assistance if it considers necessary.

DUTIES

- To recommend to the Board the appointment or reappointment of the external auditor, audit fee and any question of their resignation or dismissal;
- To discuss with the external auditor before the audit commences, the nature and scope of the audit;
- To review the financial statement before submission to the Board;
- To discuss the outcome of the interim and final audit and any matter the auditors may wish to discuss ensuring that no management restrictions are being placed on the scope of their examinations; and
- Reviewing the scope and results of the internal audit reports and the effectiveness of the internal audit function.

Chairman's Statement

Following the challenging period in 1998, Malaysia and the economies in the region staged a gradual but pronounced recovery in 1999. The growth in our economy was achieved against a background of benign inflation and low interest rate.

On this note, and on behalf of the Board, I am pleased to present our Group's Annual Report and Accounts for the year ended 31st December 1999.

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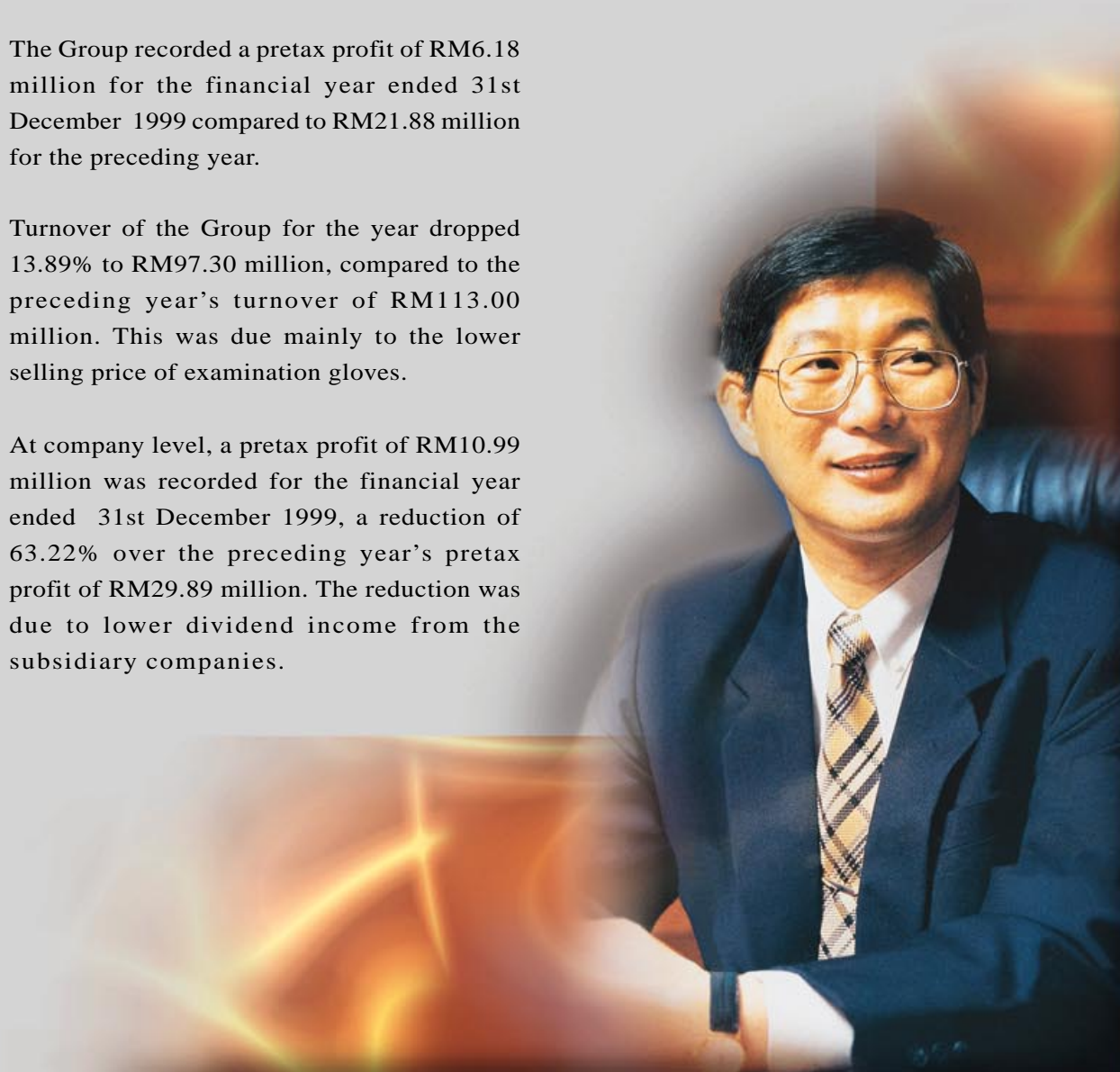
Financial Review

1999 was a challenging year for the Group and the Company which operated under difficult trading conditions throughout the year. The manufacturing division experienced increasing cost pressure, especially on fuel, in the latter part of 1999.

The Group recorded a pretax profit of RM6.18 million for the financial year ended 31st December 1999 compared to RM21.88 million for the preceding year.

Turnover of the Group for the year dropped 13.89% to RM97.30 million, compared to the preceding year's turnover of RM113.00 million. This was due mainly to the lower selling price of examination gloves.

At company level, a pretax profit of RM10.99 million was recorded for the financial year ended 31st December 1999, a reduction of 63.22% over the preceding year's pretax profit of RM29.89 million. The reduction was due to lower dividend income from the subsidiary companies.



Dividend

The Board of Directors, after taking into account the Group's cash requirements, is recommending a final dividend of 5% less tax for approval of shareholders at the forthcoming Annual General Meeting. The net dividend payable of RM1,862,640 is higher than the 1998 payment of RM1,432,800.

Review Of Operations

During the year, the Group consolidated its gloves operations, in view of the wide fluctuations in demand and prices. More efforts were concentrated on automation, process improvements and plants upgrade. In marketing, a new approach was adopted whereby the Group seeks to form joint ventures with skilled and experienced marketeers to sell the Group's products direct to end users. Under this concept, the Group will be able to access end users with its inhouse brands and ultimately secure repeat orders from loyal customers. The Group will also obtain more reliable and timely feedback from the end users. An initial joint venture has been secured to date.

The Group's solid rubber division continues to enjoy growth, both in volume of sales secured and new range of goods produced. Efforts are ongoing to improve processes and plant and machinery to expand production. The Group has succeeded in obtaining a good mix of repeat orders and new customers.

Year 2000 Compliance

The Group's Y2K compliance exercise was completed following the successful cross over to the new Millennium without any technical problems.

Status Of Corporate Proposals

The Company has on 15 September, 1999 completed its bonus issue of eight new ordinary shares for every five existing ordinary shares held with the issue of 31,840,000 ordinary shares of RM1.00 each fully paid. With the completion of this exercise, the issued and paid up share capital of the company now stands at 51,740,000 ordinary shares of RM1.00 each, fully paid up.

Prospects

The solid rubber division continues to expand both in volume and products range, for local sales and export in line with management's objectives. Management is encouraged by the increasing export volume, which is indicative of the superior quality of the company's technical products in the international market. Profitability of these products should increase further upon the production achieving optimum level.

The examination gloves division continues to be affected by excessive price competition, dumping by marginal producers and increasing cost in fuel due to higher crude petroleum prices and packing materials. All these factors had caused profit margin to be extremely fine.

Barring unforeseen circumstances and with the ongoing exercise to improve efficiency and reduce cost, the Group as a whole, should expect a fair performance in 2000.

Appreciation

On behalf of the Board, I would like to extend my appreciation to the management and staff at all levels of the Group for their unceasing efforts, dedications and invaluable contributions to the Group's success. We look forward to their continued commitments and support in the coming year.

I would also like to express my appreciation to the shareholders, financiers, business partners and associates and the various government bodies and local authorities for their contributions, support and assistance throughout the year.

LIM KUANG SIA

Executive Chairman

31st May 2000

Klang

Report Of The Directors

The Directors have pleasure in submitting their Report together with the Audited Accounts of the Group and of the Company for the year ended 31st December 1999.

1. PRINCIPAL ACTIVITIES

The Company is principally involved in the manufacturing and sales of rubber products. The principal activities of the subsidiaries are stated in Note 3 to the Accounts. There have been no changes in the nature of their activities during the financial year.

2. ACCOUNTS

	Group	Company
(a) Profit for the year after taxation	<u>RM6,330,022</u>	<u>RM10,410,539</u>
(b) In the opinion of the Directors the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.		

3. DIVIDENDS

During the year, the Company paid a final dividend of 10% less income tax, amounting to RM1,432,800 in respect of the year ended 31st December 1998 which had been proposed and shown in the previous report. The Directors now propose a final dividend of 5% less income tax, amounting to RM1,862,640 for the year ended 31st December 1999.

4. SHARE CAPITAL

During the year, the Company increased its paid up capital by RM31,840,000 through a bonus issue of 31,840,000 new ordinary shares of RM1 each credited as fully paid on the basis of eight new ordinary shares for every five existing ordinary shares held based on the issued and paid up capital of 19,900,000 ordinary shares from the Accumulated Profits account.

5. RESERVES

There were no material transfers to or from the reserves or provisions during the year other than as disclosed in the Accounts.

6. EXECUTIVE SHARE OPTION SCHEME

An Executive Share Option Scheme (“ESOS”) was implemented on 19th November 1998 for the benefit of the executives and full time executive directors of the Group. The option committee appointed by the Board of Directors to administer the ESOS, may from time to time offer options to eligible executives of the Group to subscribe for new ordinary shares of RM1 each in the Company.

The salient features of the ESOS are as follows :-

- i. The maximum number of shares to be offered and allotted under the ESOS shall not exceed 10% of the issued and paid-up capital of the Company at any point of time during the existence of the ESOS.
- ii. Eligible executives are confirmed executives aged eighteen or above with a least one year service as at the date of offer including full-time executive directors of any Company comprised in the Group.
- iii. No option shall be granted for less than 1,000 shares or more than 500,000 shares.
- iv. The option price for ordinary share of RM1 each shall be the average of the mean market quotation of the shares of the Company as shown in the Daily Official List issued by the Kuala Lumpur Stock Exchange for the five market days immediately preceding the date of offers by the Committee, the last transacted price of the shares of the Company on the market day immediately preceding the date of offer or the par value of the shares, whichever is higher.
- v. The ESOS shall continue to be in force during a duration of five years commencing from the date of the offer and expiring on 18th November 2003.
- vi. Grantee of the option has no right to participate by virtue of the option in any other share issue of any other company.
- vii. No option shall be exercisable until after the second anniversary of the Date of Offer relevant to such option, and thereafter the option may be exercised at any time or times up to a maximum of the following percentages of the option (rounded down to the nearest thousand shares) in each of the following years during the option period.

Percentage of options exercisable				
Year 1	Year 2	Year 3	Year 4	Year 5
-	-	30%	30%	40%

Any percentage of the option not exercised for in any year during the option period may be exercised in any subsequent year until and including the last year of the option period.

viii. In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of capitalisation of profits or reserves, rights-issue, reduction of capital, subdivision or consolidation of capital, or otherwise howsoever arising, such corresponding alterations (if any) shall be made either in the number of Shares comprised in the Option so far as unexercised and/or the Option Price in such manner as the Committee may decide Provided That:-

- (a) the adjustment other than on a capitalisation must be confirmed in writing by the auditor for the time being of the Company to be in their opinion (acting as experts and not as arbitrators) fair and reasonable;
- (b) no adjustment to the Option Price shall be made which would result in the new Shares being issued at a discount and if such an adjustment would but for this proviso have so resulted, the Option Price payable for such new Shares shall be the par value of the Shares;
- (c) the adjustment shall give the Option Holder the right to subscribe to the same proportion of the issued capital of the Company after the alteration as that to which he was entitled under the Option before the alteration.

As at 31st December 1999, 1,593,000 ordinary shares under the ESOS have been offered and accepted but none have been exercised.

7. DIRECTORS

- (a) The Directors in office since the date of the last Report are as follows :-

LIM KUANG SIA
LIM KUANG YONG
HENG BAK TAN
LIM KUANG WANG
LIM KWAN HWA
DATO' MOKHTAR BIN HJ. SAMAD, D.S.S.A., A.M.N., P.M.C., P.J.K.
SULAIMAN BIN MOHD. HASSAN
DATO' TAI CHANG ENG @ TEH CHANG YING, A.M.S., P.J.K.
LIM LENG BUNG (Alternate to LIM KUANG WANG)

- (b) Details of shareholdings in the Company by the Directors who held office at the end of the financial year are as follows :-

		-----Shares of RM1 each-----			
Name		Balance			Balance
		<u>1.1.99</u>	<u>Bought</u>	<u>Sold</u>	<u>31.12.99</u>
LIM KUANG SIA	-direct	25,500	40,800	-	66,300
	-indirect	10,844,000	17,350,400	-	28,194,400
LIM KUANG YONG	-direct	-	-	-	-
	-indirect	10,844,000	17,350,400	-	28,194,400
HENG BAK TAN	-direct	-	-	-	-
LIM KUANG WANG	-direct	48,000	76,800	-	124,800
	-indirect	10,844,000	17,350,400	-	28,194,400
LIM KWAN HWA	-direct	-	-	-	-
	-indirect	10,844,000	17,350,400	-	28,194,400
DATO' MOKHTAR BIN HJ. SAMAD, D.S.S.A., A.M.N., P.M.C., P.J.K.	-direct	-	-	-	-
SULAIMAN BIN MOHD. HASSAN	-direct	16,000	25,600	-	41,600
LIM LENG BUNG	-direct	-	-	-	-
	-indirect	10,844,000	17,350,400	-	28,194,400
DATO' TAI CHANG ENG @ TEH CHANG YING, A.M.S., P.J.K.	-direct	20,000	32,000	-	52,000

- (c) Details of shareholdings of the Directors in the related companies are as follows :-

(i) HOLDING COMPANY
KOSSAN HOLDINGS (M) SDN. BHD.

LIM KUANG SIA	-direct	19,000	-	-	19,000
LIM KUANG YONG	-direct	19,000	-	-	19,000
HENG BAK TAN	-direct	5,000	-	-	5,000
LIM KUANG WANG	-direct	19,000	-	-	19,000
LIM KWAN HWA	-direct	19,000	-	-	19,000
LIM LENG BUNG	-direct	19,000	-	-	19,000

(ii) RELATED COMPANIES
KOSSAN CHEMICAL INDUSTRIES (M) SDN. BHD.

LIM KUANG SIA	-direct	12,498	-	-	12,498
HENG BAK TAN	-direct	2	-	-	2
SULAIMAN BIN MOHD. HASSAN	-direct	50,000	-	-	50,000

KOSSAN JAPAN ROLLERS SDN. BHD.

LIM KUANG SIA	-direct	1	-	-	1
LIM KUANG WANG	-direct	1	-	-	1

- (d) Details of options over ordinary shares of the Company granted pursuant to the Executive Share Option Scheme are as follows :-

Option for ordinary shares of RM1 each

	As at <u>1.1.99</u>	Offered and <u>accepted</u>	<u>Exercised</u>	As at <u>31.12.99</u>
LIM KUANG SIA	221,000	-	-	221,000
LIM KUANG YONG	132,000	-	-	132,000
LIM KWAN HWA	132,000	-	-	132,000
SULAIMAN BIN MOHD. HASSAN	106,000	-	-	106,000
LIM LENG BUNG	132,000	-	-	132,000

- (e) Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements, to which the Company is a party, whereby Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate except for share options granted to certain Directors pursuant to the Executive Share Option Scheme of the Company.
- (f) Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the accounts of the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with the Directors or with a firm of which he is a member, or with a company in which he has a substantial financial interest other than as disclosed in this report and the benefits included in Note 20 to the accounts.
- (g) In accordance with the Articles of Association, MR. LIM KUANG WANG and DATO' MOKHTAR BIN HJ. SAMAD retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

8. OTHER STATUTORY INFORMATION

- (a) Before the Profit and Loss Account and Balance Sheet were made out, the Directors had taken reasonable steps :-
- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and to satisfy themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - to ensure that any current assets which were unlikely to realise their book value in the ordinary course of business were written down to an amount which they might be expected so to realise.

- (b) At the date of this Report, the Directors are not aware of any circumstances which would render :-
- i) the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent.
 - ii) the values attributed to current assets in the Accounts misleading.
- (c) At the date of this Report, the Directors are not aware of any circumstances 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.
- (d) As at the date of this Report, there are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (e) i) As at the date of this Report, there are no contingent liabilities which have arisen since the end of the financial year.
- ii) No contingent liability or other liability 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 affect the ability of the Group and of the Company to meet their obligations as and when they fall due.
- (f) At the date of this Report, the Directors are not aware of any circumstances not otherwise dealt with in the Report or Accounts which would render any amount stated in the Accounts misleading.
- (g) In the opinion of the Directors the results of the financial year in which this Report is made are not likely to be substantially affected by any item, transaction or event which has arisen in the interval between the end of the financial year and the date of this Report.

9. AUDITORS

The Auditors, MESSRS. KHOO TENG KEAT & CO., have indicated their willingness to continue in office.

On behalf of the Board,

LIM KUANG SIA
(Director)

LIM KUANG YONG
(Director)

26th April 2000

Klang.

Consolidated Balance Sheet

As at 31st December 1999

	Note	<u>1999</u> RM	<u>1998</u> RM
FIXED ASSETS	2	68,542,243	64,617,131
INVESTMENTS	3	57,200	57,200
CURRENT ASSETS			
Stocks	4	13,888,422	18,933,176
Contract work-in-progress	5	-	69,063
Trade debtors	6	29,708,460	23,467,396
Non-trade debtors and deposits		4,482,250	2,220,101
Fixed deposit with licensed bank		-	500,000
Cash and bank balances		209,507	307,973
		<u>48,288,639</u>	<u>45,497,709</u>
CURRENT LIABILITIES			
Trade creditors		8,204,508	9,634,300
Non-trade creditors		4,993,893	7,015,453
Proposed dividend		1,862,640	1,432,800
Hire purchase creditors		2,599,419	2,735,670
Amount due to related companies		452,860	361,314
Amount due to holding company	7	520,281	686,292
Taxation		25,637	2,309,175
Term loans	8	2,029,569	1,213,317
Bank overdraft	8	7,036,459	2,959,002
Trust receipts	8	230,396	41,806
Bankers' acceptance	8	4,534,065	5,495,105
Revolving credit	8	5,500,000	2,000,000
		<u>37,989,727</u>	<u>35,884,234</u>
NET CURRENT ASSETS		<u>10,298,912</u>	<u>9,613,475</u>
		<u>78,898,355</u>	<u>74,287,806</u>
REPRESENTING :			
SHARE CAPITAL	9	51,740,000	19,900,000
ACCUMULATED PROFITS		16,764,216	44,136,834
REVALUATION RESERVE	10	3,498,000	3,498,000
SHARE PREMIUM	11	796,540	916,078
TOTAL CAPITAL AND RESERVES		<u>72,798,756</u>	<u>68,450,912</u>
DEFERRED AND LONG TERM LIABILITIES			
Term loans	8	3,884,280	3,102,258
Deferred taxation		949,000	949,000
Hire purchase creditors		1,266,319	1,785,636
		<u>6,099,599</u>	<u>5,836,894</u>
		<u>78,898,355</u>	<u>74,287,806</u>

● The attached notes form an integral part of the Accounts.

Consolidated Profit And Loss Account

For The Year Ended 31st December 1999

	Note	<u>1999</u> RM	<u>1998</u> RM
TURNOVER	12	97,303,596	113,005,644
PROFIT BEFORE TAXATION	13	6,180,466	21,882,273
TAXATION	14		
Income tax		-	(2,078,000)
Over/(under) provision in prior year		149,556	(140,858)
Deferred taxation		-	116,000
		149,556	(2,102,858)
PROFIT FOR THE YEAR AFTER TAXATION		6,330,022	19,779,415
ACCUMULATED PROFITS BROUGHT FORWARD		44,136,834	25,790,219
PROFITS AVAILABLE FOR APPROPRIATION		50,466,856	45,569,634
Less			
APPROPRIATIONS			
Final dividend 5% (1998 - 10%) less income tax		1,862,640	1,432,800
Bonus issue through capitalisation of accumulated profits		31,840,000	-
		33,702,640	1,432,800
ACCUMULATED PROFITS CARRIED FORWARD		16,764,216	44,136,834
EARNINGS PER SHARE (SEN)	15	12	42

Balance Sheet

As at 31st December 1999

	Note	1999 RM	1998 RM
FIXED ASSETS	2	29,953,698	30,119,643
INVESTMENTS	3	43,160,725	33,175,008
CURRENT ASSETS			
Stocks	4	4,630,877	4,689,851
Trade debtors	6	7,443,265	7,549,107
Non-trade debtors and deposits		2,160,115	1,951,485
Cash and bank balances		88,735	68,906
		14,322,992	14,259,349
CURRENT LIABILITIES			
Trade creditors		1,276,254	1,817,624
Non-trade creditors		1,471,925	1,689,038
Proposed dividend		1,862,640	1,432,800
Amount due to holding company	7	457,476	622,850
Hire purchase creditors		304,831	927,083
Taxation		-	426,000
Term loans	8	1,286,575	575,833
Trust receipts	8	230,396	19,006
Bankers' acceptance	8	1,610,000	1,517,297
Revolving credit	8	1,500,000	2,000,000
Bank overdraft	8	3,472,347	2,423,115
		13,472,444	13,450,646
NET CURRENT ASSETS		850,548	808,703
		73,964,971	64,103,354
REPRESENTING :-			
SHARE CAPITAL	9	51,740,000	19,900,000
REVALUATION RESERVE	10	3,498,000	3,498,000
ACCUMULATED PROFITS		14,448,902	37,741,003
SHARE PREMIUM	11	796,540	916,078
TOTAL CAPITAL AND RESERVES		70,483,442	62,055,081
DEFERRED AND LONG TERM LIABILITIES			
Term loans	8	2,871,068	1,263,016
Deferred taxation		504,000	504,000
Hire purchase creditors		106,461	281,257
		3,481,529	2,048,273
		73,964,971	64,103,354

• The attached notes form an integral part of the Accounts.

Profit And Loss Account

For The Year Ended 31st December 1999

	Note	<u>1999</u> RM	<u>1998</u> RM
TURNOVER	12	35,317,939	54,008,786
PROFIT FOR THE YEAR BEFORE TAXATION	13	10,992,088	29,887,405
TAXATION	14		
Provision for current year		(560,000)	(1,546,000)
Under provision in prior year		(21,549)	-
Reversal of deferred taxation		-	182,000
		(581,549)	(1,364,000)
PROFIT FOR THE YEAR AFTER TAXATION		10,410,539	28,523,405
ACCUMULATED PROFITS BROUGHT FORWARD		37,741,003	10,650,398
PROFITS AVAILABLE FOR APPROPRIATION		48,151,542	39,173,803
Less			
APPROPRIATIONS			
Final dividend of 5% (1998 - 10%) less income tax		1,862,640	1,432,800
Bonus issue through capitalisation of accumulated profits		31,840,000	-
		33,702,640	1,432,800
ACCUMULATED PROFITS CARRIED FORWARD		14,448,902	37,741,003
EARNINGS PER SHARE (SEN)	15	20	55

Consolidated Cash Flow Statement

For the year ended 31st December 1999

	Note	1999 RM	1998 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		6,180,466	21,882,273
Adjustments for :			
Depreciation of fixed assets		6,204,626	5,598,893
Loss on disposal of fixed assets		10,446	-
Profit on disposal of fixed assets		(19,499)	(31,369)
Interest expenses		1,904,204	2,506,854
Operating profit before working capital changes		14,280,243	29,956,651
(Increase)/decrease in stocks		5,044,754	(7,684,373)
(Increase)/decrease in debtors		(8,328,844)	2,738,137
Decrease in creditors		(1,453,836)	(819,777)
(Increase)/decrease in contract work-in-progress		69,063	(1,136)
Cash generated from operations		9,611,380	24,189,502
Interest paid		(1,904,204)	(2,506,854)
Tax paid		(2,308,350)	(1,448,009)
Dividend paid		(1,432,800)	(1,432,800)
Net cash from operating activities		3,966,026	18,801,839
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of fixed assets		53,971	173,113
Purchase of fixed assets		(10,174,656)	(13,133,119)
Refund of club deposit		-	600
		(10,120,685)	(12,959,406)
		(6,154,659)	5,842,433
CASH FLOWS FROM FINANCING ACTIVITIES			
Bonus issue expenses		(119,538)	-
Term loan received		3,038,320	-
Repayment of term loans		(1,440,046)	(1,077,634)
Insurance claim received for assets destroyed by fire		-	79,519
		1,478,736	(998,115)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(4,675,923)	4,844,318
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		(2,151,029)	(6,995,347)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		(6,826,952)	(2,151,029)
CASH AND CASH EQUIVALENTS			
Cash and bank balances		209,507	307,973
Bank overdraft		(7,036,459)	(2,959,002)
Fixed deposit with licensed bank		-	500,000
		(6,826,952)	(2,151,029)

Notes To The Accounts

31st December 1999

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The accounts of the Company are prepared under the historical cost convention modified to include the revaluation of landed properties and investment in subsidiaries and comply with approved accounting standards.

b) Basis of Consolidation

The Consolidated Profit and Loss Account and Consolidated Balance Sheet include the accounts of the Company and its subsidiaries made up to the same financial period and after eliminating all inter-company transactions.

Any difference between the cost of investment and the net assets of the subsidiaries that remains after this valuation is shown in the balance sheet as goodwill arising on consolidation. Goodwill is written off if it is not supported by any intrinsic value.

c) Fixed Assets and Depreciation

Fixed assets are stated at cost/valuation less accumulated depreciation. Freehold land is not amortised. Building under construction and plant and machinery under construction will only be depreciated upon completion. Depreciation is provided on the other fixed assets on the straight line basis at rates calculated to write off the cost of the assets over their estimated useful lives.

The principal annual rates used are as follows :-

Plant and machinery	10%
Motor vehicles	20%
Furniture and fittings	10%
Office equipment	10%
Moulds	10% - 20%
Factory furniture and fittings	10%
Factory installation and renovation	10%
Electrical installation	10%
Buildings	2%

- d) **Stocks and Work-In-Progress**
Stocks and work-in-progress are stated at the lower of cost, which is determined on the first-in first-out basis, and net realisable value. Cost includes all relevant and appropriate portions of overheads.
- e) **Foreign Currency Transactions**
Foreign currency transactions have been translated into Ringgit Malaysia at rates ruling on the date of transactions. Foreign currency assets and liabilities have been translated at rates ruling on the balance sheet date or at contracted rates as applicable. All exchange differences are included in the profit and loss account.
- f) **Turnover**
Turnover represents the invoiced value of goods sold, dividend receivable and progress payment receivable during the year.
- g) **Debtors**
Known bad debts are written off and specific provision is made on accounts which are doubtful of collection.
- h) **Contract Work-In-Progress**
Contract work-in-progress is stated at cost plus attributable profit less progress payment. Cost includes materials, labour and attributable overheads. Provision is made where applicable, for anticipated losses on contracts on hand at the end of the financial year.
- i) **Deferred Taxation**
Deferred taxation is provided under the liability method on difference arising from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the accounts. Timing differences which are not expected to reverse in the foreseeable future have been excluded.
- j) **Finance Lease**
Asset under finance lease that gives rights approximating to ownership is capitalised in the accounts and the corresponding obligation treated as a liability. The asset so capitalised is depreciated in accordance with the accounting policy on fixed assets. The total interest, being the difference between the total instalments payable and the capitalised amount, is charged to the profit and loss account over the period of the lease.

2. FIXED ASSETS

<u>Group - 1999</u>	<u>Cost/Valuation at 1.1.1999</u> RM	<u>Additions</u> RM	<u>Disposals</u> RM	<u>Transfers</u> RM	<u>Cost/Valuation at 31.12.1999</u> RM
At valuation - Freehold land and buildings	17,490,000	-	-	-	17,490,000
At cost - Freehold land and buildings	8,295,527	1,000,842	-	1,506,586	10,802,955
Plant and machinery	47,291,006	3,834,597	20,760	-	51,104,843
Motor vehicles	4,118,908	252,800	115,462	-	4,256,246
Factory renovation	666,056	161,893	741	-	827,208
Office furniture and equipment	1,786,413	113,860	-	-	1,900,273
Building under construction	1,506,586	-	-	(1,506,586)	-
Factory furniture and fitting	200,913	4,180	-	-	205,093
Electrical installation	817,148	835	-	-	817,983
Plant and machinery under construction	-	4,805,649	-	-	4,805,649
	<u>82,172,557</u>	<u>10,174,656</u>	<u>136,963</u>	<u>-</u>	<u>92,210,250</u>
	<u>Accumulated depreciation at 1.1.1999</u> RM	<u>Depreciation charge for the year</u> RM	<u>Disposals</u> RM	<u>Accumulated depreciation at 31.12.1999</u> RM	<u>Net book value at 31.12.1999</u> RM
Freehold land and buildings	1,065,595	374,998	-	1,440,593	26,852,362
Plant and machinery	13,686,282	4,740,679	15,891	18,411,070	32,693,773
Motor vehicles	1,739,945	746,566	76,154	2,410,357	1,845,889
Factory renovation	240,427	66,912	-	307,339	519,869
Office furniture and equipment	565,506	177,464	-	742,970	1,157,303
Building under construction	-	-	-	-	-
Factory furniture and fitting	47,981	19,194	-	67,175	137,918
Electrical installation	209,690	78,813	-	288,503	529,480
Plant and machinery under construction	-	-	-	-	4,805,649
	<u>17,555,426</u>	<u>6,204,626</u>	<u>92,045</u>	<u>23,668,007</u>	<u>68,542,243</u>

<u>Group - 1998</u>	<u>Cost/Valuation at 1.1.1998</u> RM	<u>Additions</u> RM	<u>Disposals</u> RM	<u>Transfers</u> RM	<u>Cost/Valuation at 31.12.1998</u> RM
At valuation -					
Freehold land and buildings	17,490,000	-	-	-	17,490,000
At cost -					
Freehold land and buildings	3,558,342	1,661,078	-	3,076,107	8,295,527
Plant and machinery	35,025,246	8,044,052	360,235	4,581,943	47,291,006
Motor vehicles	3,382,293	736,615	-	-	4,118,908
Factory renovation	340,575	325,481	-	-	666,056
Office furniture and equipment	1,391,823	411,265	16,675	-	1,786,413
Building under construction	3,076,107	1,506,586	-	(3,076,107)	1,506,586
Factory furniture and fitting	153,505	47,408	-	-	200,913
Electrical installation	416,514	400,634	-	-	817,148
Plant and machinery under construction	4,581,943	-	-	(4,581,943)	-
	<u>69,416,348</u>	<u>13,133,119</u>	<u>376,910</u>	<u>-</u>	<u>82,172,557</u>

	<u>Accumulated depreciation at 1.1.1998</u> RM	<u>Depreciation charge for the year</u> RM	<u>Disposals</u> RM	<u>Accumulated depreciation at 31.12.1998</u> RM	<u>Net book value at 31.12.1998</u> RM
Freehold land and buildings	754,802	310,793	-	1,065,595	24,719,932
Plant and machinery	9,488,363	4,344,121	146,202	13,686,282	33,604,724
Motor vehicles	1,085,927	654,018	-	1,739,945	2,378,963
Factory renovation	193,369	47,058	-	240,427	425,629
Office furniture and equipment	418,810	156,141	9,445	565,506	1,220,907
Building under construction	-	-	-	-	1,506,586
Factory furniture and fitting	29,953	18,028	-	47,981	152,932
Electrical installation	140,956	68,734	-	209,690	607,458
Plant and machinery under construction	-	-	-	-	-
	<u>12,112,180</u>	<u>5,598,893</u>	<u>155,647</u>	<u>17,555,426</u>	<u>64,617,131</u>

<u>Company - 1999</u>	<u>Cost/Valuation at 1.1.1999</u> RM	<u>Additions</u> RM	<u>Disposals</u> RM	<u>Transfers</u> RM	<u>Cost/Valuation at 31.12.1999</u> RM
At valuation -					
Freehold land and buildings	14,437,000	-	-	-	14,437,000
At cost -					
Freehold land and buildings	2,279,617	971,671	-	1,506,586	4,757,874
Plant and machinery	16,833,948	905,402	16,230	-	17,723,120
Motor vehicles	1,751,663	228,000	61,710	-	1,917,953
Factory renovation	133,899	-	741	-	133,158
Office furniture and equipment	1,280,555	77,125	-	-	1,357,680
Building under construction	1,506,586	-	-	(1,506,586)	-
	<u>38,223,268</u>	<u>2,182,198</u>	<u>78,681</u>	<u>-</u>	<u>40,326,785</u>

	Accumulated depreciation at 1.1.1999 RM	Depreciation charge for the year RM	Disposals RM	Accumulated depreciation at 31.12.1999 RM	Net book value at 31.12.1999 RM
Freehold land and buildings	830,315	212,592	-	1,042,907	18,151,967
Plant and machinery	5,774,720	1,654,651	11,361	7,418,010	10,305,110
Motor vehicles	984,917	301,480	22,403	1,263,994	653,959
Factory renovation	78,742	8,630	-	87,372	45,786
Office furniture and equipment	434,931	125,873	-	560,804	796,876
	<u>8,103,625</u>	<u>2,303,226</u>	<u>33,764</u>	<u>10,373,087</u>	<u>29,953,698</u>

Company - 1998	Cost/Valuation at 1.1.1998 RM	Additions RM	Disposals RM	Transfer RM	Cost/Valuation at 31.12.1998 RM
At valuation -					
Freehold land and buildings	14,437,000	-	-	-	14,437,000
At cost -					
Freehold land and buildings	1,959,524	320,093	-	-	2,279,617
Plant and machinery	16,046,855	936,406	149,313	-	16,833,948
Motor vehicles	1,615,666	135,997	-	-	1,751,663
Factory renovation	81,448	52,451	-	-	133,899
Office furniture and equipment	1,022,634	260,721	2,800	-	1,280,555
Building under construction	-	1,506,586	-	-	1,506,586
	<u>35,163,127</u>	<u>3,212,254</u>	<u>152,113</u>	<u>-</u>	<u>38,223,268</u>

	Accumulated depreciation at 1.1.1998 RM	Depreciation charge for the year RM	Disposals RM	Accumulated depreciation at 31.12.1998 RM	Net book value at 31.12.1998 RM
Freehold land and buildings	618,764	211,551	-	830,315	15,886,302
Plant and machinery	4,187,731	1,614,221	27,232	5,774,720	11,059,228
Motor vehicles	719,373	265,544	-	984,917	766,746
Factory renovation	70,355	8,387	-	78,742	55,157
Office furniture and equipment	322,865	113,186	1,120	434,931	845,624
Building under construction	-	-	-	-	1,506,586
	<u>5,919,088</u>	<u>2,212,889</u>	<u>28,352</u>	<u>8,103,625</u>	<u>30,119,643</u>

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

Cost of fixed assets of the Group and of the Company being acquired under finance lease and hire purchase arrangements amounted to RM9,433,336 (1998 - RM12,296,341) and RM1,232,402 (1998 - RM6,154,390) respectively.

3. INVESTMENTS

	-----GROUP-----		-----COMPANY-----	
	<u>1999</u> RM	<u>1998</u> RM	<u>1999</u> RM	<u>1998</u> RM
i) Investment in subsidiaries				
Unquoted shares, at valuation	-	-	9,941,427	9,941,427
Add				
Amount due from subsidiaries	-	-	33,162,098	23,361,401
Less				
Amount due to subsidiaries	-	-	-	(185,020)
	-	-	43,103,525	33,117,808
ii) Investment in club membership, at cost	57,200	57,200	57,200	57,200
	57,200	57,200	43,160,725	33,175,008

The subsidiaries which are incorporated in Malaysia are as follows :-

<u>Name</u>	<u>Principal activities</u>	<u>% of Shareholding</u>	
		<u>1999</u>	<u>1998</u>
i) Kossan Latex Industries (M) Sdn. Bhd.	Manufacturing of latex examination gloves	100%	100%
ii) Perusahaan Getah Asas Sdn. Bhd.	Manufacturing of latex examination gloves	100%	100%
iii) Kossan Engineering (M) Sdn. Bhd.	Fabrication and installation of machinery	100%	100%
iv) Ideal Quality Sdn. Bhd.	Trading of latex examination gloves	100%	100%

4. STOCKS AND WORK-IN-PROGRESS

	-----GROUP-----		-----COMPANY-----	
	<u>1999</u> RM	<u>1998</u> RM	<u>1999</u> RM	<u>1998</u> RM
Raw material	4,620,801	4,768,134	3,183,481	2,673,527
Finished goods	8,747,733	13,598,947	959,775	1,461,787
Work-in-progress	519,888	566,095	487,621	554,537
	13,888,422	18,933,176	4,630,877	4,689,851

5. CONTRACT WORK-IN-PROGRESS

	-----GROUP-----		-----COMPANY-----	
	<u>1999</u> RM	<u>1998</u> RM	<u>1999</u> RM	<u>1998</u> RM
Cost of work done to-date	-	69,063	-	-
Less				
Progress payment receivable	-	-	-	-
	<u>-</u>	<u>69,063</u>	<u>-</u>	<u>-</u>

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6. TRADE DEBTORS

	-----GROUP-----		-----COMPANY-----	
	<u>1999</u> RM	<u>1998</u> RM	<u>1999</u> RM	<u>1998</u> RM
Gross debtors	29,987,174	23,923,568	7,721,979	8,005,279
Less				
Provision for doubtful debts	278,714	456,172	278,714	456,172
	<u>29,708,460</u>	<u>23,467,396</u>	<u>7,443,265</u>	<u>7,549,107</u>

7. HOLDING COMPANY

The holding company is KOSSAN HOLDINGS (M) SDN. BHD., a company incorporated in Malaysia, which owns 54% (1998 - 54%) of the Company's issued equities.

8. BANK OVERDRAFT, TERM LOANS AND TRADE FACILITIES

These are secured as follows :-

- i) certain properties of the Company;
- ii) properties belonging to a subsidiary and certain Directors of the Company; and
- iii) joint and several guarantee by certain Directors of the Company.

The portion of term loans repayable after twelve months of the Balance Sheet date has been included under Long Term Liabilities.

Bank overdraft, term loans and trade facilities carry interest ranging from 0.5% to 2.5% above the banks' base lending rate per annum.

9. SHARE CAPITAL

	<u>1999</u> RM	<u>1998</u> RM
Authorised :		
150,000,000 (1998 - 25,000,000) ordinary shares of RM1 each	<u>150,000,000</u>	<u>25,000,000</u>
Issued and Fully Paid :		
At beginning of the year 19,900,000 ordinary share of RM1 each	19,900,000	19,900,000
Issued during the year		
Bonus issue:		
31,840,000 (1998 - NIL) ordinary shares of RM1 each	<u>31,840,000</u>	<u>-</u>
At end of the year	<u>51,740,000</u>	<u>19,900,000</u>

10. REVALUATION RESERVE

This reserve relates to surpluses on revaluation of freehold land and buildings and investment in subsidiaries of the Group and of the Company.

This reserve is not available for distribution by way of dividend.

11. SHARE PREMIUM

	<u>1999</u> RM	<u>1998</u> RM
At beginning of the year	916,078	916,078
Less:		
Bonus issue expenses	<u>119,538</u>	<u>-</u>
At end of the year	<u>796,540</u>	<u>916,078</u>

12. TURNOVER

	<u>1999</u> RM	<u>1998</u> RM
<u>Group</u>		
Net invoiced value of goods sold	95,793,596	107,495,144
Progress payment receivable	1,510,000	5,510,500
	<u>97,303,596</u>	<u>113,005,644</u>
<u>Company</u>		
Net invoiced value of goods sold	28,817,909	27,008,666
Dividends receivable	6,500,030	27,000,120
	<u>35,317,939</u>	<u>54,008,786</u>

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13. PROFIT FOR THE YEAR BEFORE TAXATION

The profit for the year before taxation arrived at -

	<u>-----GROUP-----</u>		<u>-----COMPANY-----</u>	
	<u>1999</u> RM	<u>1998</u> RM	<u>1999</u> RM	<u>1998</u> RM
AFTER CHARGING:-				
Cost of sales	79,378,890	77,787,830	19,252,865	19,013,236
Directors' fees	48,000	242,992	48,000	48,000
Directors' salaries and allowances	1,510,714	1,287,920	593,040	595,840
Auditors' remuneration	47,550	42,550	18,000	16,000
Rental of premises	409,166	404,641	93,866	94,391
Overdraft interest	356,005	397,572	219,630	310,647
Hire purchase interest	678,505	680,383	183,768	318,741
Trust receipts interest	1,299	174,971	1,299	72,529
Bankers' acceptance interest	278,281	674,640	79,894	129,313
Term loan interest	352,770	575,330	175,750	246,413
Depreciation of fixed assets (Note 2)	6,204,626	5,598,893	2,303,226	2,212,889
Revolving credit interest	237,344	3,958	164,073	3,958
Management fees	-	60,000	-	-
Loss on disposal of fixed assets	10,446	-	10,446	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
AND CREDITING :-				
Dividend income	-	-	6,500,030	27,000,120
Profit on disposal of fixed assets	19,499	31,369	-	25,352
Rental income	234,000	240,000	534,000	540,000
Gain on foreign exchange differences	1,019,048	4,276,837	17,805	32,776
Fixed deposit interest	-	30,342	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

14. TAXATION

Except for the tax payable on the dividend income of the Company, there is no tax charge for the current financial year for the Company and for the Group as the tax is waived in accordance with the Income Tax (Amendment) Act, 1999. The chargeable income of RM4,919,427 and RM7,119,485 for the Company and for the Group respectively on which the tax is waived shall be credited to exempt accounts from which tax exempt dividends can be declared, subject to agreement with the Inland Revenue Board. In addition, one of the subsidiaries has tax exempt income of RM1,922,722 for the year under its pioneer status.

15. EARNINGS PER SHARE

The earnings per share is calculated on the profit after tax of RM6,330,022 (1998 - RM19,779,415) and RM10,410,539 (1998 - RM28,523,405) for the Group and for the Company respectively divided by 51,740,000 (1998 - 51,740,000) shares in issue after the eight-for-five bonus issue.

16. TAX CREDIT POSITION

As at 31st December 1999, the Company has sufficient tax credit to frank approximately RM9,028,000 (1998 - RM10,936,000) of dividends without incurring additional tax liability.

17. CAPITAL COMMITMENTS

As at 31st December 1999, the Group had outstanding capital commitments in respect of the following :-

	<u>1999</u>	<u>1998</u>
Contracted but not provided for	-	RM1,041,414

18. SEGMENTAL ANALYSIS - GROUP

Analysis by activities

		PROFIT/(LOSS) BEFORE TAXATION	TOTAL ASSETS
<u>1999</u>	<u>TURNOVER</u> RM		
Trading division	-	(1,388)	1,538,000
Solid rubber division	28,817,909	4,492,058	44,333,890
Latex gloves division	66,975,687	1,597,129	77,879,614
Fabrication of machinery	1,510,000	92,667	438,999
	<u>97,303,596</u>	<u>6,180,466</u>	<u>124,190,503</u>
 <u>1998</u>			
Trading division	519,434	(2,123)	18,002
Solid rubber division	27,008,666	2,887,285	44,436,192
Latex gloves division	79,967,044	18,901,199	65,629,988
Fabrication of machinery	5,510,500	95,912	87,858
	<u>113,005,644</u>	<u>21,882,273</u>	<u>110,172,040</u>

An analysis by geographical segments has not been presented as the Group operates only in Malaysia.

19. CONTINGENT LIABILITIES

As at 31st December 1999, the Company has outstanding contingent liabilities amounting to RM56,600,000 (1998 - RM22,600,000) being corporate guarantees given to a bank for banking facilities granted to certain subsidiaries.

20. SIGNIFICANT RELATED PARTY TRANSACTIONS

	-----COMPANY-----	
	<u>1999</u> RM	<u>1998</u> RM
Rent paid to certain Directors	(68,400)	(68,400)
Management fee from subsidiary company	240,000	216,000
Marketing fee from subsidiary company	136,000	108,000
Rental income from a subsidiary	<u>384,000</u>	<u>384,000</u>

The above transactions have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

Report Of The Auditors To The Members Of Kossan Rubber Industries Bhd

We have audited the accounts set out on pages 14 to 29 in accordance with approved auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered appropriate in the circumstances.

In our opinion :-

- a) the accounts are properly drawn up in accordance with the applicable approved accounting standards so as to give a true and fair view of :-
 - (i) the state of affairs of the Group and of the Company as at 31st December 1999 and of their results and the cash flow of the Group for the year then ended and comply with the provisions of the Companies Act, 1965; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the accounts and consolidated accounts;
- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's accounts are in form and content appropriate and proper for the purpose of the preparation of the consolidated accounts and we have received satisfactory information and explanations required by us for those purpose.

Our audit reports on the accounts of the subsidiaries were not subject to any qualifications and did not include any comment made under subsection (3) of section 174 of the Act.

KHOO TENG KEAT & CO.
PUBLIC ACCOUNTANTS
NO. AF 0033

YET KIONG SIANG
PROPRIETOR
NO. 1382/5/01 (J)

26th April 2000

Klang.

Statement By Directors

We, LIM KUANG SIA and LIM KUANG YONG, being two of the Directors of KOSSAN RUBBER INDUSTRIES BHD., do hereby state that, in the opinion of the Directors, the accounts set out pages 14 to 29 are drawn up in accordance with the applicable approved accounting standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31st December 1999 and of their results and cash flow of the Group for the year then ended.

On behalf of the Board,

LIM KUANG SIA
Director

LIM KUANG YONG
Director

26th April 2000

Klang.

Statutory Declaration

I, LIM KUANG SIA, the Director primarily responsible for the accounting records and financial management of KOSSAN RUBBER INDUSTRIES BHD., do solemnly and sincerely declare that the accounts set out on pages 14 to 29 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 abovenamed **LIM KUANG SIA**,)
)
at Klang, in the State of Selangor,) **LIM KUANG SIA**
)
this 26 day of April 2000.)

Before me,

CHEW KIM SWEE @ CHEW TOO NYAAH

NO.B102

Commissioner for Oaths,

Klang.

Particulars Of Properties

As at 31st December 1999

<u>Location</u>	<u>Description</u>	<u>Age Of Building</u>	<u>Land Area</u>	<u>Tenure</u>	<u>Existing Use</u>	<u>Net Book Value RM</u>
No. 14, Lorong Sungai Puloh 14C, Taman Klang Utama, 42100 Klang.	1 unit double storey link house	6 Years	990 sq. ft.	Freehold	Staff quarters	99,466
No. 16, Lorong Sungai Puloh 14C, Taman Klang Utama, 42100 Klang.	1 unit double storey link house	6 Years	990 sq. ft.	Freehold	Staff quarters	99,466
Lot 754, Jalan Haji Sirat, 42100 Klang.	Factory	5 Years	246,550 sq. ft.	Freehold	Factory	11,377,656
Lot 782, Jalan Sungai Putus Off Batu 3 3/4 Jalan Kapar 42100 Klang.	Office and Factory Premises	Factory (12 Years) Office (5 Years)	47,480 sq. ft.	Freehold	Factory and Office	2,867,611
Lot 16632, Batu 5 1/4, Jalan Meru, 41050 Klang.	Single storey detached factory	10 Years	65,175 sq. ft.	Freehold	Factory and Office	2,959,741
Lot 2401, Batu 17, Jalan Sungai Sembilang, 45800 Jeram.	Factory	1 Year	106,177 sq. ft.	Freehold	Factory	2,875,612
GM 554 Lot 2796 Mukim of Jeram District of Kuala Selangor.	Land	-	213,916 sq. ft.	Freehold	Vacant	832,155
Lot 1365, Batu 17, Jalan Sungai Sembilang, 45800 Jeram.	Factory	2 Years	217,800 sq. ft.	Freehold	Factory and Office	5,740,655
TOTAL						<hr/> 26,852,362 <hr/>

Statistics On Shareholdings

As at 30th April 2000

Authorised share capital	:	RM 150,000,000
Issued and fully paid share capital	:	RM 51,740,000
Class of equity	:	Ordinary shares of RM1 each
Voting rights	:	One vote per ordinary share

a) Analysis of Shareholdings

Size of Shareholdings	No. of Shareholders	%	Shareholdings	%
1 - 1,000	1,503	34.54	1,453,900	2.81
1,001 - 5,000	2,029	46.63	5,864,300	11.33
5,001 - 10,000	453	10.41	3,398,600	6.57
More than 10,000	366	8.42	41,023,200	79.29
Total	4,351	100.00	51,740,000	100.00

b) Twenty Largest Shareholders as at 30th April 2000

Rank	Name	Shareholdings	%
1.	Kossan Holdings (M) Sdn Bhd	28,194,400	54.49
2.	Permodalan Nasional Berhad	1,838,200	3.55
3.	Pan Asian Corporation Sdn Bhd	1,087,300	2.10
4.	Lembaga Tabung Haji	351,200	0.68
5.	Yee Chek Mun	338,000	0.65
6.	Yeoh Kean Hua	286,000	0.55
7.	Rubber Industry Smallholders Development Authority	234,000	0.45
8.	TA Securities Berhad	166,000	0.32
9.	Ong Choo Seng	160,000	0.31
10.	Ma Boon Eng	150,800	0.29
11.	Appalanaidu A/L Nookaiah	125,000	0.24
12.	Lim Kuang Wang	124,800	0.24
13.	Lim Kuan Chiang	123,200	0.24
14.	Yeo Wha	121,000	0.23
15.	Kuik Chong Hing @ Kwek Chong Heng	104,000	0.20
16.	Lim Toon Hong	104,000	0.20
17.	Sulaiman Bin Ahmad	85,800	0.17
18.	Shapadu Corporation Sdn Bhd	78,000	0.15
19.	Kuek Yet Yim	69,000	0.13
20.	Amanah Raya Berhad (A/c Kumpulan Wang Am)	68,000	0.13
		33,808,700	65.34

c) Substantial Shareholders as at 30th April 2000

	Name	Shareholdings	%
1.	Kossan Holdings (M) Sdn Bhd	28,194,400	54.49
2.	Permodalan Nasional Berhad	1,838,200	3.55
3.	Pan Asian Corporation Sdn Bhd	1,087,300	2.10
		31,119,900	60.15

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d) Directors' Shareholdings as at 21st January 2000

	Name of Directors		Shareholdings
1.	Sulaiman Bin Mohd Hassan	- Direct	41,600
2.	Lim Kuang Sia	- Direct	66,300
		- Indirect	28,194,400
3.	Lim Kuang Yong	- Direct	-
		- Indirect	28,194,400
4.	Lim Kuang Wang	- Direct	124,800
		- Indirect	28,194,400
5.	Lim Kwan Hwa	- Direct	-
		- Indirect	28,194,400
6.	Heng Bak Tan	- Direct	-
		- Indirect	-
7.	Lim Leng Bung	- Direct	-
		- Indirect	28,194,400
8.	Dato' Mokhtar Bin Hj. Samad	- Direct	-
9.	YB Dato' Tai Chang Eng @ Teh Chang Ying	- Direct	52,000

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twentieth (20th) 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 Friday, 23rd June 2000 at 10.30 a.m. for the following purposes:

AGENDA

1. To receive and adopt the audited accounts for the financial year ended 31st December 1999 together with the Directors' and Auditors Reports thereon. (Resolution 1)
2. To approve payment of a 1st and final dividend of 5% gross less 28% income tax for the financial year ended 31st December 1999. (Resolution 2)
3. To approve the payment of directors' fee of RM48,000 for the financial year ended 31st December 1999. (Resolution 3)
4. To re-elect the following Directors retiring under the provisions of the Articles of Association.
 - i) Mr. Lim Kuang Wang (Resolution 4)
 - ii) Y. Bhg. Dato' Mokhtar Bin Hj. Samad (Resolution 5)
5. To re-appoint Messrs Khoo Teng Keat & Co. as Auditors and to authorise the Directors to fix their remuneration. (Resolution 6)
6. As Special Business, to consider and if thought fit, to pass the following as ordinary resolutions:
 - (a) Authority to allot and issue shares in general pursuant to Section 132D of the Companies Act 1965 (Resolution 7)

"That pursuant to Section 132D of the Companies Act, 1965 the Directors be and are hereby authorised with full powers to issue shares in the Company from time to time under the existing Executive Share Option Scheme of the Company ("the Scheme") provided that the aggregate number of the shares to be issued pursuant to this resolution does not exceed the amount approved under the Scheme and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company and that the Directors be and are also empowered to obtain the approval from the Kuala Lumpur Stock Exchange for the listing of and quotation for the additional shares so issued"
 - (b) Authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965. (Resolution 8)

"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 discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10%

of the issued and paid up capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company and that the Directors be and are also empowered to obtain the approval from the Kuala Lumpur Stock Exchange for the listing of and quotation for the additional shares so issued."

- (c) Arrangements / Transactions with directors / persons connected with directors. (Resolution 9)

"That in accordance with Section 132E of the Companies Act 1965, authority be and is hereby given to the Directors of the Company and each of its subsidiaries, to enter into arrangements or transactions from time to time with the Company or its related corporations whereby such directors or persons connected with such directors may acquire from or dispose of to the Company or its related corporations any non cash asset of the requisite value provided that such acquisitions or disposals are in the normal course of business of both the Company and its related corporations and on normal commercial terms, and that for the avoidance of doubt, any such transactions entered into by the Company or its subsidiaries with the Directors or connected persons prior to the date of this resolution be and are hereby approved and ratified."

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

NOTICE OF DIVIDEND PAYMENT

NOTICE IS HEREBY GIVEN that the final dividend of 5% less Malaysian Income Tax at 28% in respect of the financial year ended 31st December 1999, if approved by members at the Annual General Meeting to be held on 23rd June 2000 will be paid on 21st July 2000. The entitlement date for the dividend payment is 3rd July 2000.

A depositor shall qualify for entitlement only in respect of:

- (a) Shares transferred to the depositor's securities account before 12.30 p.m. on 3rd July 2000 in respect of ordinary transfer; and
- (b) Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

BY ORDER OF THE BOARD

KOSSAN RUBBER INDUSTRIES BHD

CHIA ONG LEONG
CHIA YEW NGO
Company Secretaries

31st May 2000

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 Sg Putus, Off Batu 3 3/4, Jalan Kapar, 42100 Klang not less than forty-eight hours before the time for holding the meeting.
3. If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.
4. Authority to directors to issue shares pursuant to Section 132D
 - (a) Resolution 7
The purpose of this Resolution is to enable the Directors of the Company to allot shares to those executives who have exercised their options under the Executive Share Option Scheme.
 - (b) Resolution 8
In line with the Company's plan for expansion/diversification, the Company is actively looking into prospective areas so as to broaden the operating base and earnings potential of the Company. As the expansion/diversification may involve the issue of new shares, the Directors, under present circumstances, would have to call for a general meeting to approve the issue of new shares even though the number involved is less than 10% of the issued and paid up capital. In order to avoid any delay and cost involved in convening a general meeting to approve such issue of shares, it is thus considered appropriate that the Directors be now empowered to issue shares in the Company up to an amount not exceeding in total 10% of the issued and paid up capital of the Company for the time being for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting will expire at the next Annual General Meeting of the Company.
5. Arrangements/Transactions with Directors/persons connected with Directors pursuant to Section 132E

Section 132E of the Companies Act, 1965 prohibits a Company from entering into any arrangement or transaction with a director (or/and person connected with that director) of the Company or its holding Company to acquire from or dispose to such director/person any non cash asset of value greater than RM250,000 or 10% of the Company's net assets, subject to a minimum of RM10,000 without prior approval of the shareholders of the Company in general meeting.

The ordinary resolution proposed under 6(c) above, if passed, will allow the Company and each of its subsidiaries to acquire from or dispose to its directors or connected persons products, services or any other non cash assets which may fall within the value defined above provided that such acquisitions or disposal are on normal commercial terms, and are in the ordinary course of the Company's business.



KOSSAN RUBBER INDUSTRIES BHD
(48166-W)
(INCORPORATED IN MALAYSIA)

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 Twentieth (20th) Annual General Meeting of the Company to be held at Concorde II Level 2, Concorde Hotel Shah Alam, 3, Jalan Tengku Ampuan Zabedah C 9/ C, 40100 Shah Alam on Friday, 23rd June 2000 at 10.30 a.m. or at any adjournment thereof.

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RESOLUTIONS		FOR	AGAINST
Adoption of accounts and reports	- Ordinary Resolution 1		
Approval for payment of dividend	- Ordinary Resolution 2		
Approval of directors' fees	- Ordinary Resolution 3		
Election of directors: (i) Lim Kuang Wang (ii) Dato' Mokhtar Bin Hj. Samad	- Ordinary Resolution 4 - Ordinary Resolution 5		
Appointment of auditors and authorising directors to fix their remuneration	- Ordinary Resolution 6		
Authorise directors to issue shares pursuant to ESOS - Section 132D	- Ordinary Resolution 7		
Authorise directors to issue shares up to 10% of issued capital - Section 132D	- Ordinary Resolution 8		
Arrangements/ Transactions with directors/ persons connected with directors - Section 132E	- Ordinary Resolution 9		

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.

As witness my hand this day of 2000.

NO. OF SHARES HELD

Signature(s) of Shareholder(s)

NOTES:

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

Affix
Stamp

THE SECRETARY

KOSSAN RUBBER INDUSTRIES BHD
WISMA KOSSAN (Co. No. 48166-w)

**Lot 782, Jalan Sg. Putus,
Off Batu 3 $\frac{3}{4}$ Jalan Kapar,
42100 Klang,
Selangor Darul Ehsan.**
