



KOSSAN RUBBER INDUSTRIES BHD
(COMPANY NO. 48166-W)

ANNUAL REPORT 2001



CORPORATE MISSION



PERUSAHAAN GETAH ASAS SDN BHD
HAS BEEN REGISTERED BY
SGS YARSLEY 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



REGISTRATION # :
61-QEC 12558



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

Keeping A Healthy Growth Through Teamwork.

Opting To Be Competitive Through The Provision of
Good Services and Quality Products.

Striving To Reduce Malaysia's Dependence On Imported Rubber Goods.

Stepping Up The Welfare and Professionalism of Our Employees.

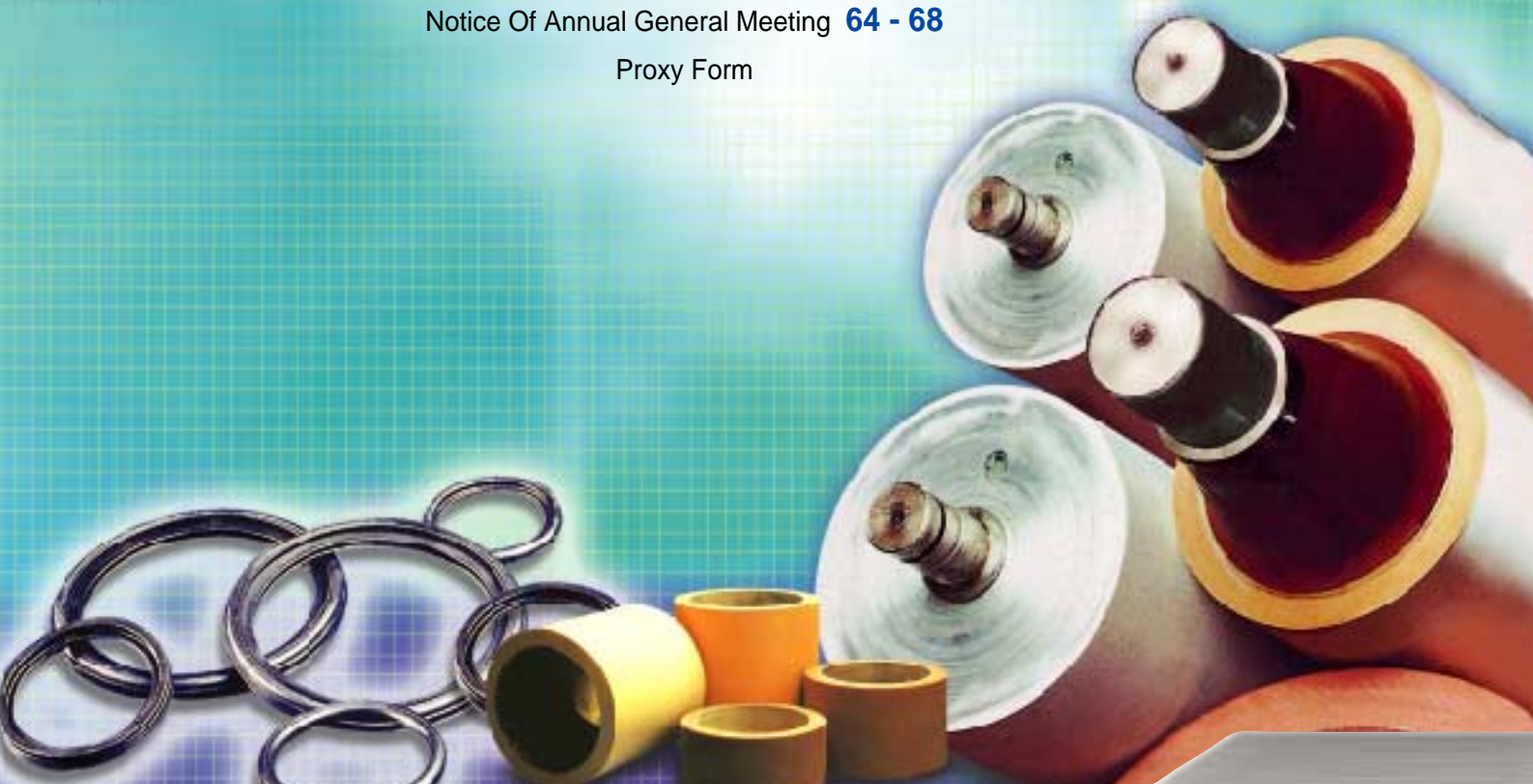
Aspirring To Develop More High Technology Products.

Navigating Towards Malaysia's Vision 2020.



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CORPORATE INFORMATION

BOARD OF DIRECTORS

- Y. Bhg. Dato' Mokhtar bin Hj. Samad, D.S.S.A., A.M.N., P.M.C., P.J.K. (Chairman)
 - Lim Kuang Sia (Chief Executive Officer)
 - Lim Kuang Yong
 - Lim Kuang Wang
 - Lim Kwan Hwa
 - Heng Bak Tan
- Y.B. Dato' Tai Chang Eng @ Teh Chang Ying, A.M.S., P.J.K.
 - Sulaiman bin Mohd Hassan
 - 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.po.my

Website: www.kossan.com

AUDITORS

- Khoo Teng Keat & Co. (AF 0033)

PRINCIPAL BANKERS

- OCBC Bank (Malaysia) Berhad
- Bank Muamalat (Malaysia) Berhad
- United Overseas Bank (Malaysia) Berhad
- EON Bank Berhad

SHARE REGISTRAR

Malaysian Share Registration Services Sdn Bhd

7th Floor, Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur.

Tel: 03-2026 8099 **Fax:** 03-2026 3731

STOCK EXCHANGE LISTING

Kuala Lumpur Stock Exchange - Second Board



Audit Committee Terms of Reference

MEMBERS OF THE COMMITTEE

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

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 11 December 1995.

COMPOSITION

Members of the Committee shall be appointed by the Board from among its members 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 authorized 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

Dear Shareholders,

On behalf of the Board of Directors of Kossan Rubber Industries Bhd., I am pleased to present my maiden statement. I was appointed the non executive Chairman of the Company on 22 February 2002.

Your Group's activities are rubber based. The Industrial Rubber Products Division supply rollers to agriculture, printing and industrial users, moulded and extruded products to automotive, shoe and general industries. These are growth industries and provide consistent growth to your Group.

The Examination Gloves Division supply examination gloves for use in the general consumer and healthcare industries. The products of this division are mainly exported. The increasing use of examination gloves will provide good growth for your Group.

Financial Highlights

In the financial year ended 31 December 2001, your Group recorded an improved performance with profit after taxation and minority interest increasing to RM 3.60 million as compared to RM 2.37 million in 2000. Turnover increased to RM126.38 million as compared to RM 104.65 million in the previous year.

Industrial Rubber Products Division

The Industrial Rubber Products Division saw an improvement of 15 % in turnover to RM 37.40 million. Turnover for 2000 was RM 32.58 million. Profit after tax after minority interest amounted to RM 2.62 million in 2001 compared to RM 2.63 million in the previous year. The performance of Doshin Rubber Products (M) Sdn. Bhd, acquired in April 2001, was to expectation.

Examination Gloves Division

The examination gloves division showed a marked improvement in 2001. Turnover was RM 88.97 million compared to RM71.61 million in the previous year. Performance improved from a loss after tax after minority interest of RM 1.47 million in 2000 to a profit after tax after minority interest of RM 0.98 million in the current year, an improvement of 167 %. While market prices remained weak, the lower cost of production due to lower cost of materials and higher productivity, has resulted in the strong improvement in results.

While the overseas subsidiary in this division recorded losses in the year under review due mainly to the expansion of its operations, your Group is confident this subdivision will once again contribute positively to the performance in the near future when starting up cost tapers off.



REVIEW OF OPERATIONS

Industrial Rubber Products Division

This division continued to show increasing export, especially to the automotive industry. All products made by this division registered good growth.

Examination Gloves Division

The reduction in raw material prices, availability of alternative source of fuel, the stabilization of packaging cost and improvements in production methods have all contributed to better performance of this division, in spite of the weak selling price. Improved productivity had also contributed towards profitability.

Turnover of the overseas subsidiary continued to improve but profitability was dampened by marketing start up cost incurred in expansion of outlets.

PROSPECT FOR 2002

The recovery of the global economy in 2002, albeit slow, coupled with the fast improvement in the US economy augurs well for the Group as exports constitute a high proportion of the Group's turnover.

Barring unforeseen circumstances, your Group expects improvements in all the Divisions, both for the local market as well as the export market. With increasing output rates, wider products mix and range and improved processing methods, both turnover and margins are expected to rise in 2002.

DIVIDEND

The Board of Directors recommends a final dividend of 2 sen per share less income tax at 28% for the financial year ended 31 December 2001 after taking into consideration the Group's cash requirements as the Group continues to grow. The net dividend payment will amount to RM 745,056.

CORPORATE GOVERNANCE

I am pleased to inform that your Company's 2001 Annual Report to shareholders is based on application of the principles of good corporate governance. Your Board fully supports and is committed to ensuring the high standards of corporate governance are practised to protect and enhance shareholders' value.

As is practised in your Group's manufacturing environment, the Group will strive and enhance their efforts so that all the recommended best practices in corporate governance can be followed group wide. As a start, the Company has established the Nomination and Remuneration Committees, to review the appointment to and performance of the Board and to recommend appropriate remuneration packages respectively. Your Board will take pro-active steps to ensure other measures recommended in the Malaysian Code on Corporate Governance are implemented as early as possible.

ACKNOWLEDGEMENT

In closing, allow me to extend my sincere thanks to my colleagues on the Board for their invaluable contributions and guidance. I would also like to take this opportunity to warmly welcome Madam Tong Siew Choo, a new Board member, to the Group. My appreciation also to faithful shareholders, valued customers, bankers, business associates and government authorities for their continued confidence and support.

Finally a very special thanks to all our committed staff for their untiring efforts and effective contributions.

Y. Bhg. Dato' Mokhtar Bin Haji Samad

Chairman
5 June 2002
Klang

Directors' Profile

1. Y. Bhg. Dato' Mokhtar Bin Haji Samad

Y. Bhg Dato' Mokhtar Bin Haji Samad, a Malaysian aged 54, was appointed the non executive chairman of KRIB on 22 February 2002. He is an independent director. He is the chairman of the Audit Committee and a member of the Nomination and Remuneration Committees.

He has a wide variety of business interest and besides KRIB also sits on the board of Metro Kajang Bhd . He is a director in several private companies. He is currently the Adviser to the Persatuan Kontraktor Malaysia, and a member of the Advisory Board to the head of the Dewan Perniagaan Melayu Malaysia, Bandaraya Kuala Lumpur.

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

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

2. Lim Kuang Sia

Mr. Lim Kuang Sia, a Malaysian aged 49, was appointed the Chief Executive Officer of KRIB on 22 February 2002. He is a founder director of KRIB. Mr. 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 KRIB, he has no directorship in other public company. However, he sits on the boards of several private companies.

Mr. Lim is a member of the Audit, Remuneration and Executive Share Option Scheme committees.

Mr. Lim is an indirect substantial shareholder by virtue of his substantial share holdings in Kossan Holdings (M) Sdn. Bhd., a substantial Shareholder of KRIB. He also holds 66,300 shares in his own name.

Mr. Lim is the younger brother of Messrs Lim Kuang Yong, Lim Kuang Wang and Lim Kwan Hwa, the elder brother of Lim Leng Bung, an alternate director, and the brother in law of Mr. Heng Bak Tan.

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

3. Lim Kuang Yong

Mr. Lim Kuang Yong, a Malaysian aged 55, was appointed to the Board of KRIB on 22 October 1979. He has more than 20 years business experience in marine hardware. He is currently in charge of the Examination Gloves Division.

Other than KRIB, he has no directorship in other public company. However, he sits on the boards of several private companies. He is a member of the Executive share Option Scheme Committee.

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

Mr. Lim is the eldest brother of Messrs Lim Kuang Wang, Lim Kwan Hwa, Lim Kuang Sia and Lim Leng Bung and the brother in law of Mr. Heng Bak Tan.

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

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

4. Lim Kuang Wang

Mr. Lim Kuang Wang, a Malaysian aged 53, was appointed to the Board of KRIB on 27 May 1995. He has more than 20 years business experience in trading and manufacturing. He is currently involved in the Examination Gloves Division.

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

Mr. Lim is an indirect substantial shareholder by virtue of his substantial share holdings in Kossan Holdings (M) Sdn. Bhd., a substantial shareholder of KRIB. He also holds 124,800 shares in his own name.

Mr. Lim is the elder brother of Messrs Lim Kwan Hwa, Lim Kuang Sia and Lim Leng Bung, the younger brother of Mr. Lim Kuang Yong and the brother in law of Mr. Heng Bak Tan.

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

5. Lim Kwan Hwa

Mr. Lim Kwan Hwa, a Malaysian aged 51, was appointed to the Board of KRIB on 27 May 1995. He is currently in charge of Kossan Latex Industries (M) Sdn. Bhd., a wholly owned subsidiary of KRIB.

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

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

Mr. Lim is the elder brother of Messrs Lim Kuang Sia and Lim Leng Bung, the younger brother of Messrs Lim Kuang Yong and Lim Kuang Wang and the brother in law of Mr. Heng Bak Tan.

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.

6. Lim Leng Bung

Mr. Lim Leng Bung, a Malaysian aged 38, was appointed to the Board of KRIB on 27 May 1995 as an alternate to Mr Lim Kuang Wang. He currently heads the production portfolio in KRIB.

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

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

Mr. Lim is the youngest brother of Messrs Lim Kuang Yong , Lim Kuang Wang, Lim Kwan Hwa and Lim Kuang Sia and is the brother in law of Mr. Heng Bak Tan.

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

7. Heng Bak Tan

Mr. Heng Bak Tan, a Malaysian aged 52, was appointed to the Board of KRIB on 29 October 1984 as a non executive director. He is non independent. He has more than 10 years experience in rubber moulding and extrusion.

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

Mr. Heng is an indirect major shareholder by virtue of his major share holdings in Kossan Holdings (M) Sdn. Bhd., a substantial shareholder of KRIB.

He is the brother in law of Messrs Lim Kuang Yong, Lim Kuang Wang, Lim Kwan Hwa, Lim Kuang Sia and Lim Leng Bung.

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.

8. Sulaiman Bin Mohd Hassan

En. Sulaiman Bin Mohd Hassan, a Malaysian aged 68, was appointed to the Board of KRIB on 27 May 1995. He is a graduate of the FBI National Academy, USA and obtained a Diploma in Public Administration from the University of Malaya. He served in the Royal Malaysian Police and retired in 1989 with the rank of Senior Assistant Commissioner I. Among the posts he held while in the Royal Malaysian Police were Deputy Director, CID (Narcotic Division) and Chief Police Officer, Johore.

Besides KRIB, he sits on the board of Dai Hwa Holdings (M) Bhd. He is a director in several private companies. Currently he is a Human Resources Director in KRIB. He is also a member of the Executive Share Option Scheme committee.

En. Sulaiman holds 41,600 shares in KRIB. He does not have any family relationship with any director and/or major shareholder of KRIB .

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

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

Directors' Profile

9. Y. B. Dato' Tai Chang Eng @ Teh Chang Ying

Y B Dato Tai Chang Eng @ Teh Chang Ying, a Malaysian aged 56, was appointed to the Board of KRIB on 12 August 1996. He is an independent non executive director. He is the state assemblyman for Port Klang and a councillor in the Klang Municipal Council. He is the chairman of the Nomination and Remuneration Committees and a member of the Audit Committee.

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

He holds 52,000 shares in KRIB.

He does not have any family relationship with any director and/or major shareholder of KRIB. He has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company, other than those disclosed in the financial statements.

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

10. Tong Siew Choo

Madam Tong Siew Choo, a Malaysian aged 41, was appointed to the Board of KRIB 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 has her own audit firm.

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

She holds 5,200 shares in KRIB and does not have any family relationship with any Director and/or major shareholder of KRIB. She also does not have any personal interest in any business arrangement involving KRIB .

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

Statement On Corporate Governance

The Board of Directors is committed to ensuring that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders value and the financial performance of Kossan Rubber Industries Bhd (KRIB). (48166-W). To this end, the Board fully supports the recommendation of the Malaysian Code on Corporate Governance (the "Code").

The Board is currently moving towards full compliance with all the Principles in Part 1 of the Code and is also committed to ensuring adoption of the Best Practices as recommended in Part 2 of the Code. Set out below is a statement of how the Group has applied the Principles of the Code.

THE BOARD OF DIRECTORS

KRIB is led and controlled by an effective Board. The Board meets on a scheduled basis, at least four (4) times a year, with additional meetings convened as necessary. All Board members participate and bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

During the financial year ended 31 December 2001, five (5) Board meetings were held. The Board has delegated specific responsibilities to three (3) committees (Audit, Nomination and Remuneration Committees), the details of which are set out below. These Committees have the authority to examine particular issues and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

Board Composition

The Board has a balanced composition of executive and non-executive directors so that no individual or small group of individuals can dominate the Board's decision making. The Board currently comprises 9 members, of which 5 are Executive Directors and 4 Non-Executive Directors (including the Chairman), 3 of whom are independent. Y. Bhg Dato' Mokhtar Bin Haji Samad has been appointed as a Non-Executive Chairman on 22 February 2002.

Details of the Board movement and attendance at meeting are set out below:

Directors	Designation	Appointment	Resignation	Attendance
Dato' Mokhtar Bin Haji Samad	Chairman-Independent	6.5.1995	-	5/5
Lim Kuang Sia	Chief Executive Officer	14.6.1979	-	5/5
Lim Kuang Yong	Executive Director	22.10.1979	-	4/5
Lim Kuang Wang	"	27.5.1995	-	5/5
Lim Kwan Hwa	"	27.5.1995	-	5/5
Heng Bak Tan	Non Executive Director	29.10.1984	-	5/5
Sulaiman Bin Mohd Hassan	Executive Director	27.5.1995	-	5/5
Dato' Tai Chang Eng @ Teh Chang Yin	Independent- Non Executive Director	12.8.1996	-	5/5
Tong Siew Choo	Independent- Non Executive Director	22.2.2002	-	*
Lim Leng Bung (alternate to Lim Kuang Wang)	Executive Director	27.5.1995	-	-

*Appointed after the last Board meeting for the financial year

Together, the Directors bring a wide range of business and financial experience relevant to the direction of an expanding Group. A brief description of the background of each Director is presented in the Annual Report.

A clear division of responsibility between the Chairman and the Chief Executive Officer exist to ensure that there is a balance of power and authority.

The presence of independent non-executive Directors in the Board provides objectivity and they are of the caliber necessary to carry sufficient weight in Board decisions. Although all the Directors have an equal responsibility for the Group's operations, the role of the independent non-executive Directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined, and take account of the long term interests, not only of the shareholders, but also of stakeholders such as employees, customers, suppliers, and the many communities in which the Group conducts business.

Supply of Information

The Board has unrestricted access to timely and accurate information, necessary in the furtherance of their duties, which is not only quantitative but also other information deemed suitable such as customer satisfaction, product and service quality, market share, market reaction and environmental performance.

All Directors review the Board reports prior to the Board meeting. The reports are issued in sufficient time to enable the Directors to obtain further explanations where necessary, and to be briefed properly before the meeting.

In addition to Group performance discussed at the meeting, there is a schedule of matters reserved specifically for the Board's decision, including the approval of corporate plans and budgets, acquisitions and disposals of assets that are material to the Group, major investments, changes to management and control structure of the Group, including key policies, procedures and authority limits.

All Directors have access to the advices and services of the Company Secretary and where necessary, in the course of their duties, seek independent professional advice at the Group's expense.

AUDIT COMMITTEE

Composition of Members

Chairman

Y Bhg Dato' Mokhtar Bin Haji Samad *

Members

Madam Tong Siew Choo*

YB Dato Tai Chang Eng @ Teh Chang Ying *

Mr. Lim Kuang Sia

*Independent non-executive directors

Membership

The Committee must be appointed from amongst its Directors which fulfils the following requirements:

- a. the Audit Committee must be composed of no fewer than 3 members;
- b. a majority of the members must be independent directors; and
- c. at least one member of the audit committee:
 - i. must be a member of the Malaysian Institute of Accountants (MIA); or
 - ii. if he is not a member of the MIA, he must have at least 3 years' working experience and:
 - * he must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - * he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967

The Chairman shall be an independent, non-executive director. No alternate director is appointed as a member of the Audit Committee. In the event of any vacancy in the Audit Committee resulting in the non-compliance of the above requirements, the Company must fill the vacancy within 3 months.

Terms of Reference

1. The Audit Committee shall be granted the authority to investigate any activity of the Company and its subsidiaries and all employees shall be directed to cooperate as requested by members of the Committee.
2. The Audit Committee shall be empowered to retain persons having special competence as necessary to assist the Committee in fulfilling its responsibilities.
3. The Audit Committee shall provide assistance to the Board in fulfilling its fiduciary responsibilities particularly relating to business ethics, policies, management and control.
4. The Audit Committee, through regularly scheduled meetings, shall maintain a direct line of communication between the Board, External Auditors, Internal Auditors and Management.
5. The Audit Committee shall provide greater emphasis on the audit functions by increasing the objectivity and independence of the External and Internal Auditors and providing a forum for discussion that is independent of the Management.

Authority

The Audit Committee shall have the following authority as empowered by the Board of Directors:

1. Have authority to investigate any matter within its terms of reference;
2. Have the resources which are required to perform its duties;
3. Have full, free and unrestricted access to any information, records, properties and personnel of the Company and any other companies within the Group;
4. Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
5. Be able to obtain independent professional or other advice; and
6. Be able to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

Duties and Responsibilities

1. To review the following and report the same to the Board of Directors of the Company:
 - a. the audit plan with the external auditor;
 - b. with the external auditor, his evaluation of the system of internal controls;
 - c. with the external auditor, his audit report;
 - d. the assistance given by the employees of the Company to the external auditor;
 - e. the adequacy of scope, function and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - f. the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - g. the quarterly results and year end financial statements, prior to the approval by the board of directors, focusing particularly on:
 - i. changes in or implementation of major accounting policy changes;
 - ii. significant and unusual events; and
 - iii. compliance with accounting standards and other legal requirements;
 - h. any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - i. any letter of resignation from the external auditors of the Company; and
 - j. whether there is reason (supported by grounds) to believe that the Company's external auditors is not suitable for reappointment.

2. To recommend the nomination of a person or persons as the External Auditors.
3. To obtain satisfactory response from management on the Internal Audit Reports and reports issued by external auditors.
4. Where review of audit reports of subsidiaries and any related corporations also falls under the jurisdiction of the Committee, all the above mentioned function shall also be performed by the Committee in co-ordination with the Board of Directors of the subsidiaries and related corporations.
5. To review arrangement established by management for compliance with any regulatory or other external reporting requirements, by-laws and regulations related to the KRIB Group's operations.

Meetings

1. The Committee shall meet at least 4 (four) times in a year to discuss any matters raised by the Auditors in discharging their functions. The quorum for a meeting of the Audit Committee shall be two (2) members of which the majority must be independent directors.
2. The Secretary is responsible for the co-ordination of administrative details including calling the meetings, voting and keeping of minutes.
3. In addition to the Committee members, the General Manager and the Finance Manager, may be invited to when audit reports on their companies/departments are tabled for discussion. The presence of External Auditors will be requested when required.
4. The Chairman shall upon the request of the External Auditor, convene a meeting of the Committee to consider any matter the External Auditor believes should be brought to the attention of the directors or shareholders.
5. The auditors have the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Committee when required to do so by the Committee.

During the financial year ended 31 December 2001, the Audit Committee held a total of 5 meetings. The details of the attendance of the Committee members are as follow:

	Date of meeting in 2001				
	23.2.2001	30.5.2001	23.8.2001	23.11.2001	28.12.2001
Director					
Y. Bhg Dato' Mokhtar Bin Haji Samad	√	√	√	√	√
YB Dato' Tai Chang Eng @ Teh Chang Ying	√	√	√	√	√
Mr. Lim Kuang Sia	√	√	√	√	√

Summary of Activities of the Audit Committee

The following activities were performed by the Audit Committee during the financial year ended 31 December 2001;

1. Review the unaudited quarterly financial statements and the Audited Accounts of the Company and the Group and recommending the same for approval by the Board, upon being satisfied that the financial reporting and disclosure requirements of the relevant authorities had been complied with.
2. Review the due diligence reports for the acquisition of business.

Internal Audit Function

The internal audit function for the Group is carried out by the Corporate Governance Department which reports to the Audit Committee and assists the Board of Directors in monitoring and managing risks and internal controls. The Internal Audit is responsible for providing independent assessments for adequate, efficient and effective internal control systems in anticipating potential risks exposure over key business processes within the Group.

Throughout the financial year, audit assignments, investigation and follow-up were carried out on units of operations and subsidiary companies. Areas audited included property management, sales and marketing and IT operations. In addition, the Internal Audit had also performed due diligence review in relation to the acquisitions of businesses. These were carried out as special ad-hoc audit at Management's request. The resulting reports of the audits undertaken were presented to the Audit Committee and forwarded to the Management concerned for attention and necessary actions.

The Management is responsible for ensuring that corrective actions on reported weaknesses as recommended are taken within the required timeframe. The Management is also responsible for ensuring that a written report on action planned or completed is sent to the Chairman of the Audit Committee.

APPOINTMENTS TO THE BOARD.

The Code endorses, as good practice, a formal procedure for appointments to the Board, with a Nomination Committee making recommendations to the Board. The Board has approved the setting up of the Nomination Committee on 28 December 2001.

Nomination Committee

Composition of Members

Chairman

YB Dato' Tai Chang Eng @

Teh Chang Ying *

Members

Y Bhg Dato' Mokhtar Bin Haji Samad*

Madam Tong Siew Choo **

* Independent non executive director

* Appointed to the Board and Nomination Committee on 22.2.2002

The terms of reference approved for the Committee are:

- * To nominate and recommend to the Board , candidates to be appointed as Directors of the Company;
- * To consider in making its recommendations, candidates for directorships proposed by the Chief Executive Officer or by any other senior executive or any director or shareholder;
- * To recommend to the Board, directors to fill the seats on Board committees;
- * To assist the Board in its annual review of its required mix of skills and experience and other qualities, including core competencies which non-executive directors should bring to the Board;
- * To assist the Board in implementing an assessment programme to assess the effectiveness of the Board as a whole, the Committees of the Board and the individual director on an annual basis.

The Committee shall meet at least once a year and a quorum of two (2) is required to convene the meeting.

Re-election of Directors

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting.

Directors' Training

As an integral element of the process of appointing new directors, the Nomination Committee ensures that there is an orientation and education programme for new Board members. Directors will also receive further training from time to time, particularly on relevant new laws and regulations and changing commercial risks.

For the current year, all the Directors have attended the Mandatory Accreditation Programmes as required under the KLSE rulings.

REMUNERATION COMMITTEE

In line with the Code, a Remuneration Committee was set up on 28 December 2001, comprising two (2) non-executive directors, both of whom are independent and the Chief Executive Officer.

Chairman

YB Dato' Tai Chang Eng

@ Teh Chang Ying *

Members

Y Bhg Dato' Mokhtar Bin Haji Samad*

Mr. Lim Kuang Sia **

* Independent, non-executive director

** Non-independent, executive director

The terms of reference approved for the Committee are:

- a) To recommend to the Board, the remuneration packages of all executive directors in all forms inclusive of cash and non-cash benefits, option and privileges granted by the Company. The remuneration packages should be sufficient to attract and retain the directors needed to run the Company successfully.
- b) To review and recommend on an annual basis, all benefits and entitlements of all executive directors.
- c) To establish a formal and transparent procedure for developing a policy on executive remuneration for fixing the remuneration packages of individual directors.

In framing the Group's remuneration policy, the Remuneration Committee may seek, and receives advice from external consultants. It is, nevertheless, the ultimate responsibility of the entire Board to approve the remuneration of executive Directors.

The determination of the remuneration of the non-executive Directors is a matter for the Board as a whole.

Directors' Remuneration

The component parts of remuneration are structured so as to link rewards to corporate and individual performance, in the case of Executive Directors. This is to ensure that the Company attracts, motivates and retains the Directors needed to run the Group successfully. In the case of non-executive directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular non-executive concerned.

A summary of the remuneration of the Directors for the financial year ended 31 December 2001, distinguishing between executive and non-executive Directors in aggregate, with categorization into appropriate components and the number of Directors whose remuneration falls into each successive band of RM50,000 are set out below:

	Executive Directors	Non-Executive Directors	Total
Fees (RM)	90,000	30,000	120,000
Salary (RM)	466,440	-	466,440
EPF (RM)	64,417	-	64,417
Bonus (RM)	70,370	-	70,370
Allowance (RM)	-	-	-
Total (RM)	691,227	30,000	721,227

Directors' Remuneration	Number of Directors	
	Executive	Non- Executive
0-RM50,000	-	6
RM50,001 - RM100,000	1	-
RM100,001 - RM150,000	-	-
RM150,001 - RM200,000	-	-
RM200,001 - RM250,000	1	-
RM250,000 - RM300,000	1	-

Dialogue Between the Company and Investors

The Group values dialogue with investors. The Chief Executive Officer holds regular briefings with research analysts, fund managers and investors to explain the Group's strategy, performance and major developments. However, any information that may be regarded as undisclosed material information about the Group will not be given.

In addition, the Group has established a website at <http://www.kossan.com> which shareholders can access for information and seek clarification on the Group matters. Any queries raised will be responded to in a timely and accurate manner.

Annual General Meeting

At each Annual General Meeting, the Board presents the progress and performance of the Group and encourages shareholders to participate and pose questions to the Board in the Question and Answer session.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

Financial Reporting

In presenting the annual financial statements and quarterly announcement to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. This also applies to other price-sensitive public reports and reports to regulators.

Directors' Responsibility Statement for Preparing the Financial Statement

The Directors are required by the Companies Act 1965 to prepare financial statements for each financial year which have been made out in accordance with the applicable Approved Accounting Standards and give a true and fair view of the state of affairs of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors have:

- * selected suitable accounting policies and applied them consistently;
- * made judgements and estimates that are reasonable and prudent;
- * ensured that all applicable accounting standards have been followed; and
- * prepared financial statements on the on going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and Company have adequate resources to continue its operational existence for the foreseeable future.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1965.

The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

Internal Control

The Directors acknowledge their responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The internal control system involves each business and key management from each business, including the Board, and is designed to meet the Group's particular needs and to manage the risks to which it is exposed. This system, by its nature, can only provide reasonable but not absolute assurance that assets are safeguarded against material loss or unauthorized use and that transactions are properly authorised and recorded.

The Group has in place an on-going process for identifying, evaluating, monitoring and managing the significant risks affecting the Group. The Board reviews the adequacy and integrity of the Group's system of internal controls on a continuous basis.

The key element of the Group's internal control system are described below;

- * clearly defined delegation of responsibilities to committees of the full Board and to operating units, including authorisation levels for all aspects of the business which are set out in an authority matrix.
- * clearly documented internal procedures set out in a series of Standard Operating Manuals.
- * regular and comprehensive information provided to management, covering financial performance and key business indicators, such as staff utilization and cash flow performance.
- * a detailed budgeting process where operation units prepare budgets for the coming year which are approved both at operating unit level and by the Board.
- * monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary.
- * regular visits to operation units by members of the Board and senior management.

Relationship with the Auditors

The Company has established transparent and appropriate relationships with the Company's auditors through the Audit Committee.

The role of the Audit Committee in relation to the external auditors has been described earlier on this statement on corporate governance.

Conflict of Interest

None of the Directors, other than those disclosed in the Directors' Profile, have any family relationships with other Directors and / or major shareholders of the Company nor any personal interest in any business arrangements involving the Company.

Material Contracts

The Company does 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.

Sanctions and / or Penalties Imposed

There were no sanctions and / or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year ended 31 December 2001.

Non-audit fees

During the financial year ended 31 December 2001 there were no non-audit fees paid to the external auditors of the Group.

Report Of The Directors

The Directors have pleasure in submitting their Report together with the Audited Financial Statements of the Group and of the Company for the year ended 31 December 2001.

1. PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and the manufacturing and sales of rubber products. The principal activities of the subsidiaries are stated in Note 4 to the Financial Statements. There were no significant changes in the nature of their activities during the financial year.

2. FINANCIAL RESULTS

	<u>Group</u>	<u>Company</u>
(a) Net profit for the year	<u>RM3,598,979</u>	<u>RM2,514,451</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 dividend of 2% less income tax, amounting to RM745,056 in respect of the year ended 31 December 2000 which had been proposed and shown in the previous report. The Directors now propose a dividend of 2% less income tax, amounting to RM745,056 for the year ended 31 December 2001.

4. SHARE CAPITAL

No share was issued by the Company during the financial year.

5. RESERVES

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

6. EXECUTIVE SHARE OPTION SCHEME

An Executive Share Option Scheme ("ESOS") was implemented on 19 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 at 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 18 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 auditors 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 31 December 2001, 4,141,800 ordinary shares under the ESOS have been offered and accepted but none has 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
YB DATO' MOKHTAR BIN SAMAD, D.S.S.A., A.M.N., P.M.C., P.J.K.
SULAIMAN BIN MOHD. HASSAN
YB DATO' TAI CHANG ENG @ TEH CHANG YING, A.M.S., P.J.K.
LIM LENG BUNG (Alternate to LIM KUANG WANG)
TONG SIEW CHOO (Appointed on 22.2.2002)

- (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-----			
<u>Name</u>		Balance	<u>Bought</u>	<u>Sold</u>	Balance
		<u>1.1.2001</u>			<u>31.12.2001</u>
LIM KUANG SIA	- direct	66,300	0	0	66,300
	- indirect	28,194,400	0	0	28,194,400
LIM KUANG YONG	- direct	0	0	0	0
	- indirect	28,194,400	0	0	28,194,400
HENG BAK TAN	- direct	0	0	0	0
LIM KUANG WANG	- direct	124,800	0	0	124,800
	- indirect	28,194,400	0	0	28,194,400
LIM KWAN HWA	- direct	0	0	0	0
	- indirect	28,194,400	0	0	28,194,400
YB DATO' MOKHTAR BIN SAMAD, D.S.S.A., A.M.N., P.M.C., P.J.K.		0	0	0	0
SULAIMAN BIN MOHD. HASSAN	- direct	41,600	0	0	41,600
LIM LENG BUNG	- direct	0	0	0	0
	- indirect	28,194,400	0	0	28,194,400
YB DATO' TAI CHANG ENG @ TEH CHANG YING, A.M.S., P.J.K.		52,000	0	0	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	0	0	19,000
LIM KUANG YONG	-direct	19,000	0	0	19,000
HENG BAK TAN	-direct	5,000	0	0	5,000
LIM KUANG WANG	-direct	19,000	0	0	19,000
LIM KWAN HWA	-direct	19,000	0	0	19,000
LIM LENG BUNG	-direct	19,000	0	0	19,000

(ii) RELATED COMPANIES

KOSSAN CHEMICAL INDUSTRIES (M) SDN. BHD.

LIM KUANG SIA	-direct	12,498	0	0	12,498
HENG BAK TAN	-direct	2	0	0	2
SULAIMAN BIN MOHD. HASSAN	-direct	50,000	0	0	50,000

KOSSAN JAPAN ROLLERS SDN. BHD.

LIM KUANG SIA	-direct	1	0	0	1
LIM KUANG WANG	-direct	1	0	0	1

PLEASURE LATEX PRODUCTS SDN.BHD.

LIM KUANG SIA	-direct	1	0	0	1
LIM KUANG YONG	-direct	1	0	0	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

<u>Name</u>	<u>As at 1.1.2001</u>	<u>Offered and accepted</u>	<u>Exercised</u>	<u>As at 31.12.2001</u>
LIM KUANG SIA	574,600	0	0	574,600
LIM KUANG YONG	343,200	0	0	343,200
LIM KWAN HWA	343,200	0	0	343,200
SULAIMAN BIN MOHD. HASSAN	275,600	0	0	275,600
LIM LENG BUNG	343,200	0	0	343,200

- (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 option 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 Financial Statements or 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 25 to the Financial Statements.
- (g) In accordance with Articles 104 & 108 of the Articles of Association, MESSRS. LIM KUANG SIA and LIM KUANG YONG and EN.SULAIMAN BIN MOHD. HASSAN, retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

MDM. TONG SIEW CHOO who has been appointed to the Board after the last Annual General Meeting, retires under Article 113 of the Articles of Association and, being eligible, offers herself for re-election.

8. OTHER STATUTORY INFORMATION

- (a) Before the Income Statement 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 :-
- the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent.
 - the values attributed to current assets in the Financial Statements 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 Financial Statements which would render any amount stated in the Financial Statements 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)

26 April 2002

Klang

LIM KUANG YONG
(Director)

Consolidated Balance Sheet

As at 31st December 2001

	Note	2001 RM	2000 RM
NON CURRENT ASSETS			
Property, plant and equipment	3	67,606,197	69,854,045
Associate	5	107,777	0
Other investment	6	53,000	53,000
Goodwill on consolidation		859,329	0
		<u>68,626,303</u>	<u>69,907,045</u>
CURRENT ASSETS			
Inventories	7	16,484,017	18,026,664
Trade receivables	8	40,246,363	34,613,404
Other receivables	9	11,152,467	13,218,971
Fixed deposit with licensed bank	10	24,500	0
Cash and bank balances		1,993,763	587,950
		<u>69,901,110</u>	<u>66,446,989</u>
CURRENT LIABILITIES			
Trade payables		10,756,838	9,326,281
Other payables	11	5,962,282	6,563,667
Proposed dividend		745,056	745,056
Hire purchases liabilities	12	1,457,310	2,031,426
Taxation		615,643	630,753
Bank borrowings	13	29,939,064	29,531,453
		<u>49,476,193</u>	<u>48,828,636</u>
		<u>20,424,917</u>	<u>17,618,353</u>
NET CURRENT ASSETS			
		<u>89,051,220</u>	<u>87,525,398</u>
REPRESENTING :-			
SHARE CAPITAL	14	51,740,000	51,740,000
ACCUMULATED PROFITS		21,240,492	18,386,569
REVALUATION RESERVE	15	3,498,000	3,498,000
SHARE PREMIUM	16	792,763	792,763
RESERVE ON CONSOLIDATION		104,171	104,171
CURRENCY TRANSLATION RESERVE		(5,969)	0
TOTAL CAPITAL AND RESERVES		<u>77,369,457</u>	<u>74,521,503</u>
MINORITY SHAREHOLDER'S INTEREST		833,081	1,478,994
DEFERRED AND LONG TERM LIABILITIES			
Bank borrowings	13	7,237,144	8,120,702
Deferred taxation	17	2,691,400	1,683,468
Hire purchases liabilities	12	920,138	1,720,731
		<u>10,848,682</u>	<u>11,524,901</u>
		<u>89,051,220</u>	<u>87,525,398</u>

Consolidated Income Statement

For the year ended 31st December 2001

	Note	2001 RM	2000 RM
REVENUE	18	126,383,330	104,654,249
OTHER OPERATING INCOME		917,262	2,550,851
		<u>127,300,592</u>	<u>107,205,100</u>
Less			
CHANGES IN INVENTORIES OF FINISHED GOOD AND WORK-IN-PROGRESS		(2,044,774)	(799,444)
RAW MATERIAL AND CONSUMABLE USED		(67,677,327)	(55,538,116)
GOOD PURCHASED FOR RESALES		(2,703,540)	(2,829,717)
STAFF COST		(21,114,121)	(16,911,132)
DEPRECIATION		(7,615,161)	(7,206,316)
OTHER OPERATING EXPENSES		(19,091,211)	(17,826,685)
TOTAL OPERATING EXPENSES		<u>(120,246,134)</u>	<u>(101,111,410)</u>
PROFIT FROM OPERATIONS		<u>7,054,458</u>	<u>6,093,690</u>
Less			
FINANCE COST		(2,524,241)	(2,592,731)
		<u>4,530,217</u>	<u>3,500,959</u>
Add			
SHARE OF PROFIT OF ASSOCIATE		1,965	0
		<u>4,532,182</u>	<u>3,500,959</u>
Add			
PRE-ACQUISITION LOSS		885	0
PROFIT BEFORE TAXATION	19	<u>4,533,067</u>	<u>3,500,959</u>
Less			
TAXATION	20	(1,814,674)	(1,214,098)
PROFIT AFTER TAXATION		<u>2,718,393</u>	<u>2,286,861</u>
Add			
MINORITY INTEREST SHARE OF LOSS		880,586	80,548
NET PROFIT FOR THE YEAR		<u>3,598,979</u>	<u>2,367,409</u>
BASIC EARNINGS PER SHARE (SEN)	21	<u>6.96</u>	<u>4.58</u>
FULLY DILUTED EARNINGS PER SHARE (SEN)	21	<u>6.59</u>	<u>4.41</u>

Consolidated Statement Of Changes In Equity

For the year ended 31st December 2001

		Non-Distributable					
	Share Capital RM	Revaluation Reserve RM	Share Premium RM	Reserve on Consolidation RM	Currency Translation Reserve RM	Accumulated Profit RM	Total RM
At 1st January 2000	51,740,000	3,498,000	796,540	0	0	16,764,216	72,798,756
Acquisition of subsidiaries	0	0	0	104,171	0	0	104,171
Net profit for the year	0	0	0	0	0	2,367,409	2,367,409
Proposed dividend - 2% less income tax	0	0	0	0	0	(745,056)	(745,056)
Bonus issue expenses	0	0	(3,777)	0	0	0	(3,777)
At 31 December 2000	51,740,000	3,498,000	792,763	104,171	0	18,386,569	74,521,503
Currency translation differences, representing net losses not recognised in income statement	0	0	0	0	(5,969)	0	(5,969)
Net profit for the year	0	0	0	0	0	3,598,979	3,598,979
Proposed dividend - 2% less income tax	0	0	0	0	0	(745,056)	(745,056)
At 31 December 2001	51,740,000	3,498,000	792,763	104,171	(5,969)	21,240,492	77,369,457

The attached notes form an integral part of the Financial Statements.

Consolidated Cash Flow Statement

For the year ended 31st December 2001

	Note	2001 RM	2000 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		4,533,067	3,500,959
Adjustments for : -			
Depreciation		7,615,161	7,206,316
Loss on disposal of property, plant and equipment		16,932	0
Profit on disposal of property, plant and equipment		(10,453)	(1,420,109)
Share of profit of associate		(1,965)	0
Pre-acquisition loss		(885)	0
Interest income		(32,327)	0
Provision for doubtful debts		170,875	0
Property, plant and equipment written off		102,107	176
Preliminary expenses written off		0	2,000
Pre-operating expenses		0	10,883
Interest expenses		2,524,241	2,592,731
		<u>10,383,686</u>	<u>8,391,997</u>
Operating profit before working capital changes		14,916,753	11,892,956
(Increase) / decrease in inventories		1,624,934	(2,117,503)
Increase in receivables		(2,759,854)	(11,342,752)
Increase in payables		1,630,328	7,841,795
		<u>495,408</u>	<u>(5,618,460)</u>
Cash generated from operations		15,412,161	6,274,496
Interest received		32,327	0
Interest paid		(2,524,241)	(2,592,731)
Tax paid		(1,260,747)	(1,590,888)
Dividend paid		(745,056)	(1,862,640)
		<u>(4,497,717)</u>	<u>(6,046,259)</u>
Net cash from operating activities		10,914,444	228,237
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		97,626	6,541,877
Purchase of property, plant and equipment		(3,691,372)	(9,749,111)
Refund of club deposit		0	4,200
Acquisition of subsidiary companies	4	(1,504,370)	(989,308)
Investment in an associate		(112,272)	0
		<u>(5,210,388)</u>	<u>(4,192,342)</u>
		5,704,056	(3,964,105)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of hire purchase liabilities		(2,211,554)	(3,058,092)
Bonus issue expenses		0	(3,777)
Term loan received		2,800,000	10,000,000
Repayment of term loans		(6,235,535)	(2,432,281)
		<u>(5,647,089)</u>	<u>4,505,850</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		56,967	541,745
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		(6,285,207)	(6,826,952)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u>(6,228,240)</u>	<u>(6,285,207)</u>
CASH AND CASH EQUIVALENTS			
Cash and bank balances		1,993,763	587,950
Bank overdrafts		<u>(8,222,003)</u>	<u>(6,873,157)</u>
		<u>(6,228,240)</u>	<u>(6,285,207)</u>

The attached notes form an integral part of the Financial Statements.

Company Balance Sheet

As at 31st December 2001

	Note	2001 RM	2000 RM
NON CURRENT ASSETS			
Property, plant and equipment	3	30,075,243	32,015,276
Subsidiaries	4	11,341,429	9,941,429
Other investment	6	53,000	53,000
		<u>41,469,672</u>	<u>42,009,705</u>
CURRENT ASSETS			
Inventories	7	4,665,846	5,217,939
Trade receivables	8	10,341,932	8,932,499
Other receivables	9	46,079,722	43,681,780
Cash and bank balances		283,450	181,639
		<u>61,370,950</u>	<u>58,013,857</u>
CURRENT LIABILITIES			
Trade payables		2,388,541	2,169,674
Other payables	11	3,362,163	2,558,221
Proposed dividend		745,056	745,056
Hire purchases liabilities	12	1,106,426	962,294
Bank borrowings	13	14,176,474	14,537,238
		<u>21,778,660</u>	<u>20,972,483</u>
NET CURRENT ASSETS			
		<u>39,592,290</u>	<u>37,041,374</u>
		<u>81,061,962</u>	<u>79,051,079</u>
REPRESENTING : -			
SHARE CAPITAL			
	14	51,740,000	51,740,000
ACCUMULATED PROFITS			
		18,104,206	16,334,811
REVALUATION RESERVE			
	15	3,498,000	3,498,000
SHARE PREMIUM			
	16	792,763	792,763
TOTAL CAPITAL AND RESERVES		<u>74,134,969</u>	<u>72,365,574</u>
DEFERRED AND LONG TERM LIABILITIES			
Bank borrowings	13	3,933,339	4,012,661
Deferred taxation	17	2,131,000	1,270,000
Hire purchases liabilities	12	862,654	1,402,844
		<u>6,926,993</u>	<u>6,685,505</u>
		<u>81,061,962</u>	<u>79,051,079</u>

The attached notes form an integral part of the Financial Statements.

Company Income Statement

For the year ended 31st December 2001

	Note	2001 RM	2000 RM
REVENUE	18	35,536,341	32,584,672
OTHER OPERATING INCOME		808,285	862,818
		<u>36,344,626</u>	<u>33,447,490</u>
Less			
CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS		82,665	283,232
RAW MATERIAL AND CONSUMABLE USED		(14,741,679)	(13,211,889)
STAFF COSTS		(8,209,867)	(7,564,138)
DEPRECIATION		(2,665,252)	(2,422,575)
OTHER OPERATING EXPENSES		(5,148,392)	(5,590,676)
TOTAL OPERATING EXPENSES		<u>(30,682,525)</u>	<u>(28,506,046)</u>
PROFIT FROM OPERATIONS		<u>5,662,101</u>	<u>4,941,444</u>
Less			
FINANCE COST		(1,386,650)	(1,134,479)
PROFIT BEFORE TAXATION	19	<u>4,275,451</u>	<u>3,806,965</u>
Less			
TAXATION	20	(1,761,000)	(1,176,000)
NET PROFIT FOR THE YEAR		<u>2,514,451</u>	<u>2,630,965</u>
		=====	=====

Company Statement Of Changes In Equity

For the year ended 31st December 2001

		<u>Non-Distributable</u>			
	<u>Share capital</u> RM	<u>Revaluation reserve</u> RM	<u>Share premium</u> RM	<u>Accumulated profit</u> RM	<u>Total</u> RM
At 1 January 2000	51,740,000	3,498,000	796,540	14,448,902	70,483,442
Net profit for the year	0	0	0	2,630,965	2,630,965
Proposed dividend - 2% less income tax	0	0	0	(745,056)	(745,056)
Bonus issue expenses	0	0	(3,777)	0	(3,777)
At 31 December 2000	<u>51,740,000</u>	<u>3,498,000</u>	<u>792,763</u>	<u>16,334,811</u>	<u>72,365,574</u>
Net profit for the year	0	0	0	2,514,451	2,514,451
Proposed dividend - 2% less income tax	0	0	0	(745,056)	(745,056)
At 31 December 2001	<u>51,740,000</u> =====	<u>3,498,000</u> =====	<u>792,763</u> =====	<u>18,104,206</u> =====	<u>74,134,969</u> =====

The attached notes form an integral part of the Financial Statements.

Company Cash Flow Statement

For the year ended 31st December 2001

	2001 RM	2000 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,275,451	3,806,965
Adjustments for : -		
Depreciation	2,665,252	2,422,575
(Profit) / loss on disposal of property, plant and equipment	16,932	(19,866)
Property, plant and equipment written off	102,107	176
Interest expenses	1,386,650	1,134,479
Interest income	(19,169)	0
	<u>4,151,772</u>	<u>3,537,364</u>
Operating profit before working capital changes	8,427,223	7,344,329
(Increase) / decrease in inventories	552,093	(587,063)
Increase in receivables	(5,149,767)	(8,914,196)
Increase in payables	<u>1,329,750</u>	<u>6,733,910</u>
	<u>(3,267,924)</u>	<u>(2,767,349)</u>
Cash generated from operations	5,159,299	4,576,980
Interest received	19,169	0
Interest paid	(1,386,650)	(1,134,479)
Tax paid	(1,063,958)	(1,331,604)
Dividend paid	<u>(745,056)</u>	<u>(1,862,640)</u>
	<u>(3,176,495)</u>	<u>(4,328,723)</u>
Net cash from operating activities	1,982,804	248,257
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	30,700	54,700
Purchase of property, plant and equipment	(265,679)	(1,726,217)
Refund of club deposit	0	4,200
Purchase of investment	<u>(1,400,000)</u>	<u>(2)</u>
	<u>(1,634,979)</u>	<u>(1,667,319)</u>
	347,825	(1,419,062)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase liabilities	(1,005,338)	(839,100)
Bonus issue expenses	0	(3,777)
Term loan received	2,800,000	3,000,000
Repayment of term loans	<u>(2,504,292)</u>	<u>(1,451,662)</u>
	<u>(709,630)</u>	<u>705,561</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(361,805)	(713,601)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	(4,097,213)	(3,383,612)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>(4,459,018)</u>	<u>(4,097,213)</u>
	=====	=====
CASH AND CASH EQUIVALENTS		
Cash and bank balances	283,450	181,639
Bank overdrafts	<u>(4,742,468)</u>	<u>(4,278,852)</u>
	<u>(4,459,018)</u>	<u>(4,097,213)</u>
	=====	=====

The attached notes form an integral part of the Financial Statements.

Notes To The Financial Statements

31st December 2001

1. GENERAL INFORMATION

The principal activities of the Company are investment holding and manufacturing and sales of rubber products. There were no changes in the nature of its activities during the financial year.

At the end of the financial year, the Company has 320 (2000 - 340) employees.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Second Board of the Kuala Lumpur Stock Exchange.

The registered address of the Company is Wisma Kossan, Lot 782, Jalan Sungai Putus, Off Batu 3 $\frac{3}{4}$, Jalan Kapar, 42100 Klang, Selangor.

The Financial Statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26th April 2002

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The Financial Statements of the Group and the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with the provisions of the Companies Act 1965 and applicable approved accounting standards in Malaysia.

b) Revenue Recognition

i) Sale of goods

Revenue relating to sale of goods is recognised net of sales taxes and discounts when transfer of risks and rewards have been completed.

ii) Dividend income

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

iii) interest income

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

c) Basis of Consolidation

Consolidated Financial Statements include the Financial Statement of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits therefrom. Companies acquired or disposed are included in the Consolidated Financial Statements from the date of acquisition or to the date of disposal. Subsidiaries are consolidated using the acquisition method of accounting.

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the Consolidated Financial Statement reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The differences between the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the Consolidated Balance Sheet as goodwill or reserve arising on consolidation. Goodwill is retained in the Consolidated Balance sheet at cost and is written down only when the directors are of the opinion that there is a permanent diminution in value.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the Consolidated Income Statement.

d) Associates

The Group treats as associates those companies in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investment in associates are accounted for in the Consolidated Financial Statements by the equity method of accounting based on the audited or management financial statement of the associates.

The Group's share of post-acquisition profits less losses of associates is included in the Consolidated Income Statement and the Group's interest in associates is stated at cost plus the Group's share of post-acquisition retained profits or accumulated losses and reserves.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

The difference between the purchase consideration and the fair value of net assets acquired is reflected as goodwill or reserve on acquisition. Goodwill is retained in the Consolidated Balance Sheet at cost and is written down only when the directors are of the opinion that there is a permanent diminution in value.

e) Investments

Investment in subsidiaries, associates and other non-current investment are stated at cost less provision for any permanent diminution in value. Such provision is made when there is a decline other than temporary in the value of investments and is recognised as an expense in the period in which the decline occurred. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

f) Currency Conversion and Translation

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at rates of exchange ruling at that date. All exchange differences are taken to the income statement.

Financial Statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are taken to reserves.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used are as follows :-

	<u>2001</u>	<u>2000</u>
	RM	RM
United States Dollar	3.80	3.80
Swiss Franc	2.34	2.35

g) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. Any increase arising from valuation is credited to equity as a revaluation surplus; any decrease is first off set against an increase on earlier valuation in respect of the same property and is thereafter charged to the income statement. Upon the disposal of revalued assets, the amounts in revaluation reserve relating to those assets are transferred directly to retained profits.

Freehold land is not amortised. Building under construction and plant and machinery under construction will only be depreciated upon completion. Depreciation of other property, plant and equipment is provided on a straight line basis to write off the cost of each asset to their residual value over the estimated useful life at the following annual rates : -

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

Freehold land and buildings of the Group have not been revalued since they were first revalued in 1995. The directors have not adopted a policy of regular revaluations of such assets. As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, these assets continue to be stated at their 1995 valuation less accumulated depreciation.

The carrying values of property, plant and equipment are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement a reversal of that impairment loss is recognised as income in the income statement.

h) Inventories

Inventories are stated at the lower of cost (determined on the first-in first out basis) and net realisable value. Cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and an appropriate production overheads.

i) Deferred Taxation

Deferred taxation is provided under the liability method for all material timing differences except where there is reasonable evidence that these timing differences will not reverse in the foreseeable future.

j) Finance Lease and Hire Purchase

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership.

The Group recognises finance leases as assets and liabilities in the Balance Sheets at amounts equal at the inception of the lease to fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payment the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A finance lease gives rise to depreciation expense for the asset as well as a finance expense for each accounting period. The depreciation policy for leased asset is consistent with that for depreciable property, plant and equipment as described in Note 2(g).

k) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and at bank and deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

l) Borrowings

Interest incurred on borrowings relating to the construction and purchase of property, plant and equipment is capitalised until the assets are ready for their intended use.

m) Trade and Other Receivables

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on review of all outstanding amounts as at the balance sheet date.

n) Retirement Benefits

The Group and the Company have no pension plans other than the mandatory contribution to the Employees Provident Fund.

3. PROPERTY, PLANT AND EQUIPMENT

Group - 2001	Cost/Valuation at 1.1.2001	Additions	Disposals/ Deletions	Acquisition of subsidiary	Cost/Valuation at 31.12.2001
	RM	RM	RM	RM	RM
At valuation -					
Freehold land and buildings	17,490,000	0	0	0	17,490,000
At cost -					
Freehold land and buildings	10,994,578	139,175	71,056	960,954	12,023,651
Plant and machinery	61,943,580	2,807,597	118,122	510,414	65,143,469
Motor vehicles	5,123,514	342,112	86,706	101,500	5,480,420
Factory renovation	1,139,605	312,394	0	0	1,451,999
Office furniture and equipment	3,095,789	738,874	92,209	116,546	3,859,000
Factory furniture and fitting	205,378	1,606	0	0	206,984
Electrical installation	817,983	15,368	0	0	833,351
Plant and machinery under construction	0	164,993	0	0	164,993
Office renovation	0	6,098	0	0	6,098
	<u>100,810,427</u>	<u>4,528,217</u>	<u>368,093</u>	<u>1,689,414</u>	<u>106,659,965</u>
	=====	=====	=====	=====	=====

	Accumulated depreciation at 1.1.2001	Depreciation charge for the year	Disposals/ Deletions	Acquisition of subsidiary	Accumulated depreciation at 31.12.2001	Net book value at 31.12.2001
	RM	RM	RM	RM	RM	RM
Freehold land and buildings	1,816,436	443,001	0	90,970	2,350,407	27,163,244
Plant and machinery	23,943,390	5,889,436	28,513	398,978	30,203,291	34,940,178
Motor vehicles	3,095,852	735,798	86,704	101,499	3,846,445	1,633,975
Factory renovation	388,472	105,703	0	0	494,175	957,824
Office furniture and equipment	1,258,324	342,512	46,662	52,657	1,606,831	2,252,169
Factory furniture and fitting	86,557	19,361	0	0	105,918	101,066
Electrical installation	367,351	78,740	0	0	446,091	387,260
Plant and machinery under construction	0	0	0	0	0	164,993
Office renovation	0	610	0	0	610	5,488
	<u>30,956,382</u>	<u>7,615,161</u>	<u>161,879</u>	<u>644,104</u>	<u>39,053,768</u>	<u>67,606,197</u>
	=====	=====	=====	=====	=====	=====

Group - 2000	Cost/Valuation at 1.1.2000	Additions	Disposals	Transfers	Acquisition of subsidiary	Cost/Valuation at 31.12.2000
	RM	RM	RM	RM	RM	RM
At valuation - Freehold land and buildings	17,490,000	0	0	0	0	17,490,000
At cost - Freehold land and buildings	10,802,955	4,157,335	3,965,712	0	0	10,994,578
Plant and machinery	51,104,843	6,530,736	576,732	4,805,649	79,084	61,943,580
Motor vehicles	4,256,246	982,026	164,547	0	49,789	5,123,514
Factory renovation	827,208	294,148	0	0	18,249	1,139,605
Office furniture and equipment	1,900,273	729,092	199	0	466,623	3,095,789
Factory furniture and fitting	205,093	285	0	0	0	205,378
Electrical installation	817,983	0	0	0	0	817,983
Plant and machinery under construction	4,805,649	0	0	(4,805,649)	0	0
	<u>92,210,250</u>	<u>12,693,622</u>	<u>4,707,190</u>	<u>0</u>	<u>613,745</u>	<u>100,810,427</u>
	=====	=====	=====	=====	=====	=====
	Accumulated depreciation at 1.1.2000	Depreciation charge for the year	Disposals	Acquisition of subsidiary	Accumulated depreciation at 31.12.2000	Net book value at 31.12.2000
	RM	RM	RM	RM	RM	RM
Freehold land and buildings	1,440,593	375,843	0	0	1,816,436	26,668,142
Plant and machinery	18,411,070	5,586,094	179,894	56,321	23,873,591	38,069,989
Motor vehicles	2,410,357	730,403	18,972	43,863	3,165,651	1,957,863
Factory renovation	307,339	81,065	0	68	388,472	751,133
Office furniture and equipment	742,970	334,681	23	180,696	1,258,324	1,837,465
Factory furniture and fitting	67,175	19,382	0	0	86,557	118,821
Electrical installation	288,503	78,848	0	0	367,351	450,632
	<u>23,668,007</u>	<u>7,206,316</u>	<u>198,889</u>	<u>280,948</u>	<u>30,956,382</u>	<u>69,854,045</u>
	=====	=====	=====	=====	=====	=====

Company - 2001	Cost/Valuation at 1.1.2001	Additions	Disposals/ Deletions	Cost/Valuation at 31.12.2001
	RM	RM	RM	RM
At valuation -				
Freehold land and buildings	14,437,000	0	0	14,437,000
At cost -				
Freehold land and buildings	4,877,493	5,680	71,056	4,812,117
Plant and machinery	21,031,988	689,127	55,700	21,665,415
Motor vehicles	2,734,781	32,000	0	2,766,781
Factory renovation	133,158	0	0	133,158
Office furniture and equipment	1,526,696	148,152	86,300	1,588,548
	<u>44,741,116</u>	<u>874,959</u>	<u>213,056</u>	<u>45,403,019</u>

	Accumulated depreciation at 1.1.2001	Depreciation charge for the year	Disposals/ Deletions	Accumulated depreciation at 31.12.2001	Net book value at 31.12.2001
	RM	RM	RM	RM	RM
Freehold land and buildings	1,255,499	258,599	0	1,514,098	17,735,019
Plant and machinery	9,198,286	2,010,074	22,563	11,185,797	10,479,618
Motor vehicles	1,481,190	252,687	0	1,733,877	1,032,904
Factory renovation	94,759	5,826	0	100,585	32,573
Office furniture and equipment	696,106	138,066	40,753	793,419	795,129
	<u>12,725,840</u>	<u>2,665,252</u>	<u>63,316</u>	<u>15,327,776</u>	<u>30,075,243</u>

Company - 2000	Cost/Valuation at 1.1.2000	Additions	Disposals	Cost/Valuation at 31.12.2000
	RM	RM	RM	RM
At valuation -				
Freehold land and buildings	14,437,000	0	0	14,437,000
At cost -				
Freehold land and buildings	4,757,874	119,619	0	4,877,493
Plant and machinery	17,723,120	3,308,868	0	21,031,988
Motor vehicles	1,917,953	921,461	104,633	2,734,781
Factory renovation	133,158	0	0	133,158
Office furniture and equipment	1,357,680	169,215	199	1,526,696
	<u>40,326,785</u>	<u>4,519,163</u>	<u>104,832</u>	<u>44,741,116</u>

	Accumulated depreciation at 1.1.2000	Depreciation charge for the year	Disposals	Accumulated depreciation at 31.12.2000	Net book value at 31.12.2000
	RM	RM	RM	RM	RM
Freehold land and buildings	1,042,907	212,592	0	1,255,499	18,058,994
Plant and machinery	7,418,010	1,780,276	0	9,198,286	11,833,702
Motor vehicles	1,263,994	286,995	69,799	1,481,190	1,253,591
Factory renovation	87,372	7,387	0	94,759	38,399
Office furniture and equipment	560,804	135,325	23	696,106	830,590
	<u>10,373,087</u>	<u>2,422,575</u>	<u>69,822</u>	<u>12,725,840</u>	<u>32,015,276</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. 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, 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-----	
	<u>2001</u> RM	<u>2000</u> RM	<u>2001</u> RM	<u>2000</u> RM
Freehold land and buildings	9,063,150	9,175,752	7,069,390	7,163,713
	=====	=====	=====	=====

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

	-----GROUP-----		-----COMPANY-----	
	<u>2001</u> RM	<u>2000</u> RM	<u>2001</u> RM	<u>2000</u> RM
Plant and machinery	2,578,125	6,425,895	1,814,909	2,093,402
Motor vehicles	1,018,664	1,037,375	821,167	980,848
	3,596,789	7,463,270	2,636,076	3,074,250
	=====	=====	=====	=====

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM4,528,217 (2000 - RM12,693,622) and RM874,959 (2000 - RM4,519,163) respectively of which RM836,845 (2000 - RM2,944,511) and RM609,280 (2000 - RM2,792,946) respectively were acquired by means of finance lease arrangements.

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

	-----GROUP-----		-----COMPANY-----	
	<u>2001</u> RM	<u>2000</u> RM	<u>2001</u> RM	<u>2000</u> RM
Freehold land and buildings	17,042,682	16,431,958	13,319,836	13,516,559
Plant and machinery	5,681,994	6,912,860	2,582,915	3,129,949
	22,724,676	23,344,818	15,902,751	16,646,508
	=====	=====	=====	=====

Included in property, plant and equipment of the Group and the Company are fully depreciated assets which are still in use costing RM5,420,135 (2000 - RM3,189,132) and RM2,740,767 (2000 - RM1,567,504) respectively.

4. SUBSIDIARIES

	-----COMPANY-----	
	<u>2001</u>	<u>2000</u>
	RM	RM
Unquoted shares, at valuation	9,691,425	9,691,425
Unquoted shares, at cost	1,650,004	250,004
	11,341,429	9,941,429
	=====	=====

a) The subsidiaries are as follows : -

<u>Name</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>% of shareholding</u>	
			<u>2001</u>	<u>2000</u>
i) Kossan Latex Industries (M) Sdn. Bhd.	Manufacturing of latex examination gloves	Malaysia	100%	100%
ii) Perusahaan Getah Asas Sdn. Bhd.	Manufacturing of latex examination gloves	Malaysia	100%	100%
iii) Kossan Engineering (M) Sdn. Bhd.	Fabrication and installation of machinery	Malaysia	100%	100%
iv) Ideal Quality Sdn. Bhd.	Trading of latex examination gloves	Malaysia	100%	100%
v) Top Calibre Sdn. Bhd.	Investment holding	Malaysia	100%	100%
+vi) Envi-Care Sdn. Bhd.	Investment holding	Malaysia	100%	100%
#+vii) Normandin Pacific Holdings Corp.	Trading of latex examination gloves	United States of America	51%	51%
viii) Doshin Rubber Products (M) Sdn. Bhd.	Manufacturing and dealing in all kind of rubber products	Malaysia	70%	0
+ix) Quality Profile Sdn. Bhd.	Dormant	Malaysia	70%	0

+ Sub-subsidiary companies

The Financial Statements of the sub-subsidiary which are not material to the Group are consolidated based on unaudited Financial Statement. This subsidiary is not required to be audited in its country of incorporation.

b) Acquisition of subsidiaries

On 20 February 2001, the Group acquired 70% equity interest in Doshin Rubber Products (M) Sdn. Bhd. for a cash consideration of RM1,400,000.

On 23 November 2001, the Group through Doshin Rubber Products (M) Sdn. Bhd., a 70% subsidiary acquired 100% equity interest in Quality Profile Sdn. Bhd. for a cash consideration of RM2.

The effect of the acquisition on the financial results of the Group from the date of acquisition to 31 December 2001 is as follows : -

	<u>2001</u> RM
Revenue	1,859,577
Operating costs	(1,703,643)
Pre-acquisition loss	885
Net profit / (loss)	<u>156,819</u> =====

The summary of effects of the acquisition on the financial position of the Group as at 31 December 2001 is as follows : -

	<u>2001</u> RM
Property, plant and equipment	1,271,172
Inventories	105,791
Goodwill on consolidation	6,900
Trade and other receivables	626,121
Cash and bank balances	2,495
Trade and other payables	(1,003,893)
Bank overdraft	(69,523)
Minority interest	(281,719)
Group's share of net assets	<u>657,344</u> =====

The fair value of the assets acquired and liabilities assumed from the acquisition of the subsidiaries is as follows : -

	<u>2001</u> RM	<u>2000</u> RM
Property, plant and equipment at net book value	1,045,310	332,797
Inventories	82,287	2,020,948
Trade and other receivables	650,741	1,186,971
Cash and bank balances	3,111	530,697
Trade and other payables	(898,624)	(900,578)
Expenditure carried forward	0	12,883
Bank overdraft	(107,479)	0
Minority interest	(234,673)	(1,559,542)
Net assets acquired	<u>540,673</u>	1,624,176
Reserve on consolidation	859,329	(104,171)
Purchase consideration	<u>1,400,002</u>	1,520,005
Less		
Cash and bank acquired	104,368	(530,697)
Net cash used for acquisition of subsidiary companies	<u>1,504,370</u> =====	<u>989,308</u> =====

5. ASSOCIATE

	-----GROUP-----	
	<u>2001</u> RM	<u>2000</u> RM
Unquoted shares, at cost	112,272	0
Add		
Group share of post acquisition profit	1,474	0
	<u>113,746</u>	<u>0</u>
Less		
Exchange adjustments	(5,969)	0
	<u>107,777</u>	<u>0</u>
	=====	=====
Represented by : -		
Share of net tangible assets	124,771	0
Reserve on acquisition	(16,994)	0
	<u>107,777</u>	<u>0</u>
	=====	=====

The associate is Kossan Europa AG, a company incorporated in Switzerland in which the Group hold 48% (2000 - NIL) of its issued equities.

The associate is principally involved in trading of industrial rubber products.

6. OTHER INVESTMENTS

	-----GROUP-----		-----COMPANY-----	
	<u>2001</u> RM	<u>2000</u> RM	<u>2001</u> RM	<u>2000</u> RM
Investment in club membership, at cost	53,000	53,000	53,000	53,000
	=====	=====	=====	=====

7. INVENTORIES

	-----GROUP-----		-----COMPANY-----	
	<u>2001</u> RM	<u>2000</u> RM	<u>2001</u> RM	<u>2000</u> RM
At cost -				
Raw material	5,188,241	9,534,578	2,852,553	3,487,311
Finished goods	10,284,647	7,977,015	1,344,007	1,249,266
Work-in-progress	1,011,129	515,071	469,286	481,362
	<u>16,484,017</u>	<u>18,026,664</u>	<u>4,665,846</u>	<u>5,217,939</u>
	=====	=====	=====	=====

8. TRADE RECEIVABLES

	-----GROUP-----		-----COMPANY-----	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	RM	RM	RM	RM
Gross debtors	40,677,698	34,873,864	10,602,392	9,192,959
Less				
Provision for doubtful debts	431,335	260,460	260,460	260,460
	<u>40,246,363</u>	<u>34,613,404</u>	<u>10,341,932</u>	<u>8,932,499</u>
	=====	=====	=====	=====

9. OTHER RECEIVABLES

	-----GROUP-----		-----COMPANY-----	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	RM	RM	RM	RM
Due from subsidiaries	0	0	37,013,553	37,500,471
Receivable from disposal of property	0	5,875,137	0	0
Due from related companies	726,971	22,574	162,698	0
Sundry receivables and deposits	10,425,496	7,321,260	8,903,471	6,181,309
	<u>11,152,467</u>	<u>13,218,971</u>	<u>46,079,722</u>	<u>43,681,780</u>
	=====	=====	=====	=====

Included in sundry receivables and deposits of the Group and the Company is an amount of RM5,503,990 (2000 - NIL) being part payment of purchase of machinery as referred to in Note 24.

The amounts due from subsidiaries and related companies are unsecured, interest free and have no fixed terms of repayment.

10. FIXED DEPOSIT WITH LICENSED BANK

The fixed deposit with licensed bank is pledged to a bank for banking facilities granted to a subsidiary.

11. OTHER PAYABLES

	-----GROUP-----		-----COMPANY-----	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	RM	RM	RM	RM
Due to subsidiaries	0	0	1,687,195	13,000
Due to related companies	437,114	1,192,899	18,975	0
Due to holding company	21,805	749,380	0	727,573
Sundry payables	5,503,363	4,621,388	1,655,993	1,817,648
	<u>5,962,282</u>	<u>6,563,667</u>	<u>3,362,163</u>	<u>2,558,221</u>
	=====	=====	=====	=====

The amount due to subsidiaries, related companies and holding company are unsecured, interest free and have no fixed terms of repayment.

The holding company is KOSSAN HOLDINGS (M) SDN. BHD., a company incorporated in Malaysia, which owns 54% (2000 - 54%) of the Company's issued equities.

12. HIRE PURCHASES LIABILITIES

	-----GROUP-----		-----COMPANY-----	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	RM	RM	RM	RM
Future minimum payments are as follows : -				
Payable within one year	1,588,779	2,301,501	1,239,466	1,145,566
Payable between one and five years	991,459	1,837,566	907,553	1,505,552
	<u>2,580,238</u>	<u>4,139,067</u>	<u>2,147,019</u>	<u>2,651,118</u>
Less				
Finance charges	202,790	386,910	177,939	285,980
	<u>2,377,448</u>	<u>3,752,157</u>	<u>1,969,080</u>	<u>2,365,138</u>
	=====	=====	=====	=====
Representing by hire purchases liabilities : -				
Due within 12 months	1,457,310	2,031,426	1,106,426	962,294
Due after 12 months	920,138	1,720,731	862,654	1,402,844
	<u>2,377,448</u>	<u>3,752,157</u>	<u>1,969,080</u>	<u>2,365,138</u>
	=====	=====	=====	=====

The hire purchase liabilities carries interest ranging from 4.80% to 7.85% (2000 - 4.90% to 8.54%) per annum.

13. BANK BORROWINGS

	-----GROUP-----		-----COMPANY-----	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	RM	RM	RM	RM
Long term borrowings				
Secured				
Term loans	6,647,482	7,875,117	2,373,810	3,072,842
Unsecured				
Term loans	3,749,097	3,606,451	3,627,877	2,633,138
Total long term borrowings	10,396,579	11,481,568	6,001,687	5,705,980
Less				
Due within 12 months	3,159,435	3,360,866	2,068,348	1,693,319
Due after 12 months	7,237,144	8,120,702	3,933,339	4,012,661
	=====	=====	=====	=====
Short term borrowings				
Secured				
Term loans				
due within 12 months	1,530,248	3,544,957	560,381	699,032
Trust receipts	17,212	27,716	17,212	27,716
Banker acceptance	9,220,968	7,587,363	2,029,000	2,855,000
Revolving credit	5,505,113	5,505,523	1,505,113	1,505,523
Bank overdraft	1,069,523	1,000,000	1,000,000	1,000,000
	17,343,064	17,665,559	5,111,706	6,087,271
Unsecured				
Term loans				
due within 12 months	1,629,187	1,815,909	1,507,967	994,287
Banker acceptance	0	162,000	0	162,000
Revolving credit	3,814,333	4,014,828	3,814,333	4,014,828
Bank overdrafts	7,152,480	5,873,157	3,742,468	3,278,852
	12,596,000	11,865,894	9,064,768	8,449,967
Due within 12 months	29,939,064	29,531,453	14,176,474	14,537,238
	=====	=====	=====	=====

Secured borrowings are secured as follows : -

- i) certain properties of the Group;
- ii) properties belonging to certain Directors of the Company;
- iii) joint and several guarantee by certain Directors of the Company; and
- iv) guarantee by holding company.

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

Term loans, trust receipts and bank overdrafts carry interest ranging from 0.8% to 1.75% above the banks' base lending rates per annum. Banker acceptance and revolving credit facilities carry interest at 0.3% to 1.25% above the prevailing interbank rate per annum.

14. SHARE CAPITAL

	<u>2001</u> RM	<u>2000</u> RM
Authorised :		
150,000,000 ordinary shares of RM1 each	150,000,000 =====	150,000,000 =====
Issued and Fully Paid :		
51,740,000 ordinary share of RM1 each	51,740,000 =====	51,740,000 =====

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 at 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 share) 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 auditors 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 2001, 4,141,800 ordinary shares under the ESOS have been offered and accepted but none has been exercised.

15. 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.

16. SHARE PREMIUM

	<u>2001</u> RM	<u>2000</u> RM
At beginning of the year	792,763	796,540
Less		
Bonus issue expenses	0	3,777
At end of the year	<u>792,763</u> =====	<u>792,763</u> =====

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

17. DEFERRED TAXATION

	-----GROUP-----		-----COMPANY-----	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	RM	RM	RM	RM
At beginning of the year	1,683,468	949,000	1,270,000	504,000
Transfer to income statement	930,932	734,468	861,000	766,000
Acquisition of subsidiaries	77,000	0	0	0
At end of the year	2,691,400	1,683,468	2,131,000	1,270,000
	=====	=====	=====	=====

The deferred taxation provision at end of the financial year comprises tax effects of : -

	-----GROUP-----		-----COMPANY-----	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	RM	RM	RM	RM
Timing differences between depreciation and capital allowance on property, plant and equipment	2,691,400	1,683,468	2,131,000	1,270,000
	=====	=====	=====	=====

Deferred taxation amounting to RM385,000 (2000 - RM385,000) is not provided on the surplus arising from the revaluation of freehold land and buildings as it is not the intention of the directors to dispose these properties.

18. REVENUE

	-----GROUP-----		-----COMPANY-----	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	RM	RM	RM	RM
Sale of industrial rubber products and examination gloves	126,351,003	104,654,249	35,517,172	32,584,672
Interest income	32,327	0	19,169	0
	126,383,330	104,654,249	35,536,341	32,584,672
	=====	=====	=====	=====

19. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging : -

	-----GROUP-----		-----COMPANY-----	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	RM	RM	RM	RM
Directors' fees	120,000	48,000	120,000	48,000
Directors' salaries and allowances	1,523,807	1,724,900	601,227	597,504
Auditors' remuneration	61,850	54,550	25,000	22,000
Rental of premises	958,038	776,887	51,285	135,969
Overdraft interest	507,438	524,829	271,877	291,350
Hire purchase interest	211,199	803,844	197,227	206,996
Trust receipts interest	0	439	0	439
Bankers' acceptance interest	364,406	317,881	92,749	88,056
Term loan interest	1,036,198	565,893	583,811	343,027
Depreciation	7,615,161	7,206,316	2,665,252	2,422,575
Revolving credit interest	426,621	379,767	240,986	204,611
Property, plant and equipment written off	102,107	176	102,107	176
Loss on disposal of property, plant and equipment	16,932	0	16,932	0
Preliminary expenses written off	0	2,000	0	0
Pre-operating expenses written off	0	10,833	0	0
Hire of equipment	4,200	0	0	0
Bad and doubtful debts	170,875	0	0	0
	=====	=====	=====	=====

AND CREDITING : -

Fixed deposit interest received	32,327	0	19,169	0
Profit on disposal of property, plant and equipment	10,453	1,420,109	0	19,866
Rental income	150,600	234,000	234,600	234,000
Gain on foreign exchange differences	556,832	421,813	78,845	31,020
	=====	=====	=====	=====

20. TAXATION

	-----GROUP-----		-----COMPANY-----	
	<u>2001</u> RM	<u>2000</u> RM	<u>2001</u> RM	<u>2000</u> RM
Current year's provision -				
Malaysia	(968,000)	(450,920)	(900,000)	(410,000)
Outside Malaysia	0	(28,710)	0	0
	(968,000)	(479,630)	(900,000)	(410,000)
Over / (under) provision in previous years	84,749	0	0	0
Share of tax of associate	(491)	0	0	0
Provision for deferred taxation	(930,932)	(734,468)	(861,000)	(766,000)
	(1,814,674)	(1,214,098)	(1,761,000)	(1,176,000)
	=====	=====	=====	=====

The effective rate of taxation of the Group is higher than the statutory rate as loss of a subsidiary cannot be set off against profits made by other companies in the Group.

As at 31 December 2001, the Group and the Company have tax exempt profit amounting to approximately RM68,183,000 (2000 - RM62,686,000) and RM31,649,000 (2000 - RM31,649,000) respectively which subject to confirmation by the Inland Revenue Board, is available for distribution as tax exempt dividend.

As at 31 December 2001, the Company has sufficient tax credit to frank the payment of dividend amounting to approximately RM13,246,000 (2000 - RM10,080,000) without incurring additional tax liabilities.

21. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the Group net profit for the year of RM3,598,979 (2000 - RM2,367,409) by 51,740,000 (2000 - 51,740,000) shares in issue during the financial year.

The diluted earnings per share is calculated by dividing the Group net profit for the year of RM3,598,979 (2000 - RM2,367,409) by the weighted average number of 54,598,440 (2000 - 53,635,920) ordinary shares on the assumption that all the options granted under the Company's Executive Share Option Scheme were exercised on the date the options were exercisable.

22. SEGMENTAL ANALYSIS - GROUP

ANALYSIS BY ACTIVITIES REVENUE AND EXPENSES	Industrial rubber products		Examination gloves		Others		Total	
	<u>2001</u> RM	<u>2000</u> RM	<u>2001</u> RM	<u>2000</u> RM	<u>2001</u> RM	<u>2000</u> RM	<u>2001</u> RM	<u>2000</u> RM
Revenue -								
External sales	37,395,918	32,584,672	88,974,276	71,607,804	13,136	461,773	126,383,330	104,654,249
Results -								
Segment results	5,895,601	4,941,445	1,157,169	(62,407)	1,688	1,214,652	7,054,458	6,093,690
Finance cost, net							(2,524,241)	(2,592,731)
Share of results of associate	0	0	0	0	1,965	0	1,965	0
Pre-acquisition loss	885	0	0	0	0	0	885	0
Taxation							(1,814,674)	(1,214,098)
Profit after taxation							2,718,393	2,286,861
							=====	=====
ASSETS AND LIABILITIES								
Segment assets	57,846,162	52,581,662	80,182,963	77,527,752	561,386	6,244,620	138,419,636	136,354,034
Investment in equity method of associate	0	0	0	0	107,777	0	107,777	0
Consolidated total assets							138,527,413	136,354,034
							=====	=====
Segment liabilities	28,373,593	27,644,988	32,000,860	29,614,146	818,503	4,573,397	61,192,956	61,832,531
							=====	=====
OTHER INFORMATION								
Capital expenditure	1,176,809	4,519,163	3,351,408	4,207,795	0	3,965,712	4,528,217	12,692,670
Depreciation	2,741,240	2,422,575	4,873,921	4,783,742	0	0	7,615,161	7,206,317
Non-cash expenses other than depreciation	362,567	260,636	170,875	0	0	0	533,442	260,636

Analysis by geographical location has not been presented as operation of Group outside Malaysia is immaterial.

23. CONTINGENT LIABILITIES - UNSECURED

As at 31st December 2001, the Company has outstanding unsecured contingent liabilities amounting to RM62,400,000 (2000 - RM63,600,000) being corporate guarantees given to banks for banking facilities granted to certain subsidiaries and RM800,000 (2000 - NIL) being trade and performance guarantee extended to a subsidiary.

24. CAPITAL COMMITMENT

	-----GROUP-----		-----COMPANY-----	
	<u>2001</u> RM	<u>2000</u> RM	<u>2001</u> RM	<u>2000</u> RM
Capital expenditure - approved and contracted for	5,700,000	0	5,700,000	0
	=====	=====	=====	=====

25. SIGNIFICANT RELATED PARTY TRANSACTIONS - GROUP

<u>Related parties</u>	<u>relationship</u>	<u>Type of Transaction</u>	<u>2001 RM</u>	<u>2000 RM</u>
<u>Group</u>				
Kossan Holdings (M) Sdn. Bhd.	Holding company	Management fee receivable	30,000	30,000
Lim Kuang Wang	Director	Rental payable	11,400	68,400
Kossan Chemical Industries (M) Sdn. Bhd.	Subsidiary of holding company	Rental payable	288,000	288,000
Kossan Japan Rollers Sdn. Bhd.	Subsidiary of holding company	Rental receivable	150,000	150,000
Pleasure Latex Product Sdn. Bhd.	Subsidiary of holding company	Rental receivable	84,000	84,000
Kossan Paint (M) Sdn. Bhd.	Subsidiary of holding company	Sales	327,738	303,913
Kossan Japan Rollers sdn. Bhd.	Subsidiary of holding company	Sales	39,804	63,604
Pleasure Latex Product Sdn. Bhd.	Subsidiary of holding company	Sales	210	3,643
Kossan Paint (M) Sdn. Bhd.	Subsidiary of holding company	Purchase of consumables	59,721	8,350
Kossan Paint (M) Sdn. Bhd.	Subsidiary of holding company	Purchase of raw materials	475,933	332,245
HT Ceramics (M) Sdn. Bhd.	Corporation in which Mr. Lim Kuang Yong has financial interest	Purchase of formers	1,261,326	891,350
Kossan F.R.P. Industries (M) Sdn. Bhd.	Corporation in which Messrs. Lim Kuang Yong and Lim Kuang Wang have financial interest	Purchase of consumables	215,221	1,222,731
<u>Company</u>				
Perusahaan Getah Asas Sdn. Bhd.	Subsidiary	Management fee receivable	60,000	60,000
Kossan Latex Industries (M) Sdn. Bhd.	Subsidiary	Management fee receivable	120,000	120,000
Kossan Engineering (M) Sdn. Bhd.	Subsidiary	Management fee receivable	0	60,000
Perusahaan Getah Asas Sdn. Bhd.	Subsidiary	Marketing fee receivable	42,000	42,000
Kossan Latex Industries (M) Sdn. Bhd.	Subsidiary	Marketing fee receivable	108,000	108,000
Perusahaan Getah Asas Sdn. Bhd.	Subsidiary	Rental receivable	84,000	84,000
Lim Kuang Wang	Director	Rental payable	11,400	68,400
Kossan Japan Rollers Sdn. Bhd.	Subsidiary of holding company	Rental receivable	150,000	158,000
Kossan Paint (M) Sdn. Bhd.	Subsidiary of holding company	Sales	327,738	303,913
Kossan Japan Rollers Sdn. Bhd.	Subsidiary of holding company	Sales	39,804	63,604
Kossan F.R.P. Industries (M) Sdn. Bhd.	Corporation in which Messrs. Lim Kuang Yong and Lim Kuang Wang have financial interest	Purchase of consumables	15,393	11,995

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.

26. SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

On 4th February 2002, Doshin Rubber Products (M) Sdn. Bhd. a 70% owned subsidiary of the Company has entered into a Sale and Purchase Agreement to dispose of a piece of industrial land and building to See Chuan Holding Sdn. Bhd. for a consideration of RM1,260,000 and generating an estimated net profit of approximately RM400,000 for the year ending 31st December 2002 to the Group.

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

FINANCIAL STATEMENTS

31st December 2001

We have audited the Financial Statements set out on pages 30 to 58. These Financial Statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these Financial Statement based on our audit.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the Financial Statements are free of material misstatement. Our audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the Financial Statements. Our audit also includes an assessment of the accounting principles used and significant estimates made by directors, as well as an evaluation of the overall presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion : -

- a) the Financial Statement 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 2001 and of their results and cash flows 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 Financial Statements of the Group and of the Company.
- 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 Financial Statements of the subsidiaries that have been consolidated with the Company's Financial Statements are in form and content appropriate and proper for the purpose of the preparation of the consolidated Financial Statement and we have received satisfactory information and explanations required by us for those purpose.

As for Normandin Pacific Holdings Corp. which is incorporated in the United States of America, its Financial Statement are not required to be audited in its country of incorporation, but we have considered its Financial Statements.

Our audit reports on the Financial Statement 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.
CHARTERED ACCOUNTANTS
NO. AF 0033

YET KIONG SIANG
PROPRIETOR
NO. 1382/5/03 (J)

Dated : 26 April 2002

Klang.

FINANCIAL STATEMENTS 31st December 2001

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 Financial Statements set out on pages 30 to 58 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 31 December 2001 and of its results and cash flows for the year then ended.

On behalf of the Board,

LIM KUANG SIA
(Director)

LIM KUANG YONG
(Director)

26 April 2002
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 Financial Statement set out on pages 30 to 58 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, this)
26 April 2002)

Before me,

D.M.PALANIVELLOO PJK,PPS
No: B017

Commissioner for Oaths,
Klang.

Particulars of Properties

As at 31st December 2001

Location	Description	Date of Valuation / acquisition	Age Of Building	Land Area	Tenure	Existing Use	Net book Value RM
No. 14, Lorong Sungai Puloh 14C, Taman Klang Utama, 42100 Klang.	1 unit double storey link house	24.03.95	8 Years	990 sq.ft	Freehold	Staff quarters	94,829
No. 16, Lorong Sungai Puloh 14C, Taman Klang Utama, 42100 Klang.	1 unit double storey link house	24.03.95	8 Years	990 sq.ft	Freehold	Staff quarters	94,829
Lot 754, Jalan Haji Sirat, 42100 Klang.	Factory	24.03.95	7 years	246,550 sq.ft	Freehold	Factory	11,047,115
Lot 782, Jalan Sungai Putus Off Batu 3 ³ / ₄ Jalan Kapar 42100 Klang.	Office and Factory Premises	24.03.95	Factory (14 years) Office (7 years)	47,480 sq.ft	Freehold	Factory and Office	2,782,243
Lot 16632, Batu 5 1/4, Jalan Meru, 41050 Klang.	Single storey detached factory	24.03.95	12 Years	65,175 sq.ft	Freehold	Factory and Office	2,871,057
Lot 2401, Batu 17, Jalan Sungai Sembilang, 45800 Jeram.	Factory	31.01.95	3 Years	106,177 sq.ft	Freehold	Factory	2,892,941
GM 554 Lot 2796 Mukim of Jeram District of Kuala Selangor.	Land	31.01.95	-	213,916 sq.ft	Freehold	Vacant	823,062
Lot 1365, Batu 17, Jalan Sungai Sembilang, Sembilang, 45800 Jeram.	Factory	03.01.95	4 Years	217,800 sq.ft	Freehold	Factory and Office	5,705,378
No 33 Jalan Selat Selatan 21, Sobena Jaya Pandamaran 42000 Port Klang	1 ¹ / ₂ storey semi-detached factory	25.11.94	7 Years	17,000 sq.ft	Leasehold	Factory and Office	851,790
TOTAL							27,163, 244

Distribution of Shareholdings

As at 30th April 2002

Size of Shareholdings	No. of shareholders	% of shareholders	No. of shares	% of Issued share capital
Less than 1,000	96	2.44	39,797	0.08
1,000-10,000	3,498	88.80	9,731,803	18.81
10,001-100,000	325	8.25	7,246,500	14.00
100,001 to less than 5% of issued shares	18	0.46	6,527,500	12.62
5% and above of issued shares	2	0.05	28,194,400	54.49
	3,939	100.00	51,740,000	100.00
	=====	=====	=====	=====

Substantial Shareholders

As at 30th April 2002

<u>Names</u>	<u>Shareholdings</u>	<u>%</u>
1. Kossan Holdings (M) Sdn Bhd	22,994,400	44.44
2. Malaysia Nominees (Tempatan) Sdn Bhd (A/C for Kossan Holdings (M) Sdn Bhd)	5,200,000	10.05

Directors' Shareholdings

As at 30th April 2002

<u>Names</u>	<u>Shareholdings</u>	<u>%</u>
1. Lim Kuang Sia	66,300	0.13
2. Lim Kuang Yong	-	-
3. Lim Kwan Hwa	-	-
4. Sulaiman Bin Mohd Hassan	41,600	0.08
5. Lim Kuang Wang	124,800	0.24
6. Heng Bak Tan	-	-
7. Y . Bhg . Dato' Mokhtar Bin Hj. Samad	-	-
8. Y . B . Dato' Tai Chang Eng @ Teh Chang Ying	52,000	0.10
9. Lim Leng Bung	-	-
10. Tong Siew Choo	5,200	0.01

Thirty (30) Largest Shareholders

As at 30th April 2002

<u>Names</u>	<u>Shareholdings</u>	<u>%</u>
1. Kossan Holdings (M) Sdn Bhd	22,994,400	44.44
2. Malaysia Nominees (Tempatan) Sdn Bhd (A / C for Kossan Holdings (M) Sdn Bhd)	5,200,000	10.05
3. Permodalan Nasional Berhad	1,538,200	2.97
4. Pan Asian Corporation Sdn Berhad	1,087,300	2.10
5. Yeo Wha	436,000	0.84
6. Lembaga Tabung Haji	351,200	0.68
7. Chia Fei Kung	343,000	0.66
8. Yee Chek Mun	338,000	0.65
9. Teng Choon Kwang	303,400	0.59
10. Yen Chor Leong	296,000	0.57
11. Yeoh Kean Hua	286,000	0.55
12. Yeo Soo Eng	277,000	0.54
13. Hee Yook Lan	271,000	0.52
14. PRB Nominees (Tempatan) Sdn Bhd (Rubber Industry Smallholders Development Authority)	234,000	0.45
15. Ma Boon Eng	150,800	0.29
16. Lim Kuan Chiang	142,200	0.27
17. TA Nominees (Tempatan) Sdn Bhd (A / C for Hian Bee Geok)	136,600	0.26
18. Lim Kuang Wang	124,800	0.24
19. Kuek Yet Yim	106,000	0.20
20. Kuik Chong Hing @ Kwek Chong Heng	106,000	0.20
21. Amanah Raya Berhad (Kumpulan Wang Amanah)	100,000	0.19
22. Lim Hui Guan	98,000	0.19
23. Chew Thiar Loon @ Chew Thiang Soon	94,200	0.18
24. Amsec Nominees (Asing) Sdn Bhd (G K Goh Stockbrokers Pte Ltd for Lim Toon Hong)	94,000	0.18
25. Ching Chan Seng	84,000	0.16
26. Lim Hong Yok	82,000	0.16
27. Shapadu Corporation Sdn Bhd	78,000	0.15
28. Affin-ACF Nominees (Tempatan) Sdn Bhd (A / C for Chia Suie Chong)	77,000	0.15
29. Ben Rosman Bin Sulaiman	69,600	0.13
30. Loke Yoke Toi @ Lim Yoke Toi	69,400	0.13

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty Second (22nd) Annual General Meeting of the Company will be held at Concord III, Level 2, Concorde Hotel Shah Alam, 3, Jalan Tengku Ampuan Zabedah C 9/C, 40100 Shah Alam on Friday 28 June 2002 at 10.30 a.m. for the following purposes:

AGENDA

1. To receive and adopt the audited accounts for the financial year ended 31 December 2001 together with the Directors' and Auditors Reports thereon. (Resolution 1)
2. To approve payment of a first and final dividend of 2% gross less 28% income tax for the financial year ended 31 December 2001. (Resolution 2)
3. To approve the payment of directors' fee of RM120,000 for the financial year ended 31 December 2001. (2000 : RM48,000) (Resolution 3)
4. To re-elect the following Directors retiring under the provisions of the Articles of Association.
 - Article 104 (2)
 - i) Mr. Lim Kuang Sia (Resolution 4)
 - Article 108
 - ii) Mr. Lim Kuang Yong (Resolution 5)
 - iii) En Sulaiman Bin Mohd Hassan (Resolution 6)
 - Article 113
 - iv) Madam Tong Siew Choo (Resolution 7)
5. To re-appoint Messrs Khoo Teng Keat & Co. as Auditors and to authorise the Directors to fix their remuneration. (Resolution 8)
6. 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-ESOS allotment. (Resolution 9)

"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 (" ESOS") 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-General allotment. (Resolution 10)

"That subject always to the Companies Acts, 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) Proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("Proposed Shareholders' Mandate.") (Resolution 11)

"That, subject always to the Listing Requirements of the Kuala Lumpur Stock Exchange, the Company and its subsidiary shall be mandated to enter into the category of recurrent related party transactions of a revenue or trading nature with related parties as specified in Section 2.1.2 of the Circular to shareholders dated 5 June 2002 subject further to the following:

- i) the transactions are in the ordinary course of business and are on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and
- ii) the Proposed Shareholders' Mandate will take effect from the date of the passing of the Ordinary Resolution proposed at the Annual General Meeting ("AGM") until the next Annual General Meeting ("AGM") of the Company and shall apply in respect of the recurrent related party transactions to be entered into from the date of the forthcoming AGM until the next AGM of the Company. Additionally, the Proposed Shareholders' Mandate is also seeking shareholders' ratification for recurrent related party transactions, as specified in Section 2.1.2. of the Circular which have been entered into from 1 June 2001 up to the date of the forthcoming AGM. The Proposed Shareholders' Mandate is subject to annual renewal. Any authority conferred by the mandate shall only continue to be in force until : -
 - a) the conclusion of the first annual general meeting of the Company following the general meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
 - b) the expiration of the period within which the next annual general meeting after that date is required to be held pursuant to section 143 (1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143 (2) of the Act); or
 - c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier; and

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

NOTICE OF DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that the final dividend of 2% less Malaysian Income Tax at 28% in respect of the financial year ended 31 December 2001, if approved by members at the Annual General Meeting to be held on 28 June 2002 will be paid on 28 August 2002. The entitlement date for the dividend payment is 2 August 2002.

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 2 August 2002 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

5 June 2002
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 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 9
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 10
In line with the Company's plan for expansion/diversification, the Company is actively looking into prospective areas so as to broaden the operation base and earnings potential. As the expansion/diversification may involve the issue of new shares, the Directors, under present circumstances, would have to call for a general meeting to approve the issue of new shares even though the number involved is less than 10% of the issued and paid up 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.

Statement Accompanying Notice of Annual General Meeting

1. Directors who are standing for re-election at the Twenty Second Annual General Meeting of the Company are:-

- | | |
|------------------------------------|-------------------|
| (i) Mr. Lim Kuang Sia | (Resolution No.4) |
| (ii) Mr. Lim Kuang Yong | (Resolution No.5) |
| (iii) En. Sulaiman Bin Mohd Hassan | (Resolution No.6) |
| (iv) Madam Tong Siew Choo * | (Resolution No.7) |

* appointed on 22.2.2002.

The profile of the Directors standing for re-election are on pages 8 - 12.

2. Details of Attendance of Directors at Board Meeting

Five (5) Board of Directors Meetings were held during the financial year ended 31 December 2001. Details of attendance of Directors at the Board Meeting are as follows:-

Name of Director	No. of meeting attended
Mr. Lim Kuang Sia	5
Mr. Lim Kuang Yong	4
Mr. Lim Kuang Wang	5
Mr. Lim Kwan Hwa	5
Mr. Heng Bak Tan	5
Dato' Mokhtar Bin Haji Samad	5
En Sulaiman Bin Mohd Hassan	5
Dato' Tai Chang Eng @ Teh Chang Ying	5
Madam Tong Siew Choo*	-

* Appointed on 22 February 2002.

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

All the Board Meetings, were held at Wisma Kossan, Lot 782, Jalan Sungai Putus, Off Batu 3 $\frac{3}{4}$, Jalan Kapar, 42100 Klang.

<u>Date</u>	<u>Time</u>
23 February 2001	4.00 p.m.
30 May 2001	4.00 p.m.
24 August 2001	4.00 p.m.
23 November 2001	4.00 p.m.
28 December 2001	4.00 p.m.

Proxy Form



KOSSAN RUBBER INDUSTRIES BHD

[48166-W]

(INCORPORATED IN MALAYSIA)

I/We _____

of _____

being a member of KOSSAN RUBBER INDUSTRIES BHD, hereby appoint

of _____

or failing him, _____

of _____

as my/our proxy to vote for me/us and on my/our behalf at the Twenty Second (22nd) Annual General Meeting of the Company to be held at Concorde III, Level 2, Concorde Hotel Shah Alam, 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam on Friday, 28 June 2002 at 10.30 a.m. or at any adjournment thereof.

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 Sia (ii) Lim Kuang Yong (iii) Sulaiman Bin Mohd Hassan (iv) Tong Siew Choo	- Ordinary Resolution 4 - Ordinary Resolution 5 - Ordinary Resolution 6 - Ordinary Resolution 7		
Appointment of auditors and authorising directors to fix their remuneration	- Ordinary Resolution 8		
Authorise directors to issue shares pursuant to ESOS - Section 132D	- Ordinary Resolution 9		
Authorise directors to issue shares up to 10% of issued capital - Section 132D	- Ordinary Resolution 10		
Mandate and Ratification of Recurrent Related Party Transaction of a Revenue or Trading Nature	- Ordinary Resolution 11		

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 _____ 2002.

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.

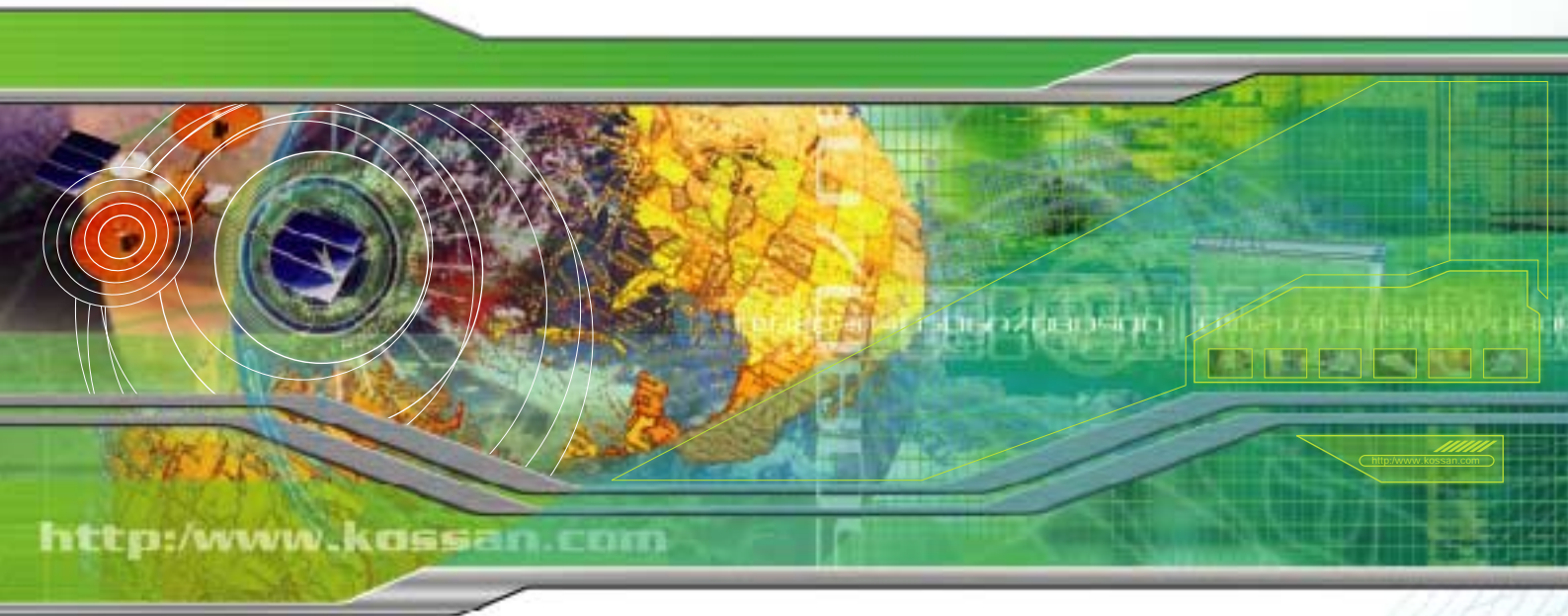
3 If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

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THE SECRETARY
KOSSAN RUBBER INDUSTRIES BHD
WISMA KOSSAN (48166-w)
Lot 782, Jalan Sg. Putus,
Off Batu 3³/₄ Jalan Kapar,
42100 Klang, Selangor Darul Ehsan.

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