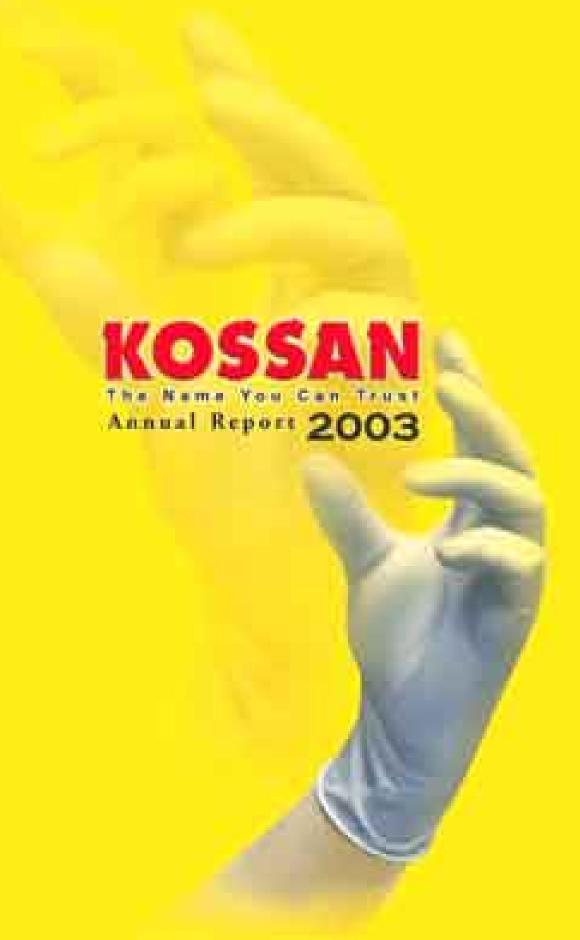


KOSSAN RUBBER INDUSTRIES BHD (COMPANY NO. 48166-W)



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Corporate Mission



PERUSAHAAN GETAH ASAS SDN BHD HAS BEEN REGISTERED BY SGS YARSLEY INTERNATIONAL CERTIFICATION SERVICES LIMITED AGAINST ISO 9001:2000



PERUSAHAAN GETAH ASAS SDN BHD HAS BEEN REGISTERED BY SGS YARSLEY INTERNATIONAL CERTIFICATION SERVICES LIMITED AGAINST ISO 13488:1996



KOSSAN LATEX INDUSTRIES (M) SDN BHD



KOSSAN RUBBER INDUSTRIES BHD HAS BEEN CERTIFIED BY SAI- Global Limited, Australia AGAINST AS/NZS ISO 9001:2000





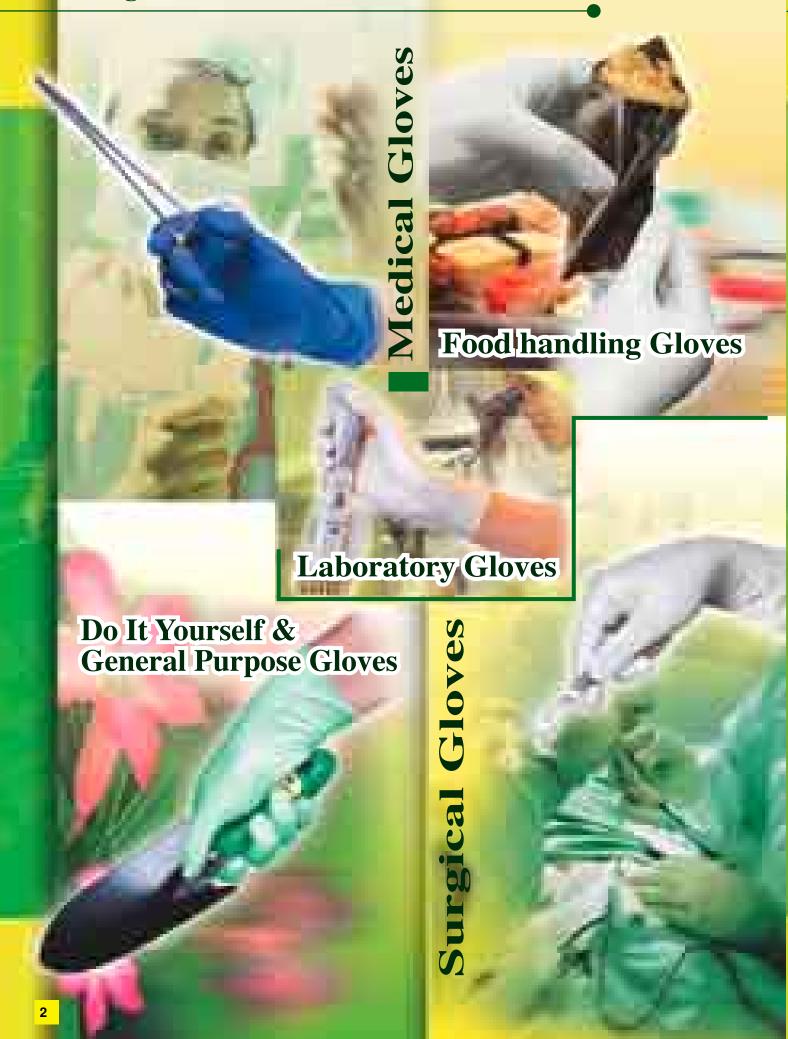


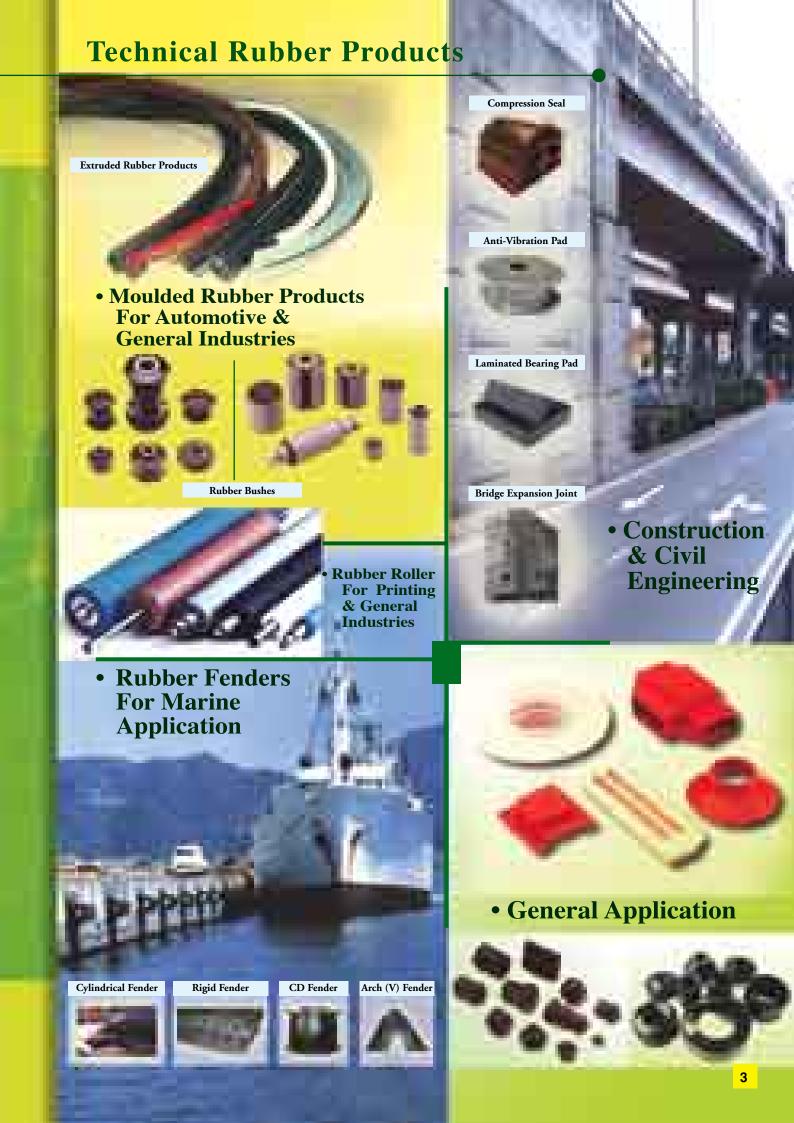
- pting To Be Competitive Through The Provision of Good Services and Quality Products.
- triving To Malaysia's Reduce Dependence On Imported Rubber Goods.
- tepping Up The Welfare Professionalism of Our Employees.
- spiring To Develop More High Technology Products.
- avigating Towards Malaysia's Vision *2020*.





Range of Glove Products





Corporate Information

BOARD OF DIRECTORS

Y. Bhg. Dato' Haji Mokhtar Bin Haji Samad, D.S.S.A., A.M.N., P.M.C., P.J.K. (Chairman)
Lim Kuang Sia (Managing Director / Chief Executive Officer)
Lim Kuang Yong
Lim Kuang Wang
Lim Kwan Hwa
Heng Bak Tan
Y.Bhg Dato' Tai Chang Eng @ Teh Chang Ying, D.S.S.A., A.M.S., P.J.K
Haji 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.my

AUDITORS

Khoo Teng Keat & Co. (AF 0033)

PRINCIPAL BANKERS

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

SHARE REGISTRAR

Malaysian Share Registration Services Sdn. Bhd. Level 26, Menara Multi Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur Tel: 03-27212222 Fax: 03-27212530/31

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad- Main Board

Chairman's Statement



On behalf of the Board of Directors, I have the pleasure of presenting the Annual Report and the Audited Financial Statements of your Company for the year ended 31 December 2003.

Financial Results

The Group recorded revenue of RM 179.64 million, exceeding the RM153.12 million achieved in 2002 The growth of 17.32 % came from all sectors, the bulk from the higher revenue contributed by subsidiaries producing examination gloves. A pre-tax profit of RM 18.67 million was achieved, compared to RM16.28 million in 2002, an increment of 14.68 %.

Net profit after taxation and minority interests stood at RM 16.74 million, compared to RM 15.56 million in 2002.

Group earnings per share rose from 25.06 sen in 2002 to 26.56 sen in 2003.

The Company recorded a higher revenue of RM 43.27 million compared to RM40.99 million in 2002. Both domestic and export sales recorded encouraging growth.

The RM 5.83 million profit before taxation at Company level was higher than the RM4.86 million achieved in the last financial year. Net profit after taxation at RM5.69 million was also higher than the RM3.82 million earned in 2002.

Activities And Prospects Of The Group

The level of business activities for the Group increased again making it the eighth successive year of growth since being listed in 1996. The main source of growth was contributed by the examination gloves division. The industrial rubber division also performed very well with significant contributions from the newly acquired subsidiaries.

As substantial portion of the Group's output are exported, the continuing world wide recovery augers well for the Group.

Technical ability and capability of the Group to produce quality goods at reasonable prices should provide it with a competitive edge in the global market.

Your Board is optimistic about the performance in the current year.

Dividend

A 1st interim dividend of 5 sen per share less 28% income tax in respect of the financial year ended 31 December 2003 was declared on 25.2.2004 and paid on 22.4.2004.

Your Directors recommend the payment of a final dividend of 5 sen per share less 28% income tax for the financial year ended 31st December 2003 (2002 – 3 sen less income tax) making a total net dividend of 7.2 sen per share for the whole year which amounted to a total payout of RM4,796,009 (after 28% tax). This compared to a net payment of 2.16 sen per share in 2002, an improvement of 233%.

Appreciation

On behalf of the Board, I would like to acknowledge the efforts put in by the management and staff at all level during the year for the outstanding performance.

I would also like to thank our shareholders, customers and business associates for their support and continued confidence in the Group.

Last but not least, I thank my fellow Board members for their counsel and support.

Dato' Haji Mokhtar Bin Haji Samad Chairman 26 May 2004 Klang

Managing Director's Review



Growing from Strength

Our performance in 2003 reflects the measures taken and the strategies chosen over the past number of years to strengthen our position as leader of the Malaysia Technical Rubber products and a key player in the latex gloves industry. We achieved greater operational efficiencies and better cost management. Together with technology improvement these were the key factors to our continued overall growth and our ability to manage the challenges faced in the year.

Even though we have achieved our target, we are aware of the need to continually ensure our strategies remain relevant so as to continue to lead the market, through sustainable growth, higher productivity and profitability.

Products

In 2003, examination gloves contributed 70% towards our turnover and profitability. This division will continue to grow, maintaining its steady upward trend.

During the year, we have launched 12 new gloves production lines and acquired a subsidiary with 5 installed production lines capable of producing surgical gloves. Together with our existing 23 production lines, we have a total of 40 gloves production lines capable of producing 3.0 billion pieces of gloves in 2004. This represents an increase of 70% in our production capacity.

Technical Rubber Products also contributed significantly to turnover and profitability. In the year under review, the Group acquired a 70% interest in a company which specialised in rubber to metal bonding products for use in the automobile industry. Combined with the Company's vast range of technical rubber products, this subsidiary has shown good growth and profitability arising from the synergistic effects within the Group.

Quality Profile Sdn Bhd a subsidiary producing marine rubber docks fenders and other large infrastructural rubber products has also shown encouraging prospects. We are optimistic of significant contributions from this company towards the Group's results in the near future.

With these expansion, the technical rubber products division should have a very strong base for growth, especially for the export market.

Quality Focus

The focus of the Group's production in 2003 was to achieve maximum benefits from the tools, processes and system. Progressive computerisation, integration of sales and operations planning and control processes had lead to production stability and improvement in quality and productivity. Wastage had been further reduced.

We believe human resources are a vital factor to improved productivity and quality. Key personnels are encouraged to attend seminars to improve their knowledge and performance while inhouse training were held to provide updated operational processing techniques to all production workers.

Conclusion

The year under review ended strongly for us. Productivity and efficiency enhancement measures, and competitive strategies had enabled the Group to achieve its projected results.

With expanded capacities successfully installed in both the examination gloves and the technical rubber products divisions and careful diversification of products range, we are confident that 2004 will continue to grow from a position of strength.

Lim Kuang Sia Managing Director 26 May 2004 Klang

Directors' Profile

As at 29th April 2004

Y. Bhg. Dato' Haji Mokhtar Bin Haji Samad

Y. Bhg Dato' Haji Mokhtar Bin Haji Samad, a Malaysian aged 56, was appointed the non- executive chairman of Kossan on 22 February 2002. He is an independent director and chair the Audit Committee. He is a member of the Nomination and Remuneration Committees.

He has a wide range of business interest and besides Kossan also sits on the board of Metro Kajang Holdings 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 Kossan. He also does not have any business arrangements involving Kossan.

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

Lim Kuang Sia

Mr. Lim Kuang Sia ("KS Lim"), a Malaysian aged 51, was appointed the Managing Director/ Chief Executive Officer of Kossan on 22 February 2002. He is a founder director of Kossan. 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 Kossan, he has no directorship in other public company. He sits on the boards of several private companies.

Mr. KS Lim is a member of the Audit and Remuneration Committees.

Mr. KS Lim is an indirect substantial shareholder by virtue of his substantial shareholdings in Kossan Holdings (M) Sdn. Bhd., a substantial shareholder of Kossan. He also holds 79,560 shares in his own name.

Mr. KS 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 transactions, whether directly or indirectly, which has a conflict with the Company, other than those disclosed in the financial statements.

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

Lim Kuang Yong

Mr. Lim Kuang Yong, ("KY Lim") a Malaysian aged 57, was appointed to the Board of Kossan 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 Kossan, he has no directorship in other public company. He sits on the boards of several private companies.

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

Mr. KY 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 transactions, whether directly or indirectly, which has a conflict with the Company, other than those disclosed in the financial statements.

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

Lim Kuang Wang

Mr. Lim Kuang Wang, ("KW Lim"), a Malaysian aged 55, was appointed to the Board of Kossan on 27 May 1995. He has more that 20 years business experience in trading and manufacturing. He is currently involved in the Examination Gloves Division.

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

Mr. KW Lim is a an indirect substantial shareholder by virtue of his substantial shareholdings in Kossan Holdings (M) Sdn. Bhd., a substantial shareholder of Kossan. He also holds 149,760 shares in his own name.

Mr. KW 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 transactions, whether directly or indirectly, which has a conflict with the Company, other than those disclosed in the financial statements.

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

Lim Kwan Hwa

Mr. Lim Kwan Hwa ("KH Lim"), a Malaysian aged 53, was appointed to the Board of Kossan on 27 May 1995. He is currently in charge of Kossan Latex Industries (M) Sdn. Bhd., a wholly owned subsidiary of Kossan.

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

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

Mr. KH 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 transactions, whether directly or indirectly, which has a conflict with the Company, other than those disclosed in the financial statements.

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

Lim Leng Bung

Mr. Lim Leng Bung ("LB Lim"), a Malaysian aged 40, was appointed to the Board of Kossan on 27 May 1995 as an alternate to Mr. Lim Kuang Wang. He currently heads the production portfolio in Kossan.

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

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

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

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

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

Heng Bak Tan

Mr. Heng Bak Tan, a Malaysian aged 54, was appointed to the Board of Kossan 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 Kossan, he has no directorship in other public company. He sits on the boards of several private companies.

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

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 transactions, whether directly or indirectly, which has a conflict with the Company, other than those disclosed the financial statements.

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

Haji Sulaiman Bin Mohd Hassan

Haji Sulaiman Bin Mohd Hassan, a Malaysian aged 70, was appointed to the Board of Kossan 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, Johor.

Besides Kossan, he sits on the board of Dai Hwa Holdings (M) Bhd . He is a director in several private companies. Currently he is the Human Resources Director in Kossan.

Haji Sulaiman holds 221,640 shares in Kossan. He does not have any family relationship with any director and/or major shareholder of Kossan.

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

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

Y. Bhg Dato' Tai Chang Eng @ Teh Chang Ying

Y. Bhg Dato' Tai Chang Eng @ Teh Chang Ying, a Malaysian aged 58, was appointed to the Board of Kossan on 12 August 1996. He is an independent non executive director. He was the state assemblyman for Port Klang until 2004 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 Kossan, he has no directorship in other public company. He sits on the boards of several private companies.

He holds 62,400 shares in Kossan.

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

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

Tong Siew Choo

Madam Tong Siew Choo, a Malaysian aged 43, was appointed to the Board of Kossan on 22 February 2002 as an independent non executive director. She is a Chartered Accountant with membership in the Malaysian Institute of Accountants and the Malaysian Association of Certified Public Accountants. She has her own audit firm.

She is a member of the Audit and Nomination Committees.

She holds 6,240 shares in Kossan.

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

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

Corporate Governance Statement

The Malaysian Code on Corporate Governance ("Code")

The Board of Kossan Rubber Industries Bhd. is pleased to report to shareholders on the manner the Group has applied the principles, and the extent of compliance with the best practices of corporate governance, as set out in Part 1 and Part 2 respectively of the Code pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad ("the Listing Requirements").

The Board of Directors

The Board has the overall responsibility for corporate governance, strategic direction, formulation of policies and overseeing the investment and business of the Group. The prevailing various policies, procedures and guidelines of the Group clearly set out the roles, responsibilities and authorities of staffs of the Group, and ensure that the direction and control of the Group rests firmly with the Board. The Board will formalise these into a schedule of matters as recommended by the Code. The Board has in place clear terms of reference for the Board, the Chairman and the Directors, both executive and non executive, spelling out their duties and responsibilities.

Composition and attendance

The composition of the Board and the individual Directors' attendance of meetings during the financial year ended 31 December 2003 were as follows:

Director	Position	<u>Attendance</u>
Dato' Haji Mokhtar Bin Haji Samad	Independent Non Executive Chairman	6/6
Lim Kuang Sia	Managing Director/ Chief Executive Officer	6/6
Dato' Tai Chang Eng @ Teh Chang Ying	Independent Non Executive Director	4/6
Lim Kuang Yong	Executive Director	5/6
Lim Kuang Wang	Executive Director	6/6
Lim Kwan Hwa	Executive Director	6/6
Heng Bak Tan	Non Independent Non Executive Director	6/6
Sulaiman Bin Mohd Hassan	Executive Director	6/6
Tong Siew Choo	Independent Non Executive Director	6/6

Collectively, the Directors have a wide range of business, financial and technical experience, This mix of skills and experience is vital for the successful oversight of the Group. A brief profile of each Director is presented on pages 7 to 9.

The roles of the Chairman and the Managing Director are separated and clearly defined, so as to ensure that there is a balance of power and authority. The Chairman is responsible for ensuring Board effectiveness and conduct, whilst the Managing Director has overall responsibility for the operating units, organisational effectiveness and implementation of Board policies and decisions. The presence of three independent non-executive Directors fulfill a pivotal role in corporate accountability. Although all the Directors have an equal responsibility for the Group's operations, the role of these independent, non-executive Directors is particularly important as they provide unbiased and independent views, advice and judgment. The Board is of the view that it is not necessary to identify a senior independent non-executive director to whom other directors may bring their concerns to, as all Directors believe that they can freely express their views at Board meetings.

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

Supply of Information

All Directors are provided with a quarterly report on the performance of the Group. An agenda and a set of Board papers are distributed in sufficient time prior to Board meetings to enable the Directors to consider and obtain further explanation /clarification, where necessary, and be properly prepared for discussion and informed decision making. The Board papers include reports on financial, operational, corporate, regulatory, business development matters and minutes of meetings of all Board committees. Directors may obtain independent professional advise in the furtherance of their duties. All Directors also have access to the advice and services of the Company Secretary.

Board Committees

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

Nomination Committee

The Nomination Committee comprises three independent, non-executive Directors as follows:

Dato' Tai Chang Eng @ Teh Chang Ying (Chairman, independent non executive)
Dato' Haji Mokhtar Bin Haji Samad (Independent non executive)
Tong Siew Choo (Independent non executive)

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

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

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

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

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

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

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

One meeting was held during the financial year under review.

Remuneration Committee

The Remuneration Committee comprises one non independent executive Director and two independent non-executive Directors, as follows:

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

The Remuneration Committee is responsible for making recommendation on the remuneration of executive Directors. The determination of remuneration packages of non-executive Directors is the responsibility of the Board as a whole.

The remuneration package of the executive Directors comprises a fixed salary and other emoluments approved by the Board, and is linked to the Group's performance. The individuals concerned abstain from discussion of their own remuneration. Non-executive Directors are paid an annual fee and attendance allowance for each Board or Committee Meeting they attend.

The Directors' remuneration during the financial year were as follow:

	Salaries	Fees	Other Emoluments	Total
	RM	RM	RM	RM
Executive Directors Non-Executive Directors	1,728,000 0 1,728,000	96,000 96,000	832,320 0 832,320	2,560,320 96,000 2,656,320
Directors' Remuneration	Executive Dire	ectors	Non Executive I	<u>Directors</u>
Below RM50,000	-		4	
RM50,001 to RM100,000	1		-	
RM100,001 to RM150,000 RM150,001 to RM200,000	-		-	
RM200,001 to RM250,000	_		- -	
RM250,001 to RM300,000	_		-	
RM300,001 to RM350,000	-		-	
RM350,001 to RM400,000	-		-	
RM400,001 to RM450,000	4		-	
RM450,001 to RM500,000	-		-	
RM500,001 to RM550,000	-		-	
RM550,001 to RM600,000	-		-	
RM600,001 to RM650,000	1		-	

None of the non-executive Directors received directors' remuneration of more than RM50,000 each. The aggregate total of Directors' fees are subject to shareholders' approval at the Annual General Meeting. The Board is of the opinion that the non disclosure of the individual remuneration of each Director will not significantly affect the understanding and evaluation of the Group's corporate governance.

One meeting was held during the financial year under review.

Audit Committee

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

The report of the Audit Committee for the year ended 31 December 2003 is set out on pages 17 to 19.

Shareholders

Dialogue between Companies and Investors

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

The Annual General Meeting

The Annual General Meeting provides a means of communication with shareholders. At each Annual General Meeting, the Board presents the progress and performance of the business, and encourages shareholders to participate in the question and answer session.

The Board has identified Dato' Haji Mokhtar Bin Haji Samad, a senior independent Director to whom any queries or concerns regarding Kossan Rubber Industries Bhd Group may be conveyed.

Accountability and Audit

Financial Reporting

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

Internal Control

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

The Risk Management Committee established assists the Board in identifying and assessing risks and the control measures within the Group.

The Group's Statement on Internal Control for the year ended 31 December 2003 is set out on pages 15 to 16 of this annual report.

Relationship with Auditors

The role of the Audit Committee in relation to the auditors is described on pages 17 to 19.

Directors' Responsibility Statement And Other Information

The Board of Directors is required under Paragraph 15.27(a) of the Listing Requirements of the Bursa Malaysia Securities Berhad to issue a statement on its responsibility in the preparation of the annual audited financial statements.

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year and to give a true and fair view of the state of affairs of the Group and of the Company and of the results and cash flows and statement of changes in equity in accordance with applicable approved accounting standards for the financial year.

In preparing the financial statements the Directors have:-

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

The Directors have overall responsibility 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.

OTHER INFORMATION

During the financial year under review

(a) Executive Share Option Scheme ("ESOS")

Under the ESOS, 4,523,240 ordinary shares of RM1.00 each, fully paid up were issued.

(b) Utilisation of Proceeds

The Company did not implement any fund raising exercise.

(c) Shares Buy-Back

There were no share buy-back

(d) Options, Warrants or Convertible Securities Exercised

The Company has not issued any options, warrants or convertible securities

(e) American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")

The Company has not sponsored any ADR or GDR programme

(f) Conflict of Interest

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

(g) 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.

(h) Sanctions and/or Penalties

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

(i) Non-Audit Fees

Non-audit fees paid to the external auditors of the Group amounted to RM30430.00

(j) Variation in Results

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

(k) Profit Guarantee

The Company did not issue any profit forecast or profit guarantee

(I) Revaluation Policy

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

This Statement is made in accordance with a resolution of the Board of Directors dated 16 April 2004.

Statement On Internal Control

Introduction

This Statement on Internal Control is made in accordance with para 15.27(b) of the Bursa Malaysia Securities Berhad Listing Requirements, which requires Malaysian Public Listed Companies to make a statement about their state of internal control, as a Group, in their Annual Report.

Responsibility

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

The Group's System of Internal Control

Key Features of the System of Internal Control

The Board entrusts the daily running of the business to the Managing Director ('MD') and his management team. The Board members receive timely information pertaining to performance and profitability of the Group through quarterly Board papers, which include quantitative and qualitative trends and analyses. At quarterly Board meetings, the Directors manage the principal risks affecting the Group through discussion and deliberation of the strategic issues facing the businesses, and resolve on actions to mitigate such risks.

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

The Board believes that the existing supervisory structure of the Group has an appropriate balance of both the Board's and Management's involvement in managing the Company.

The functions of the Board committees are described in the Corporate Governance Statement on pages 10 to 13. The key roles of the management committees are depicted below:

Management Committee Risk Management Committee	Functions Responsible for monitoring the risk management activities of the Group.
Budget and Operations Review Committee	Responsible for monitoring both the financial and non-financial performance of the Company as well as evaluation of other factors affecting operations.
Subsidiary Management Committee	Responsible for monitoring both the operational and financial performance of subsidiary companies as well as evaluation of other factors affecting their operations.
Human Resources Committee	Responsible for focusing on policy setting in relation to employees related issues.
Quality Management Committee	Responsible for all quality related matters including monitoring of compliance and resolution of audit findings.

Credit Committee Responsible for reviewing credit policies and

monitoring the credit position of customers.

Work Safety Committee Responsible for monitoring occupational health and

safety practices.

Technology Review Committee Responsible for setting the direction and monitoring

of research and development activities.

Assurance Mechanism

The Audit Committee ('AC') is tasked by the Board with the duty of reviewing and monitoring the effectiveness of the Group's system of internal control. The AC periodically receives reports from the independent assurance functions of the Group. The internal audit function provides the AC with an assessment on the adequacy and integrity of the Group's system of internal control via reports from visits conducted at various operating units. The external auditors conduct an annual statutory audit on the financial statements. Areas for improvements, if any, identified during the course of the statutory audit by the external auditors are brought to the attention of the AC through management letters, or at AC meeting.

The Board reviews the minutes of the AC's meetings. The Report of the AC is set out on pages 17 to 19 of the Annual Report.

Additionally, as part of the requirements of quality certifications, scheduled audits are conducted internally as well as by SAI GLOBAL, SGS YARSLEY INTERNATIONAL AND LLOYD'S REGISTER auditors. Results of audits are reported to the Quality Management Committee which is chaired by the Managing Director. Any pertinent or unresolved issues arising out of these audits are forwarded to the Board for its attention.

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

Report Of The Audit Committee

The Board of Directors have pleasure in submitting the report of the Audit Committee of the Board for the year ended 31 December 2003.

Terms of Reference of the Audit Committee

1. Composition

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

2. Authority

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

3. Responsibility

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

4. Functions

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

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

5. Meeting and minutes

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

Members

The Audit Committee comprises three independent, non executive Directors and one non-independent, executive Director, as follows:

Independent, non-executive

Dato' Haji Mokhtar Bin Haji Samad (Chairman of the Audit Committee) Dato' Tai Chang Eng @ Teh Chang Ying Tong Siew Choo

Non-independent, executive

Lim Kuang Sia (Managing Director / Chief Executive Officer)

Meetings

The Audit Committee held a total of 5 meetings during the year ended 31 December 2003. Details of attendance are as follows:-

Members	Attendance
Dato' Haji Mokhtar Bin Haji Samad	5/5
Dato' Tai Chang Eng @ Teh Chang Ying	3/5
Tong Siew Choo	5/5
Lim Kuang Sia	5/5

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

The Group's external auditors attended all the meetings during this period.

Internal Audit Function

The Audit Committee is assisted by the Internal Audit team in maintaining a sound system of internal control. This team is staffed by competent personnel with knowledge of the industry.

The Internal Audit team undertakes internal audit functions based on the audit plan that is reviewed by the Audit Committee and approved by the Board. The audit plan covered a review of operational controls, compliance with law and regulations, quality of assets and management efficiencies, amongst others.

The internal audit reports are deliberated upon by the Audit Committee and recommendations are duly acted upon by management.

Activities

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

- reviewed the quarterly financial statements and Annual Report of the Group prior to presentation for the Board's approval;
- (b) reviewed the related party transactions that had arisen within the Company or the Group.
- (c) reviewed the audit fees payable to external and internal auditors;
- (d) reviewed with external auditors their audit plan prior to commencement of audit;
- (e) discussed and reviewed the Group's financial year end statements with the external auditors including issues and findings noted in the course of the audit of the Group's Financial Statements;
- reviewed and discussed with internal auditors their evaluation of the system of internal control of the Group;
- (g) reviewed and appraised the audit report submitted by the internal auditors. The audit reports covered all business sectors of the Group incorporating audit findings and recommendations on system and control weaknesses noted during the course of the audit; and
- (h) reviewed the credit policy and risk management framework of the Group.
- (i) reviewed the acquisition of businesses.

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

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 financial year ended 31st December 2003.

1. PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and manufacturing and sales of rubber products. The principal activities of the subsidiaries are stated in Note 5 to the Financial Statements. There were no significant changes in the nature of their activities during the financial year.

2. FINANCIAL RESULTS

 Group
 Company

 (a) Net profit for the year
 RM16,737,819
 RM5,692,109

(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 other than as disclosed in the Financial Statements.

3. DIVIDENDS

During the year, the Company paid a final dividend of 3% less income tax, amounting to RM1,365,800 in respect of the year ended 31st December 2002. The Board has approved an interim dividend of 5% less income tax amounting to RM2,398,005 in respect of the year ended 31st December 2003 and payable on 22nd April 2004.

The Board now proposes a final dividend of 5% less income tax for the year ended 31st December 2003, subject to the approval of members at the forthcoming Annual General Meeting.

4. SHARE CAPITAL

During the year, the Company increased its issued and paid up capital by RM14.871,240 through: -

- A bonus issue of 10,348,000 new ordinary shares of RM1 each credited as fully paid on the basis of one new ordinary shares for every five existing ordinary shares held based on the issued and paid up capital of 51,740,000 ordinary shares by capitalising RM10,348,000 from the Accumulated Profits Account
- ii) Issue of 4,523,240 new ordinary shares of RM 1 each at RM1.47 per share pursuant to the exercise of options under the Executive Share Option Scheme. These new shares were issued for cash as fully paid and rank pari passu in all respect with existing issued shares of the Company.

There was no change in the authorised capital of the Company during the 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 19th November 1998 for the benefit of 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 Malaysia Securities Exchange Bhd. for the five market days immediately preceding the date of offer by the Committee, the last transacted price of the shares of the Company on the market day immediately preceding the date of offer or the par value of the shares, whichever is higher.
- v. The ESOS shall continue to be in force during a duration of five years commencing from the date of the offer and expiring on 18th November 2003.
- vi. Grantee of the option has no right to participate by virtue of the option in any other share issue of any other company.
- vii. No option shall be exercisable until after the second anniversary of the Date of Offer relevant to such option, and thereafter the option may be exercised at any time or times up to a maximum of the following percentages of the option (rounded down to the nearest thousand shares) in each of the following years during the option period.

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

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

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

The movements in the number of options over the shares of the Company pursuant to the ESOS were as follows: -

	Number	Number of share options		
	2003	2002		
At 1st January	4,141,800	4,141,800		
Bonus issue	828,360	0		
Exercised	(4,523,240)	0		
Lapsed	(446,920)	0		
At 31st December	0	4,141,800		

Details of share options exercised during the financial year : -

Exercise Date	Exercise Price	Considerations Received	Number of shar	e options
	RM	RM	2003	2002
10.7.2003 - 5.11.2003	1.47	6,649,163	4,523,240	0

7. DIRECTORS

(c)

(a) The Directors in office since the date of the last Report are as follows: Y. BHG. DATO' HAJI MOKHTAR BIN HAJI SAMAD, D.S.S.A., A.M.N., P.M.C., P.J.K.
LIM KUANG SIA
LIM KUANG YONG
LIM KUANG WANG
LIM KWAN HWA
HENG BAK TAN
Y. BHG. DATO' TAI CHANG ENG @ TEH CHANG YING, D.S.S.A., A.M.S., P.J.K.
HAJI SULAIMAN BIN MOHD. HASSAN
TONG SIEW CHOO
LIM LENG BUNG (Alternate to LIM KUANG WANG)

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

			Shares of RI	M1 each	
Name		Balance 1.1.2003	Bought	Sold	Balance 31.12.2003
LIM KUANG SIA	- direct	66,300	702,780	0	769,080
LIIVI NOANG SIA	- indirect	28,687,400	6,942,400	0	35,629,800
LIM KUANG YONG	- direct	20,007,400	411,840	0	411,840
EINITO/ING FONG	- indirect	28,687,400	6,942,400	0	35,629,800
HENG BAK TAN	- direct	20,007,100	0,0 12, 100	0	0
LIM KUANG WANG	- direct	124,800	24,960	0	149,760
	- indirect	28,687,400	6,942,400	0	35,629,800
LIM KWAN HWA	- direct	0	411,840	0	411,840
	- indirect	28,687,400	6,942,400	0	35,629,800
Y. BHG. DATO' HAJI MOKHTAR BIN HAJI			-,- :=, :	-	,,
SAMAD, D.S.S.A., A.M.N., P.M.C., P.J.K.	- direct	0	0	0	0
HAJI SULAIMAN BIN MOHD. HASSAN	- direct	41,600	339,040	93,480	287,160
LIM LENG BUNG	- direct	0	411,840	0	411,840
	- indirect	28,687,400	6,942,400	0	35,629,800
Y. BHG. DATO' TAI CHANG ENG @	-15	F0 000	10 100	0	00.400
TEH CHANG YING, D.S.S.A., A.M.S., P.J.K.	- direct	52,000	10,400	0	62,400
TONG SIEW CHOO	- direct	5,200	1,040	0	6,240
Details of shareholdings of the Directors in the	e related co	mpanies 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) SDI	N. BHD.				
LIM KUANG SIA	- direct	12,498	0	0	12,498
HENG BAK TAN	- direct	2	0	0	2
HAJI SULAIMAN BIN MOHD. HASSAN	- direct	50,000	0	0	50,000

			Shares of RM	1 each	
Name		Balance 1.1.2003	Bought	Sold	Balance 31.12.2003
RELATED COMPANIES					
KOSSAN JAPAN ROLLERS SDN. BHD.					
LIM KUANG SIA		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 to the Directors pursuant to the Executive Share Option Scheme are as follows: -

Option for ordinary sh	ares of RM1 each
------------------------	------------------

Name	As at 1.1.2003	Offered and accepted	Adjustment for Bonus Issue	Exercised	As at 31.12.2003
LIM KUANG SIA	574,600	0	114,920	689,520	0
LIM KUANG YONG	343,200	0	68,640	411,840	0
LIM KWAN HWA	343,200	0	68,640	411,840	0
HAJI SULAIMAN BIN MOHD. HASSAN	275,600	0	55,120	330,720	0
LIM LENG BUNG	343,200	0	68,640	411,840	0

- (e) Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements, to which the Company is a party, whereby Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate except for share options granted to certain Directors pursuant to the Executive Share Option Scheme of the Company.
- (f) Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the 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 28 to the Financial Statements.
- (g) In accordance with Articles 104 & 108 of the Articles of Association, MESSRS. HENG BAK TAN and LIM KUANG YONG and MADAM TONG SIEW CHOO retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.
 - HAJI SULAIMAN BIN MOHD. HASSAN retires pursuant to Section 129 of the Companies Act, 1965 at the forthcoming Annual General Meeting and offers himself for re-appointment in accordance with Section 129 of the Companies Act, 1965 to hold office until the conclusion of the next Annual General Meeting.

8. OTHER STATUTORY INFORMATION

- (a) Before the Income Statement and Balance Sheet of the Group and of the Company 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 allowance for doubtful debts and to satisfy themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - ii) to ensure that any current assets which were unlikely to realise their book value in the ordinary course of business were written down to an amount which they might be expected so to realise.
- (b) At the date of this Report, the Directors are not aware of any circumstances which would render:
 - i) the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent.
 - ii) 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 except for unsecured contingent liabilities amounting to RM5,028,000 being corporate guarantee given to banks for banking facilities granted to subsidiaries and RM675,000 being corporate guarantee for hire purchase facilities extended to a subsidiary.
 - 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)	LIM KUANG YONG (Director)

Dated: 16 April 2004

Klang.

Consolidated Balance Sheet

As at 31st December 2003

		GR	GROUP		PANY
		2003	2002	2003	2002
	NOTE	RM	RM	RM	RM
NON CURRENT ASSETS					
Property, plant and equipment	4	103,360,097	71,920,322	33,605,788	34,860,933
Subsidiaries	5	0	0	14,841,429	11,341,429
Associate	6	116,551	167,387	0	0
Other investments	7	116,000	116,000	116,000	116,000
Deferred tax assets	8	4,960,194	4,802,137	0	0
Goodwill on consolidation		1,761,964	859,329	0	0
		110,314,806	77,865,175	48,563,217	46,318,362
CURRENT ASSETS					
Inventories	9	23,708,909	18,228,639	6,412,331	5,422,160
Trade and other receivables	10	63,509,017	56,427,015	50,860,797	53,083,894
Fixed deposit with licensed bank	11	1,350,000	24,500	1,000,000	0
Cash and bank balances		4,039,458	1,036,624	2,667,045	639,899
		92,607,384	75,716,778	60,940,173	59,145,953
CURRENT LIABILITIES	40	00.570.040	17.004.000	E 474 E40	7.040.040
Trade and other payables	12	29,570,649	17,694,096	5,471,513	7,240,342
Hire purchase liabilities Taxation	13	5,075,299	1,392,893	1,009,951	1,035,720
Bank borrowings	14	39,832 27,628,500	78,706	0 922 607	0 13,855,976
Bank borrowings	14		27,462,564	9,823,607	
		62,314,280	46,628,259	16,305,071	22,132,038
NET CURRENT ASSETS		30,293,104	29,088,519	44,635,102	37,013,915
		140,607,910	106,953,694	93,198,319	83,332,277
REPRESENTING : -					
SHARE CAPITAL	15	66,611,240	51,740,000	66,611,240	51,740,000
ACCUMULATED PROFITS		41,338,999	41,052,442	11,797,342	22,556,495
REVALUATION RESERVE	16	1,735,945	1,794,493	1,735,945	1,794,493
SHARE PREMIUM	17	2,714,587	792,763	2,714,587	792,763
RESERVE ON CONSOLIDATION		4,530,414	104,171	0	0
CURRENCY TRANSLATION RESERVE		36,199	19,730	0	0
DIVIDENDS PAYABLE		4,796,010	0	4,796,010	0
TOTAL CAPITAL AND RESERVES		121,763,394	95,503,599	87,655,124	76,883,751
MINORITY SHAREHOLDERS' INTEREST		2,296,709	1,092,256	0	0
DEFERRED AND LONG TERM LIABILITIES					
Bank borrowings	14	4,185,435	4,192,721	534,191	1,757,877
Deferred tax liabilities	8	5,231,456	4,690,979	4,207,216	3,947,979
Hire purchase liabilities	13	7,130,916	1,474,139	801,788	742,670
		16,547,807	10,357,839	5,543,195	6,448,526
		140,607,910	106,953,694	93,198,319	83,332,277

Consolidated Income Statement

For the Year ended 31st December 2003

		<u>G</u>	<u>iROUP</u>	COMPANY		
		2003	2002	2003	2002	
	NOTE	RM	RM	RM	RM	
REVENUE	18	179,639,957	153,122,857	43,267,983	40,985,351	
OTHER OPERATING INCOME		2,411,517	1,393,744	527,463	735,295	
		182,051,474	154,516,601	43,795,446	41,720,646	
Less						
CHANGES IN INVENTORIES OF FINISHED		F 040 400	1 000 057	000 101	457.000	
GOODS AND WORK-IN-PROGRESS		5,013,498	1,666,857	630,101	457,990	
RAW MATERIAL AND CONSUMABLE USED		(95,673,003)	(78,932,234)	(18,146,818)	(17,572,504)	
GOODS PURCHASED FOR RESALE		(4,267,994)	(6,110,562)	0	0	
STAFF COST		(29,651,929)	(23,874,014)	(10,583,526)	(9,620,029)	
DEPRECIATION OTHER OPERATING EXPENSES		(9,939,017)	(8,144,254)	(3,486,950)	(2,802,725)	
OTHER OPERATING EXPENSES		(26,486,879)	(21,163,509)	(6,649,287)	(6,232,947)	
TOTAL OPERATING EXPENSES		(161,005,324)	(136,557,716)	(38,236,480)	(35,770,215)	
PROFIT FROM OPERATIONS		21,046,150	17,958,885	5,558,966	5,950,431	
Lana						
Less		(0.404.746)	(2,002,600)	(900,630)	(1 007 077)	
FINANCE COST		(2,404,746)	(2,082,689)	(899,632)	(1,087,377)	
Add		18,641,404	15,876,196	4,659,334	4,863,054	
Add		(00,000)	22.011	0	0	
SHARE OF PROFIT/(LOSS) OF ASSOCIATE		(66,323)	33,911	0	0	
L. A		18,575,081	15,910,107	4,659,334	4,863,054	
Add EXCEPTIONAL ITEM	19	04.405	274 226	1 165 045	0	
EXCEPTIONALITEM	19	94,405	374,226	1,165,845	0	
PROFIT BEFORE TAXATION	20	10 660 406	16 204 222	E 00E 170	4 962 0E4	
PROFIL BEFORE TAXATION	20	18,669,486	16,284,333	5,825,179	4,863,054	
Land						
Less	01	(4.04.4.0.40)	(404.740)	(400.070)	(4,000,505)	
TAXATION	21	(1,914,848)	(464,713)	(133,070)	(1,038,525)	
DD051T 45TED T4V4TIQ11			45.040.000			
PROFIT AFTER TAXATION		16,754,638	15,819,620	5,692,109	3,824,529	
Less		(10.010)	(050 470)	0	0	
MINORITY INTEREST SHARE OF PROFIT		(16,819)	(259,176)	0	0	
NET PROFIT FOR THE YEAR		16 707 010	15 FCO 444	E 600 100	2 024 520	
NEI PROFII FOR THE TEAR		<u>16,737,819</u>	<u>15,560,444</u>	5,692,109	3,824,529	
DACIO FARNINCO DER CUARE (CENT)	00	00.50	05.00			
BASIC EARNINGS PER SHARE (SEN)	22	<u>26.56</u>	<u>25.06</u>			
FULLY DILUTED EARNINGS PER SHARE (SEN)	22	<u>N/A</u>	<u>23.49</u>			

Consolidated Statement Of Changes In Equity For the Year ended 31st December 2003

		Non-Distributable						
	Share Capital	Revaluation Reserve	Share		Currency Translation Reserve	Accumulated Profit	Dividends Payable	Total
	RM	RM	RM	RM	RM	RM	RM	RM
At 1st January 2002								
- as previously reported - prior year adjustment	51,740,000	3,498,000	792,763	104,171	(5,969)	21,985,548	0	78,114,513
(Note 23)	0	(1,644,959)	0	0	0	4,192,958	0	2,547,999
- as restated	51,740,000	1,853,041	792,763	104,171	(5,969)	26,178,506	0	80,662,512
Transfers within reserve on realisation	0	(58,548)	0	0	0	58,548	0	0
Currency translation differences, representing net profits not recognised								
in income statement	0	0	0	0	25,699	0	0	25,699
Net profit for the year	0	0	0	0	0	15,560,444	0	15,560,444
Final dividend – 2% less income tax (31st December 2001)	0	0	0	0	0	(745,056)	0	(745,056)
At 31st December 2002	51,740,000	1,794,493	792,763	104,171	19,730	41,052,442	0	95,503,599
At 1st January 2003								
- as previously reported	51,740,000	3,498,000	792,763	104,171	19,730	35,599,777	0	91,754,441
- prior year adjustment (Note 23)	0	(1,703,507)	0	0	0	5,452,665	0	3,749,158
- as restated	51,740,000	1,794,493	792,763	104,171	19,730	41,052,442		95,503,599
Transfers within reserve on realisation	0	(58,548)	0	0	0	58,548	0	0
Acquisition of subsidiaries	0	0	0	4,426,243	0	0	0	4,426,243
Bonus issue through								
capitalisation of accumulated profit	10,348,000	0	0	0	0	(10,348,000)	0	0
Issue of shares through ESOS	4,523,240	0	2,125,923	0	0	0	0	6,649,163
Expenses for bonus issue and transfer to Main Board	0	0	(204,099)	0	0	0	0	(204,099)
Currency translation differences, representing net profits not recognised in								
income statement	0	0	0	0	16,469	0	0	16,469
Net profit for the year	0	0	0	0	0	16,737,819	0	16,737,819
Final dividend – 3% less income tax (31st December 2002)	0	0	0	0	0	(1,365,800)	0	(1,365,800)
Interim dividend – 5% less income tax (31st December 2003)	0	0	0	0	0	(2,398,005)	2,398,005	0
Final dividend – 5% less income tax (31st December 2003)	0	0	0	0	0	(2,398,005)	2,398,005	0
At 31st December 2003	66,611,240	1,735,945	<u>2,714,587</u>	4,530,414	36,199	41,338,999	4,796,010	121,763,394

Company Statement Of Changes In Equity

For the Year ended 31st December 2003

		Non-Distril	outable				
	Share capital	Revaluation reserve	Share premium	Accumulated profit	Dividends Payable	Total	
	RM	RM	RM	RM	RM	RM	
At 1st January 2002	E1 740 000	2 400 000	792,763	10 040 060	0	74 000 005	
as previously reportedprior year adjustment (Note 23)	51,740,000 0	3,498,000 (1,644,959)	192,103	18,849,262 569,212	0	74,880,025 (1,075,747)	
- as restated	51,740,000	1,853,041	792,763	19,418,474		73,804,278	
	, ,	, ,	,	, ,		, ,	
Transfers within reserve on realisation	0	(58,548)	0	58,548	0	0	
Net profit for the year	0	0	0	3,824,529	0	3,824,529	
Final dividend – 2% less income tax (31st December 2001)	0	0	0	(745,056)	0	(745,056)	
At 31st December 2002	51,740,000	1,794,493	792,763	22,556,495	0	76,883,751	
At 1st January 2003							
- as previously reported	51,740,000	3,498,000	792,763	21,905,967	0	77,936,730	
- prior year adjustment (Note 23)	0	(1,703,507)	0	650,528	0	(1,052,979)	
- as restated	51,740,000	1,794,493	792,763	22,556,495	0	76,883,751	
Transfers within reserve on realisation	0	(58,548)	0	58,548	0	0	
Bonus issue through capitalisation of accumulated profit	10,348,000	0	0	(10,348,000)	0	0	
Issue of shares through ESOS	4,523,240	0	2,125,923	0	0	6,649,163	
Expenses for bonus issue and transfer to Main Board	0	0	(204,099)	0	0	(204,099)	
Net profit for the year	0	0	0	5,692,109	0	5,692,109	
Final dividend – 3% less income tax (31st December 2002)	0	0	0	(1,365,800)	0	(1,365,800)	
Interim dividend – 5% less income tax (31st December 2003)	0	0	0	(2,398,005)	2,398,005	0	
Final dividend – 5% less income tax (31st December 2003)	0	0	0	(2,398,005)	2,398,005	0	
At 31st December 2003	66,611,240	1,735,945	2,714,587	11,797,342	4,796,010	87,655,124	

Consolidated Cash Flow Statement

For the Year ended 31st December 2003

	GI	GROUP		COMPANY		
	2003	2003 2002		2002		
	RM	RM	RM	RM		
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before taxation	18,669,486	16,284,333	5,825,179	4,863,054		
Adjustments for : -	10,000,400	10,204,000	0,020,170			
Depreciation	9,939,017	8,144,254	3,486,950	2,802,725		
Exceptional item	(94,405)	(374,226)	(1,165,845)	0		
Loss on disposal of property, plant and equipment	6,233	0	0	0		
Profit on disposal of property, plant and equipment	(109,342)	(207,339)	(34,639)	(129,014)		
Share of profit of associate	66,323	(33,911)	0	0		
Interest income	(23,273)	(2,897)	(20,845)	0		
Bad and doubtful debts	155,567	7,000	151,167	0		
Property, plant and equipment written off	426,236	35,911	0	0		
Interest expenses	2,404,746	2,082,689	899,632	1,087,377		
	12,771,102	9,651,481	3,316,420	3,761,088		
Operating profit before working capital changes	31,440,588	25,935,814	9,141,599	8,624,142		
Increase in fixed deposit pledged to bank	(325,500)	0	0	0		
Increase in inventories	(4,669,242)	(1,744,622)	(990,171)	(756,314)		
Increase in receivables	(3,286,316)	(3,924,613)	3,289,926	4,288,805		
Increase in payables	13,160,268	1,637,873	(1,709,167)	2,227,502		
	4,879,210	(4,031,362)	590,588	5,759,993		
Cash generated from operations	36,319,798	21,904,452	9,732,187	14,384,135		
Dividend paid to minority interest	(32,213)	0	0	0		
Real property gains tax paid	0	(13,003)	0	0		
Interest received	23,273	2,897	20,845	0		
Interest paid	(2,404,746)	(2,082,689)	(899,632)	(1,087,377)		
Income tax paid	(2,085,773)	(2,366,781)	(1,175,943)	(1,248,337)		
Dividend paid	(1,365,800)	(745,056)	(1,365,800)	(745,056)		
Income tax refund	17,885	0	0	0		
	(5,847,374)	(5,204,632)	(3,420,530)	(3,080,770)		
Net cash from operating activities	30,472,424	16,699,820	6,311,657	11,303,365		
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from disposal of property, plant and equipment	2,760,258	1,752,639	2,211,516	292,156		
Purchase of property, plant and equipment	(23,841,568)	(11,350,140)	(1,688,774)	(6,641,336)		
Purchase of investment	0	(63,000)	0	(63,000)		
Acquisition of subsidiary companies (Note 5)	(4,213,481)	0	(3,500,000)	0		
	(25,294,791)	(9,660,501)	(2,977,258)	(6,412,180)		
	5,177,633	7,039,319	3,334,399	4,891,185		
CASH FLOWS FROM FINANCING ACTIVITIES (NOTE 24)	1,102,570	(4,587,558)	2,826,521	(3,418,986)		
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,280,203	2,451,761	6,160,920	1,472,199		
CASH & CASH EQUIVALENTS AT BEGINNING OF THE YEAR	(3,776,479)	(6,228,240)	(2,986,819)	(4,459,018)		
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	2,503,724	(3,776,479)	3,174,101	(2,986,819)		
CASH AND CASH EQUIVALENTS						
Cash and bank balances	4,039,458	1,036,624	2,667,045	639,899		
Bank overdrafts	(2,535,734)	(4,813,103)	(492,944)	(3,626,718)		
Fixed deposit	1,000,000	0	1,000,000	0		

Notes To The Financial Statements

31st December 2003

1. GENERAL INFORMATION

The principal activities of the Company are investment holding and manufacturing and sales of rubber products. The activities of the subsidiaries are stated in Note 5 to the Financial Statements. There have been no significant changes in the nature of their activities during the financial year.

At the end of the financial year, the Company has 418 (2002 – 410) employees.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of the Malaysia Securities Exchange Bhd.

The registered address of the Company is Wisma Kossan, Lot 782, Jalan Sungai Putus, Off Batu 3 ¾, Jalan Kapar, 42100 Klang, Selangor.

The Financial Statements are authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 16th April 2004.

2. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group operates within guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows: -

a) Foreign currency risk

The Group is exposed to foreign currency risk as a result of its normal trading activities, both external and intra-Group where the currency denomination differs from the local currency, Ringgit Malaysia (RM). The Group's policy is to minimise the exposure of overseas operating subsidiaries to transaction risk by matching local currency income against local currency costs.

b) Interest rate risk

The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

c) Liquidity and cash flow risk

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash and cash equivalents to meet its working capital requirements.

d) Credit risk

Credit risk, or the risk of counter parties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored on an ongoing basis via the Group management reporting procedures. The Group does not have any major concentration of credit risk related to any financial instruments.

3. 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 Statements 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 Statements 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 on consolidation is reviewed at each balance sheet date and will be written down for impairment where it is considered necessary.

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.

Investments in associates are accounted for in the Consolidated Financial Statements by the equity method of accounting based on the management financial statements 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 on consolidation is reviewed at each balance sheet date and will be written down for impairment where it is considered necessary.

e) Investments

Investments in subsidiaries, associates and other non-current investments are stated at cost less impairment losses. 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 arising from these transactions 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. The 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 used for every unit of foreign currency ruling at the balance sheet date are as follows: -

	2003	2002
	RM	RM
Singapore Dollar	2.188	2.100
United States Dollar	3.775	3.775
Swiss Franc	2.994	2.696
Australian Dollar	2.782	2.115
Euro	4.676	3.921

g) Property, Plant and Equipment and Depreciation

Property, plant and equipment were initially stated at cost. Certain land and buildings were subsequently shown at market value, based on valuations by external valuers, less subsequent accumulated depreciation. All other property, plant and equipment are stated at historical cost less accumulated depreciation.

The directors have applied the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, as adopted by the Malaysian Accounting Standards Board, where certain land and buildings are stated at their 1995 valuation less accumulated depreciation. Accordingly, this valuation has not been updated.

Freehold land is not amortised. Building under construction and plant and machinery under construction will only be depreciated when the assets are ready for their intended use. 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%
Electrical installation	10%

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.

h) Impairment of Assets

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.

i) 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 proportion of production overheads.

j) Income Tax

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised in the future. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the financial period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Prior to the adoption of MASB 25 Income Taxes on 1st January 2003, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation. This change in accounting policy has been accounted for retrospectively and the effects of this changes are disclosed in Note 23.

k) 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 the 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 payments 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 3(g).

I) 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.

m) 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.

n) Trade and Other Receivables

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

o) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

p) Retirement Benefits

Contributions to the Employees' Provident Fund are charged to the income statement in the year to which they relate.

q) Financial Instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivable, payable and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

r) Segmental Information

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segments assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

s) Intersegment Transfers

Segment revenues, expenses and result include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arm's length transactions. These transfers are eliminated on consolidation.

4. PROPERTY, PLANT AND EQUIPMENT

Group - 2003	Cost/Valuation at 1.1.2003	Additions RM	Disposals/ Deletions	Transfers RM	Acquisition of subsidiary	Cost/ Valuation at 31.12.2003
At valuation –						
Freehold land and buildings At cost –	17,490,000	0	0	0	0	17,490,000
Freehold land and buildings	11,395,067	7,166,000	884,308	599,253	0	18,276,012
Leasehold factories	0	0	1,045,595	0	1,045,595	0
Plant and machinery	76,101,396	26,410,740	2,970,891	0	15,750,150	115,291,395
Motor vehicles	5,729,658	674,876	672,440	0	708,221	6,440,315
Factory renovation	1,595,313	422,379	0	0	197,115	2,214,807
Office furniture and equipment	4,453,567	615,339	3,900	0	552,130	5,617,136
Factory furniture and fitting	215,624	242,368	0	0	61,007	518,999
Electrical installation	993,065	214,616	0	0	70,625	1,278,306
Office renovation	6,278	18,754	0	0	0	25,032
Building under construction	602,271	1,286,530	0	(599,253)	0	1,289,548
Laboratory and factory						
equipment	0	0	0	0	661,966	661,966
Loose tools	0	0	0	0	30,629	30,629
	118,582,239	37,051,602	<u>5,577,134</u>	0	<u>19,077,438</u>	<u>169,134,145</u>
	Accumulated depreciation at 1.1.2003	Depreciation charge for the year	Disposals/ Deletions	Acquisition of subsidiary	Accumulated depreciation at 31.12.2003	Net book value at 31.12.2003
	RM	RM	RM	RM	RM	RM
Freehold land and buildings	2,667,857	465,884	0	0	3,133,741	32,632,271
Leasehold factories	0	0	0	0	0	0
Plant and machinery	36,421,531	8,101,637	2,095,282	10,322,132	52,750,018	62,541,377
Motor vehicles	4,294,269	565,106	489,906	328,409	4,697,878	1,742,437
Factory renovation	646,049	190,824	0	148,117	984,990	1,229,817
Office furniture and equipment	1,971,056	466,646	2,967	336,699	2,771,434	2,845,702
Factory furniture and fitting	125,204	36,190	0	48,600	209,994	309,005
Electrical installation	534,727	95,132	0	63,759	693,618	584,688
Office renovation	1,224	844	0	0	2,068	22,964
Building under construction	0	0	0	0	0	1,289,548
Laboratory and factory equipment	0	16,122	0	484,637	500,759	161,207
Loose tools	0	632	0	28,916	29,548	1,081
	46,661,917	9,939,017	2,588,155	11,761,269	65,774,048	103,360,097

Group - 2002	Cost/Valuation at 1.1.2002	Additions RM	Disposals RM	Transfers RM	Cost/Valuation at 31.12.2002
At valuation –					
Freehold land and buildings At cost –	17,490,000	0	0	0	17,490,000
Freehold land and buildings	12,023,651	332,370	960,954	0	11,395,067
Plant and machinery	65,143,469	11,302,435	509,501	164,993	76,101,396
Motor vehicles	5,480,420	434,566	185,328	0	5,729,658
Factory renovation	1,451,999	143,314	0	0	1,595,313
Office furniture and equipment	3,859,000	668,872	74,305	0	4,453,567
Factory furniture and fittings	206,984	8,640	0	0	215,624
Electrical installation	833,351	159,714	0	0	993,065
Plant and machinery under construction	164,993	0	0	(164,993)	0
Office renovation	6,098	180	0	0	6,278
Building under construction	0	602,271	0	0	602,271
	106,659,965	13,652,362	1,730,088	0	118,582,239
	Accumulated depreciation at 1.1.2002	Depreciation charge for the year	Disposals RM	Accumulated depreciation at 31.12.2002	Net book value at 31.12.2002 RM
Freehold land and buildings	2,350,407	426,614	109,164	2,667,857	26,217,210
Plant and machinery	30,203,291	6,465,351	247,111	36,421,531	39,679,865
Motor vehicles	3,846,445	589,260	141,436	4,294,269	1,435,389
Factory renovation	494,175	151,874	0	646,049	949,264
Office furniture and equipment	1,606,831	402,619	38,394	1,971,056	2,482,511
Factory furniture and fittings	105,918	19,286	0	125,204	90,420
Electrical installation	446,091	88,636	0	534,727	458,338
Plant and machinery under construction	0	0	0	0	0
Office renovation	610	614	0	1,224	5,054
Building under construction	<u>0</u> 39,053,768	<u>0</u> 8,144,254	0 536,105	<u>0</u> 46,661,917	602,271 71,920,322

Company - 2003		Cost/Valuation at 1.1.2003 RM	Additions RM	Disposals/ Deletions RM	Cost/ Valuation at 31.12.2003
At valuation –					
Freehold land and buildings		14,437,000	0	0	14,437,000
At cost –					
Freehold land and buildings		4,905,780	690,782	884,308	4,712,254
Plant and machinery Motor vehicles		28,453,616 2,846,004	2,188,602 164,384	0 213,178	30,642,218 2,797,210
Factory renovation		133,158	104,364	213,170	133,158
Office furniture and equipment		2,001,225	114,956	3,200	2,112,981
Omoc farmare and equipment		<u>52,776,783</u>	3,158,724	<u>1,100,686</u>	<u>54,834,821</u>
	Accumulated depreciation at 1.1.2003	Depreciation charge for the year	Disposals/ Deletions	Accumulated depreciation at 31.12.2003	Net book value at 31.12.2003
	RM	RM	RM	RM	RM
Freehold land and buildings	1,773,217	262,506	0	2,035,723	17,113,531
Plant and machinery	13,128,241	2,747,988	0	15,876,229	14,765,989
Motor vehicles	1,952,204	279,357	170,887	2,060,674	736,536
Factory renovation	106,031	5,171	0	111,202	21,956
Office furniture and equipment	956,157	191,928	2,880	1,145,205	967,776
	<u>17,915,850</u>	3,486,950	<u>173,767</u>	<u>21,229,033</u>	<u>33,605,788</u>
Company 2002		Cost/ Valuation	Additions	Diamagala	Cost/ Valuation
Company - 2002		Valuation at 1.1.2002	Additions	Disposals RM	Valuation at 31.12.2002
		Valuation	Additions RM	Disposals RM	Valuation
At valuation – Freehold land and buildings		Valuation at 1.1.2002			Valuation at 31.12.2002
At valuation –		Valuation at 1.1.2002 RM	RM	RM	Valuation at 31.12.2002 RM
At valuation – Freehold land and buildings At cost –		Valuation at 1.1.2002 RM 14,437,000	RM 0	RM 0	Valuation at 31.12.2002 RM 14,437,000
At valuation – Freehold land and buildings At cost – Freehold land and buildings		Valuation at 1.1.2002 RM 14,437,000 4,812,117	RM 0 93,663	RM 0	Valuation at 31.12.2002 RM 14,437,000 4,905,780
At valuation – Freehold land and buildings At cost – Freehold land and buildings Plant and machinery Motor vehicles Factory renovation		Valuation at 1.1.2002 RM 14,437,000 4,812,117 21,665,415 2,766,781 133,158	RM 0 93,663 7,072,152 173,066 0	RM 0 0 283,951	Valuation at 31.12.2002 RM 14,437,000 4,905,780 28,453,616 2,846,004 133,158
At valuation – Freehold land and buildings At cost – Freehold land and buildings Plant and machinery Motor vehicles		Valuation at 1.1.2002 RM 14,437,000 4,812,117 21,665,415 2,766,781 133,158 1,588,548	93,663 7,072,152 173,066 0 412,677	RM 0 0 283,951 93,843 0 0	Valuation at 31.12.2002 RM 14,437,000 4,905,780 28,453,616 2,846,004 133,158 2,001,225
At valuation – Freehold land and buildings At cost – Freehold land and buildings Plant and machinery Motor vehicles Factory renovation		Valuation at 1.1.2002 RM 14,437,000 4,812,117 21,665,415 2,766,781 133,158	RM 0 93,663 7,072,152 173,066 0	RM 0 0 283,951 93,843 0	Valuation at 31.12.2002 RM 14,437,000 4,905,780 28,453,616 2,846,004 133,158
At valuation – Freehold land and buildings At cost – Freehold land and buildings Plant and machinery Motor vehicles Factory renovation	Accumulated depreciation at 1.1.2002	Valuation at 1.1.2002 RM 14,437,000 4,812,117 21,665,415 2,766,781 133,158 1,588,548	93,663 7,072,152 173,066 0 412,677	RM 0 0 283,951 93,843 0 0	Valuation at 31.12.2002 RM 14,437,000 4,905,780 28,453,616 2,846,004 133,158 2,001,225
At valuation – Freehold land and buildings At cost – Freehold land and buildings Plant and machinery Motor vehicles Factory renovation	depreciation	Valuation at 1.1.2002 RM 14,437,000 4,812,117 21,665,415 2,766,781 133,158 1,588,548 45,403,019 Depreciation charge for	RM 0 93,663 7,072,152 173,066 0 412,677 7,751,558	RM 0 283,951 93,843 0 0 377,794 Accumulated depreciation	Valuation at 31.12.2002 RM 14,437,000 4,905,780 28,453,616 2,846,004 133,158 2,001,225 52,776,783 Net book value at
At valuation – Freehold land and buildings At cost – Freehold land and buildings Plant and machinery Motor vehicles Factory renovation Office furniture and equipment	depreciation at 1.1.2002 RM	Valuation at 1.1.2002 RM 14,437,000 4,812,117 21,665,415 2,766,781 133,158 1,588,548 45,403,019 Depreciation charge for the year RM	93,663 7,072,152 173,066 0 412,677 7,751,558	RM 0 283,951 93,843 0 0 377,794 Accumulated depreciation at 31.12.2002	Valuation at 31.12.2002 RM 14,437,000 4,905,780 28,453,616 2,846,004 133,158 2,001,225 52,776,783 Net book value at 31.12.2002 RM
At valuation – Freehold land and buildings At cost – Freehold land and buildings Plant and machinery Motor vehicles Factory renovation Office furniture and equipment	depreciation at 1.1.2002 RM 1,514,098	Valuation at 1.1.2002 RM 14,437,000 4,812,117 21,665,415 2,766,781 133,158 1,588,548 45,403,019 Depreciation charge for the year RM 259,119	RM 0 93,663 7,072,152 173,066 0 412,677 7,751,558 Disposals RM	RM 0 283,951 93,843 0 0 377,794 Accumulated depreciation at 31.12.2002 RM 1,773,217	Valuation at 31.12.2002 RM 14,437,000 4,905,780 28,453,616 2,846,004 133,158 2,001,225 52,776,783 Net book value at 31.12.2002 RM 17,569,563
At valuation – Freehold land and buildings At cost – Freehold land and buildings Plant and machinery Motor vehicles Factory renovation Office furniture and equipment	depreciation at 1.1.2002 RM 1,514,098 11,185,797	Valuation at 1.1.2002 RM 14,437,000 4,812,117 21,665,415 2,766,781 133,158 1,588,548 45,403,019 Depreciation charge for the year RM 259,119 2,074,890	RM 0 93,663 7,072,152 173,066 0 412,677 7,751,558 Disposals RM 0 132,446	RM 0 283,951 93,843 0 0 377,794 Accumulated depreciation at 31.12.2002 RM 1,773,217 13,128,241	Valuation at 31.12.2002 RM 14,437,000 4,905,780 28,453,616 2,846,004 133,158 2,001,225 52,776,783 Net book value at 31.12.2002 RM 17,569,563 15,325,375
At valuation – Freehold land and buildings At cost – Freehold land and buildings Plant and machinery Motor vehicles Factory renovation Office furniture and equipment Freehold land and buildings Plant and machinery Motor vehicles	depreciation at 1.1.2002 RM 1,514,098	Valuation at 1.1.2002 RM 14,437,000 4,812,117 21,665,415 2,766,781 133,158 1,588,548 45,403,019 Depreciation charge for the year RM 259,119	RM 0 93,663 7,072,152 173,066 0 412,677 7,751,558 Disposals RM	RM 0 283,951 93,843 0 0 377,794 Accumulated depreciation at 31.12.2002 RM 1,773,217	Valuation at 31.12.2002 RM 14,437,000 4,905,780 28,453,616 2,846,004 133,158 2,001,225 52,776,783 Net book value at 31.12.2002 RM 17,569,563
At valuation – Freehold land and buildings At cost – Freehold land and buildings Plant and machinery Motor vehicles Factory renovation Office furniture and equipment Freehold land and buildings Plant and machinery	depreciation at 1.1.2002 RM 1,514,098 11,185,797 1,733,877	Valuation at 1.1.2002 RM 14,437,000 4,812,117 21,665,415 2,766,781 133,158 1,588,548 45,403,019 Depreciation charge for the year RM 259,119 2,074,890 300,532	RM 0 93,663 7,072,152 173,066 0 412,677 7,751,558 Disposals RM 0 132,446 82,205	RM 0 283,951 93,843 0 0 377,794 Accumulated depreciation at 31.12.2002 RM 1,773,217 13,128,241 1,952,204	Valuation at 31.12.2002 RM 14,437,000 4,905,780 28,453,616 2,846,004 133,158 2,001,225 52,776,783 Net book value at 31.12.2002 RM 17,569,563 15,325,375 893,800
At valuation – Freehold land and buildings At cost – Freehold land and buildings Plant and machinery Motor vehicles Factory renovation Office furniture and equipment Freehold land and buildings Plant and machinery Motor vehicles Factory renovation	depreciation at 1.1.2002 RM 1,514,098 11,185,797 1,733,877 100,585	Valuation at 1.1.2002 RM 14,437,000 4,812,117 21,665,415 2,766,781 133,158 1,588,548 45,403,019 Depreciation charge for the year RM 259,119 2,074,890 300,532 5,446	RM 0 93,663 7,072,152 173,066 0 412,677 7,751,558 Disposals RM 0 132,446 82,205 0	RM 0 283,951 93,843 0 0 377,794 Accumulated depreciation at 31.12.2002 RM 1,773,217 13,128,241 1,952,204 106,031	Valuation at 31.12.2002 RM 14,437,000 4,905,780 28,453,616 2,846,004 133,158 2,001,225 52,776,783 Net book value at 31.12.2002 RM 17,569,563 15,325,375 893,800 27,127

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:

	<u>G</u> F	GROUP		MPANY
	2003 RM	<u>2002</u> RM	2003 RM	2002 RM
Freehold land and buildings	8,837,946	8,950,548	6,880,744	6,975,067

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

	GR	GROUP		MPANY
	2003	2002	2003	2002
	RM	RM	RM	RM
Plant and machinery	7,622,039	3,935,644	3,838,259	2,942,661
Motor vehicles	1,385,657	1,058,278	611,869	728,828
	9,007,696	4,993,922	4,450,128	3,671,489

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM37,051,602 (2002 – RM13,652,362) and RM3,158,724 (2002 – RM7,751,557) respectively of which RM13,210,034 (2002 – RM2,302,222) and RM1,469,950 (2002 – RM1,110,221) respectively were acquired by means of hire purchase 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 14:-

		Net Book Value			
	G	ROUP	CO	MPANY	
	2003	2002	2003	2002	
	RM	RM	RM	RM	
Freehold land and buildings	17,843,027	15,949,826	12,926,390	13,123,113	
Plant and machinery	3,152,048	4,381,704	1,488,845	2,035,880	
	20,995,075	20,331,530	14,415,235	<u>15,158,993</u>	

Included in property, plant and equipment of the Group and the Company are fully depreciated assets which are still in use costing RM15,030,624 (2002 – RM10,222,146) and RM4,936,603 (2002 – RM4,439,733) respectively.

5.	SUBS	IDIARIES		20	COMPAN 03 RM	<u>Y</u> 2002 RM
				·		1 ((V)
		ed shares, at valuation ed shares, at cost		9,691,4 5,150,0 14,841,4	04	9,691,425 1,650,004 11,341,429
	a) The	e subsidiaries are as follows : - <u>Name</u>	Principal activities	Country of incorporation	inte	ve equity
	i)	Kossan Latex Industries (M) Sdn. Bhd.	Manufacturing of latex examination gloves	Malaysia	<u>2003</u> 100%	<u>2002</u> 100%
	ii)	Perusahtaan 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%	70%
	+ix)	Quality Profile Sdn. Bhd.	Manufacturing and dealing in all kind of rubber products	Malaysia	70%	70%
	x)	Hibon Corporation Sdn. Bhd.	Manufacturing and marketing of rubber based parts and products	Malaysia	70%	0%

+xi) Wear Safe (Malaysia) Sdn. Bhd. Manufacturing of

surgical, procedure and examination gloves

Malaysia

100%

0%

⁺ Sub-subsidiary companies

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

b) Acquisition of subsidiaries

On 19th June 2003, the Group acquired 70% equity interest in Hibon Corporation Sdn. Bhd. for a cash consideration of RM3,500,000.

On 20th August 2003, the Group acquired 100% equity interest in Wear Safe (Malaysia) Sdn. Bhd. for a cash consideration of RM835,000.

The effect of the acquisitions on the financial results of the Group from the date of acquisitions to 31st December 2003 is as follows:-

	2003
	RM
Revenue	4,467,676
Other income	117,068
Operating costs	(4,750,468)
Net loss	(165,724)

The summary of effects of the acquisition on the financial position of the Group as at 31st December 2003 is as follows:-

	<u></u>
	RM
Property, plant and equipment	6,310,646
Inventories	4,420,695
Trade and other receivables	3,814,362
Fixed deposit with licensed bank	350,000
Cash and bank balances	96,940
Trade and other payables	(5,812,534)
Hire purchase liabilities	(877,756)
Term loan	(403,592)
Taxation	(1,936)
Deferred taxation	(285,339)
Group's share of net assets	7,611,486

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

2003

	RM
Property, plant and equipment at net book value	7,209,115
Inventories	811,028
Trade and other receivables	2,689,683
Cash and bank balances	121,519
Trade and other payables	(1,141,946)
Hire purchase liabilities	(1,075,550)
Term loan	(406,451)
Deferred tax asset	871,056
Minority interest	(1,219,847)
Net assets acquired	7,858,607
Goodwill on consolidation	902,635
Reserve on consolidation	(4,426,242)
Purchase consideration	4,335,000
Less	
Cash and bank acquired	(121,519)
Net cash used for acquisition of subsidiary companies	4,213,481

GROUP	
2003	2002
RM	RM
112,272	112,272
(31,920)	35,385
80,352	147,657
36,199	19,730
116,551	167,387
133,545	184,381
(16,994)	(16,994)
116,551	167,387
	2003 RM 112,272 (31,920) 80,352 36,199 116,551 133,545 (16,994)

The associate is Kossan Europa AG, a company incorporated in Switzerland in which the Group hold 48% (2002–48%) of its issued equities.

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

7. OTHER INVESTMENTS

6.

	G	GROUP		MPANY
	2003	2002	2003	2002
	RM	RM	RM	RM
Investment in club membership, at cost	116,000	116,000	116,000	<u>116,000</u>

8. DEFERRED TAX ASSETS / LIABILITIES

	GROUP		CC	MPANY
	2003	2002	2003	2002
	RM	RM	RM	RM
At beginning of the year	3,638,000	2,691,400	2,895,000	2,131,000
Prior year adjustment	(3,749,158)	(2,547,999)	1,052,979	1,075,747
Restated	(111,158)	143,401	3,947,979	3,206,747
Transfer to/(from) income statement	1,253,476	(254,559)	259,237	741,232
Acquisition of subsidiaries	(871,056)	0	0	0
At end of the year	271,262	(111,158)	4,207,216	3,947,979
Presented after appropriate offsetting as follows : -				
Deferred tax assets	(4,960,194)	(4,802,137)	0	0
Deferred tax liabilities	5,231,456	4,690,979	4,207,216	3,947,979
	271,262	(111,158)	4,207,216	3,947,979

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows: -

Group - 2003 Deferred tax liabilities of the Group :	Accelerated capital allowances	Revaluation of properties	Total
	RM	RM	RM
At beginning of the year	3,638,000	0	3,638,000
Prior year adjustment	0	1,052,979	1,052,979
Restated	3,638,000	1,052,979	4,690,979
Transfer to/(from) income statement	314,301	(22,768)	291,533
Acquisition of subsidiaries	248,944	0	248,944
At end of the year	4,201,245	<u>1,030,211</u>	<u>5,231,456</u>
Deferred tax assets of the Group :	Decelerated capital allowances	Tax losses and unabsorbed capital allowances	Total
	RM	RM	RM
At beginning of the year	0	0	0
Prior year adjustment	(4,802,137)	0	(4,802,137)
Restated	(4,802,137)	0	(4,802,137)
Transfer to/(from) income statement	5,221,462	(4,259,519)	961,943
Acquisition of subsidiaries	(1,120,000)	<u>(4.350.510)</u>	(1,120,000)
At end of the year	<u>(700,675)</u>	<u>(4,259,519)</u>	<u>(4,960,194)</u>
Group - 2002	Accelerated	Revaluation of	
Deferred tax liabilities of the Group:	capital allowances	properties	Total
	RM	RM	RM
At beginning of the year	2,691,400	0	2,691,400
Prior year adjustment	0	1,075,747	1,075,747
Restated	2,691,400	1,075,747	3,767,147
Transfer to/(from) income statement	946,600	(22,768)	923,832
Acquisition of subsidiaries	0	0	0
At end of the year	3,638,000	<u>1,052,979</u>	_4,690,979
		Tax losses and	
Deferred tax assets of the Group :	Decelerated capital allowances	unabsorbed capital allowances	Total
Deletted tax assets of the Gloup.	RM	RM	RM
At beginning of the year	0	^	0
At beginning of the year	(2,622,746)	0	(2 622 746)
Prior year adjustment Restated	(3,623,746)	0	(3,623,746)
Transfer from income statement	(3,623,746) (1,178,391)	0	(3,623,746) (1,178,391)
	(1,170,391)	0	(1,170,391)
At end of the year	(4,802,137)	0	(4,802,137)

	Company - 2003 Deferred tax liabilities of the Company :	Accele capital allowa		evaluation of properties	Total
			RM	RM	RM
	At beginning of the year	2,89	95,000	0	2,895,000
	Prior year adjustment		0	1,052,979	1,052,979
	Restated	2,89	95,000	1,052,979	3,947,979
	Transfer to/(from) income statement		32,005	(22,768)	259,237
	Acquisition of subsidiaries		0	0	0
	At end of the year	3,17	7,005	1,030,211	4,207,216
	Company - 2002 Deferred tax liabilities of the Company :	Accele capital allow		evaluation of properties	Total
	At he activate as of the consequence	0.40	14 000	0	0.404.000
	At beginning of the year	2,13	31,000	0	2,131,000
	Prior year adjustment	0.10	0	1,075,747	1,075,747
	Restated		31,000	1,075,747	3,206,747
	Transfer to/(from) income statement		34,000	(22,768)	741,232
	At end of the year	<u>2,89</u>	<u>95,000</u>	<u>1,052,979</u>	<u>3,947,979</u>
9.	INVENTORIES				
9.	INVENTORIES	CD.	OLID	COM	IDANIV
			<u>OUP</u>		<u>PANY</u>
		2003	2002	2003	2002
	A	RM	RM	RM	RM
	At cost –				
	Raw material	8,813,620	5,504,645	3,510,947	3,150,877
	Finished goods	13,109,518	10,070,827	2,251,817	1,501,571
	Work-in-progress	1,785,771	2,653,167	649,567	769,712
		<u>23,708,909</u>	<u>18,228,639</u>	<u>6,412,331</u>	<u>5,422,160</u>
10.	TRADE AND OTHER RECEIVABLES				
		GR	<u>OUP</u>	COM	PANY
		2003	2002	2003	2002
		RM	RM	RM	RM
	Gross receivables	51,934,095	44,423,753	12,570,130	14,112,016
	Less Allowance for doubtful debts	582,503	431,335	411,628	260,460
		51,351,592	43,992,418	12,158,502	13,851,556
	Due from holding company	20	1,982	20	1,982
	Due from subsidiaries	0	0	32,689,990	32,481,972
	Due from related companies	1,344,228	1,328,701	316,151	339,802
	Sundry receivables and deposits	10,813,177	11,103,914	5,696,134	6,408,582
		63,509,017	56,427,015	50,860,797	53,083,894

The Company's normal trade credit terms range from 30 to 60 days.

Included in sundry receivables and deposits of the Group and the Company is an amount of RM166,063 (2002 – RM2,091,864) and RM165,063 (2002 – RM1,132,648) respectively being part payment for purchase of machinery as referred to in Note 27.

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

11. FIXED DEPOSIT WITH LICENSED BANK

Included in deposits with licensed banks of the Group are amounts of RM350,000 (2002 - RM24,500) charged to the bank for banking facilities granted to the Group.

12. TRADE AND OTHER PAYABLES

	GROUP		COM	COMPANY	
	2003	2002	2003	2002	
	RM	RM	RM	RM	
Trade payables	19,184,131	13,847,532	2,989,231	3,814,281	
Due to subsidiary	0	0	0	1,623,747	
Due to related companies	0	35,643	0	0	
Due to holding company	19,947	21,045	0	0	
Sundry payables	10,366,571	3,789,876	2,482,282	1,802,314	
	29,570,649	17,694,096	<u>5,471,513</u>	7,240,342	

The normal trade credit terms granted to the Company range from 30 to 60 days.

The amounts 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 53.49% (2002 – 55.45%) of the Company's issued equities.

13. HIRE PURCHASE LIABILITIES

	GI	GROUP		MPANY
	2003	2002	2003	2002
Future minimum payment are as follows : -	RM	RM	RM	RM
Payable within one year	5,740,419	1,572,574	1,110,499	1,138,859
Payable between one and five years	7,491,521	1,579,456	835,893	_786,905
	13,231,940	3,152,030	1,946,392	1,925,764
Less				
Finance charges	1,025,725	284,998	134,653	147,374
	12,206,215	2,867,032	1,811,739	1,778,390
Representing by hire purchase liabilities : -				
Due within 12 months	5,075,299	1,392,893	1,009,951	1,035,720
Due after 12 months	7,130,916	1,474,139	801,788	742,670
	12,206,215	2,867,032	1,811,739	1,778,390

The hire purchase liabilities carry interest ranging from 1.88% to 5.50% (2002 - 4.00% to 7.60%) per annum.

BANK BORROWINGS					
	GR	GROUP		COMPANY	
	2003	2002	2003	2002	
	RM	RM	RM	RM	
Long term borrowings					
Term loans secured	7,130,570	5,551,476	1,200,223	1,813,429	
Term loans unsecured	501,447	2,070,183	501,447	2,070,183	
Total long term borrowings	7,632,017	7,621,659	1,701,670	3,883,612	
Less					
Due within 12 months	3,446,582	3,428,938	1,167,479	2,125,735	
Due after 12 months	4,185,435	<u>4,192,721</u>	<u>534,191</u>	<u>1,757,877</u>	
Short term borrowings					
Secured –					
Term loans due within 12 months	2,945,135	1,916,409	666,032	613,206	
Export credit refinancing	752,000	0	0	0	
Banker acceptance	12,782,000	10,101,000	3,051,000	2,984,000	
Revolving credit	4,505,116	5,505,628	1,505,116	1,505,628	
Bank overdrafts	92,864	1,000,000	0	1,000,000	
	21,077,115	18,523,037	5,222,148	6,102,834	
Unsecured –					
Term loans due within 12 months	501,447	1,512,529	501,447	1,512,529	
Revolving credit	3,607,068	3,613,895	3,607,068	3,613,895	
Bank overdrafts	2,442,870	3,813,103	492,944	2,626,718	
	6,551,385	8,939,527	4,601,459	7,753,142	
	27,628,500	<u>27,462,564</u>	<u>9,823,607</u>	<u>13,855,976</u>	

Secured borrowings are secured as follows: -

- i) certain properties of the Group;
- ii) certain plant and machinery of the Group;
- iii) guarantee by holding company.

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

Term loans, and bank overdrafts carry interest ranging from 1% to 1.25% above the banks' base lending rates per annum. Banker acceptance and revolving credit facilities carry interest at 0.8% to 1.25% above the prevailing interbank rate per annum. Export credit refinancing facility carries interest at 1% above the Export-Import Bank of Malaysia Berhad's funding rate per annum.

15. SHARE CAPITAL

14.

	2003	2002
	RM	RM
Authorised:		
150,000,000 ordinary shares of RM1 each	150,000,000	150,000,000
Issued and Fully Paid, ordinary shares of RM1 each		
At beginning of the year	51,740,000	51,740,000
Issued during the year		
Bonus issue : 10,348,000 (2002 - Nil)	10,348,000	0
ESOS exercise : 4,523,240 (2002 - Nil)	4,523,240	0
At end of the year	66,611,240	51,740,000

An Executive Share Option Scheme ("ESOS") was implemented on 19th November 1998 for the benefit of 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 Malaysian Securities Exchange Bhd. for the five market days immediately preceding the date of offer 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.

	Percentag	e of options e	xercisable	
Year 1	Year 2	Year 3	Year 4	Year 5
-	-	30%	30%	40%

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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.

Number of obore entions

The movements in the number of options over the shares of the Company pursuant to the ESOS were as follows:-

Number		i share ophons
	2003	2002
At 1st January	4,141,800	4,141,800
Bonus issue	828,360	0
Exercised	(4,523,240)	0
Lapsed	(446,920)	0
At 31st December	0	4,141,800

	Details of share options exercised during the	ne financial year:	- Considerations		
	Exercise Date	Exercise Price	Received	Number of	share options
		RM	RM	2003	2002
	10.7.2003 - 5.11.2003	1.47	6,649,163	4,523,240	0
16.	REVALUATION RESERVE				
				2003	2002
	At beginning of the year			3,498,000	3,498,000
	Prior year adjustment (Note 23)			(1,703,507)	(1,644,959)
	As restated			1,794,493	1,853,041
	Transfer within reserves on realisation			(58,548)	(58,548)
	At end of the year			<u>1,735,945</u>	<u>1,794,493</u>
	This reserve relates to surpluses on revalua of the Group and of the Company. This reserve				
17.	SHARE PREMIUM				
				2003	2002
				RM	RM
	At beginning of the year			792,763	792,763
	Add:				
	Proceeds from issue of ESOS shares			2,125,923	0
				2,918,686	792,763
	Less:				,
	Expenses for bonus issue and transfer to Main E	Board		204,099	0
	At end of the year			2,714,587	792,763
	, ,				
	This reserve is not available for distribution	by way of divide	nd.		
18.	REVENUE				
		GF	ROUP	COM	PANY
		2003	2002	2003	2002
		RM	RM	RM	RM
	Sales of goods	179,616,684	153,119,960	43,097,744	40,985,351
	Interest income	23,273	2,897	20,845	0
	Dividend income	0	0	149,394	0
		179,639,957	153,122,857	43,267,983	40,985,351
19.	EXCEPTIONAL ITEM				
		GF	ROUP	COM	PANY
		2003	2002	2003	2002
		RM	RM	RM	RM
	Gain on disposal of property	94,405	<u>374,226</u>	1,165,845	0

20.	PROFIT BEFORE TAXATION				
20.	Profit before taxation is arrived at after cha	raina · -			
	Tront porore taxation to arrived at alter one		OUP	COM	PANY
		2003	2002	2003	2002
		RM	RM	RM	RM
	Directors' fees	96,000	72,000	96,000	72,000
	Directors' salaries and allowance	3,718,447	2,687,760	1,216,320	1,009,120
	Auditors' remuneration - statutory audit	94,150	66,850	35,000	28,000
	- non statutory audit	54,175	45,000	51,175	45,000
	- over provision in previous year	(345)	45,000	0	45,000
	Export credit refinancing interest	6,752	0	0	0
	Rental of premises	1,696,300	988,604	326,210	169,767
	Overdraft interest	294,938	365,352	162,587	188,048
	Hire purchase interest	589,367	199,087	188,109	177,318
	Trust receipts interest	0	394	0	394
	Bankers' acceptance interest	499,606	345,190	109,182	104,717
	Term loan interest	642,337	774,659	220,215	390,439
	Depreciation	9,939,017	8,144,254	3,486,950	2,802,725
	Revolving credit interest	371,746	398,006	219,539	226,461
	Property, plant and equipment written off	426,236	35,911	0	0
	Loss on disposal of property, plant and	420,200	55,511	0	O
	equipment	6,233	0	0	0
	Hire of equipment	8,410	<u>7,505</u>	0	0
	AND CREDITING : -				
	5				
	Dividend income	0	0	149,394	0
	Trade interest receivable	7,910	0	7,910	0
	Fixed deposit interest receivable	15,363	2,897	12,935	0
	Profit on disposal of property, plant and equipment	109,342	207,339	34,639	129,014
	Rental income	300,000	234,000	294,000	234,000
	Gain on foreign exchange differences	993,841	<u>844,389</u>	<u>168,974</u>	<u>184,339</u>
21.	TAXATION				
		GRO	OUP	COM	PANY
		2003	2002	2003	2002
		RM	RM	RM	RM
	Current year's provision – Malaysia	(1,216,224)	(1,343,000)	(480,896)	(850,000)
	Outside Malaysia	(33,261)	(42,431)	0	0
		(1,249,485)	(1,385,431)	(480,896)	(850,000)
	Over provision in previous years	589,095	666,159	607,063	552,707
	Share of tax of associate	(982)	0	0	0
	(Origination)/reversal for deferred taxation	(1,253,476)	254,559	(259,237)	(741,232)
		(4.044.040)	(404.710)	(100.070)	(4,000,505)

(464,713)

(133,070)

(1,038,525)

(1,914,848)

A reconciliation of income tax expense applicable to profit before taxation at statutory income tax rate to income tax expense at the effective income tax rate of the company is as follows: -

	GF	ROUP	COI	<u>COMPANY</u>	
	2003	2002	2003	2002	
	RM	RM	RM	RM	
Taxation at Malaysian statutory tax rate	(5,227,457)	(4,559,613)	(1,304,614)	(1,361,655)	
Effect on the opening deferred tax due to reduction of tax rate	(11,754)	0	0	0	
Expenses not deductible for tax purposes	(220,098)	(112,767)	(54,793)	(33,278)	
Tax incentive	2,855,185	3,417,632	875,895	(13,542)	
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	38,580	187,736	0	0	
Depreciation on non-qualifying property, plant and equipment	(132,865)	(165,121)	(87,121)	(111,377)	
Deferred tax asset not recognised during the year	264,125	(60,798)	0	0	
Effect of different tax rates in other countries	27,541	19,880	0	0	
Over provision in prior year	589,095	666,159	607,063	552,707	
Others	(97,200)	142,179	(169,500)	(71,380)	
Tax expense for the year	(1,914,848)	(464,713)	(133,070)	(1,038,525)	
Tax losses					
Tax saving from the utilisation of losses brought forward	4,352	0	0	0	
Unutilised tax losses carried forward	4,346,472	1,609,342	0	0	
Unabsorbed capital allowance					
Tax saving from utilisation of unabsorbed capital allowance brought forward	0	101,997	0	0	
Unabsorbed capital allowance carried forward	<u>35,305,417</u>	4,396,429	0	0	

The effective rate of taxation of the Group is lower than the statutory rate due to availability of reinvestment allowance from capital expenditure incurred by the Company and certain subsidiaries and pioneer status enjoyed by a subsidiary.

As at 31st December 2003, there are sufficient Section 108 tax credit to frank in full (2002 - RM13,368,000) the accumulated profits of the Company if distributed as dividends.

As at 31st December 2003, the Company has tax-exempt income of RM14,089,499 (2002 – RM10,993,248) arising from incentive of reinvestment allowance which is subject to confirmation by the Inland Revenue Board and tax exempt accounts arising from waiver of tax on chargeable income under Income Tax (Amendment) Act, 1999 and tax exempt dividend income of RM31,649,589 (2002 – RM31,649,589). Dividends declared out of such profit will also be exempted from income tax in the hands of the shareholders.

22. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the Group net profit for the year of RM16,737,819 (2002 – RM15,560,444) by the weighted average number of 63,012,605 (2002 – 62,088,000) ordinary shares in issue during the financial year.

The comparative basic earnings per share has been restated to take into account the effect of the change in accounting policy (Note 23) and bonus issue of 10,348,000 shares.

No diluted earnings per share were presented for current year as there were no potential dilutive ordinary shares outstanding as at 31st December 2003.

23. PRIOR YEAR ADJUSTMENT

In previous year, deferred taxation is provided using liability method for taxation deferred by capital allowance and other timing differences, except where the effect of such timing difference are expected to be deferred indefinately. Future income tax benefits in respect of tax losses and other timing differences are not recognised except to the extent of net credits in the deferred taxation balance, and to the extent it is reasonably probable that these benefits can be realised in the foreseeable future.

During the year, the Company changed its accounting policy with respect to recognition of deferred tax assets and liabilities in compliance with MASB No. 25. This change in accounting policy has been accounted for retrospectively and has the effect of increasing the consolidated retained profits of the Group by RM5,452,665 and increasing the retained profits of the Company by RM650,528 for the year ended 31st December 2002.

	As previously reported	Effect of change in policy	As restated
	RM	RM	RM
Group			
At 1st January 2002			
- retained profits	21,985,548	4,192,958	26,178,506
- revaluation reserves	3,498,000	(1,644,959)	1,853,041
- deferred tax liabilities	2,691,400	1,075,747	3,767,147
- deferred tax assets	0	(3,623,746)	(3,623,746)
At 1st January 2003			
- retained profits	35,599,777	5,452,665	41,052,442
- revaluation reserves	3,498,000	(1,703,507)	1,794,493
- deferred tax liabilities	3,638,000	1,052,979	4,690,979
- deferred tax assets	0	(4,802,137)	(4,802,137)
Year ended 31st December 2002			
- taxation	1,665,872	(1,201,159)	464,713
- net profit for the year	14,359,285	1,201,159	15,560,444
Company At 1st January 2002			
- retained profit	18,849,262	569,212	19,418,474
- revaluation reserve	3,498,000	(1,644,959)	1,853,041
- deferred tax liabilities	2,131,000	1,075,747	3,206,747
At 1st January 2003			
- retained profit	21,905,967	650,528	22,556,495
- revaluation reserves	3,498,000	(1,703,507)	1,794,493
- deferred tax liabilities	2,895,000	1,052,979	3,947,979
Year ended 31st December 2002			
- taxation	1,061,293	(22,768)	1,038,525
- net profit for the year	3,801,761	22,768	3,824,529

24. CASH FLOWS FROM FINANCING ACTIVITIES

	GRO	<u>DUP</u>	COMPANY		
	2003	2002	2003	2002	
	RM	RM	RM	RM	
Repayment of hire hire purchase liabilities	(4,949,404)	(1,812,637)	(1,436,601)	(1,300,911)	
Term loan received	3,200,000	715,665	0	0	
Repayment of term loans	(3,596,093)	(3,490,586)	(2,181,942)	(2,118,075)	
Proceed from allotment of shares	6,649,163	0	6,649,163	0	
Bonus and transfer to main board expenses	(204,099)	0	(204,099)	0	
	1,102,570	(4,587,558)	2,826,521	(3,418,986)	

25. SEGMENTAL ANALYSIS - GROUP

	Rubber F	Products	Ot	thers	Total		
	2003	2002	2003	2002	2003	2002	
	RM	RM	RM	RM	RM	RM	
ANALYSIS BY ACTIVITIES							
REVENUE AND EXPENSES							
Revenue -							
External sales Result -	179,535,957	151,811,014	104,000	1,311,843	179,639,957	153,122,857	
Segment results	20,309,045	17,977,037	737,105	(18,152)	21,046,150	17,958,885	
Finance cost, net					(2,404,746)	(2,082,689)	
Share of results of associate	0	0	(66,323)	33,911	(66,323)	33,911	
Taxation					(1,914,848)	(464,713)	
Exceptional item	94,405	(374,226)	0	0	94,405	374,226	
Profit after taxation					16,754,638	<u>15,819,620</u>	
ASSETS AND LIABILITIES							
Segment assets	200,896,875	151,079,877	1,908,764	2,334,689	202,805,639	153,414,566	
Investment in equity method of associate	0	0	116,551	167,387	116,551	167,387	
Consolidated total assets					202,922,190	<u>153,581,953</u>	
Segment liabilities	80,534,886	55,300,147	3,021,915	1,725,228	83,556,801	57,025,375	
OTHER INFORMATION							
Capital expenditure	37,051,601	13,652,362	0	0	37,051,601	13,652,362	
Depreciation	9,939,017	8,144,254	0	0	9,939,017	8,144,254	
Non-cash expenses other than depreciation	581,803	42,911	0	0	581,803	42,911	

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

26. CONTINGENT LIABILITIES - UNSECURED

As at 31st December 2003, the Company has outstanding unsecured contingent liabilities amounting to RM22,410,805 (2002 - RM62,600,000) being corporate guarantees given to banks for banking facilities granted to certain subsidiaries.

27. CAPITAL COMMITMENT

	GI	ROUP	CO	MPANY
	2003	2002	2003	2002
	RM	RM	RM	RM
Authorised and contracted for	444,378	9,162,266	290,100	5,028,000
Authorised but not contracted for	0 444,378	3,800,000 12,962,266	<u> </u>	3,800,000 8,828,000

28. RELATED PARTY TRANSACTI	TONS
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HELAILDIAI	TIT TITANGAGTIO	10	<u>G</u>	ROUP	COMPANY		
Related party	Relationship	Type of Transaction	2003 RM	2002 RM	2003 RM	2002 RM	
Group							
Kossan Chemical Industries (M) Sdn. Bhd.	Subsidiary of holding company	Rental payable	(288,000)	(288,000)	0	0	
Kossan Japan Rollers Sdn. Bhd	Subsidiary of holding company	Rental receivable	150,000	150,000	150,000	150,000	
Pleasure Latex Product Sdn. Bhd	Subsidiary of holding company	Rental receivable	144,000	84,000	60,000	0	
Kossan Paint (M) Sdn. Bhd.	Subsidiary of holding company	Sales	277,241	357,520	277,241	349,020	
Kossan Japan Rollers Sdn. Bhd	Subsidiary of holding company	Sales	0	7,394	0	7,394	
Pleasure Latex Products Sdn. Bhd	Subsidiary of holding company	Sales	300	1,180	300	1,180	
Kossan Paint (M) Sdn. Bhd.	Subsidiary of holding company	Purchase of consumables	(54,535)	(87,521)	(26,369)	0	
Kossan Paint (M) Sdn. Bhd.	Subsidiary of holding company	Purchase of raw materials	(342,208)	(340,634)	0	0	
HT Ceramics (M) Sdn. Bhd.	Corporation in which Mr. Lim Kuang Yong has financial interest	Purchase of formers	(410,588)	(1,482,445)	0	0	
HT Ceramics (M) Sdn. Bhd.	Corporation in which Mr. Lim Kuang Yong has financial interest	Sales	5,042	12,676	5,042	12,676	
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	(4,280)	(328,555)	(4,280)	(8,550)	
Kossan F.R.P. Industries (M) Sdn. Bhd.	Corporation in which Messrs. Lim Kuang Yong and Lim Kuang Wang have financial interest	Sales	4,730	2,790	4,730	2,790	
Swan Coating (M) Sdn. Bhd.	Associate of holding company	Sales	0	1,260	0	1,260	
Chemtube (M) Sdn. Bhd.	Corporation in which Tuan Hj. Sulaiman Bin Mohd Hassan has financial interest	Sales	281	20,760	281	20,760	
Premium Medical Products Sdn. Bhd.	Corporation in which Mr. Lim Kuang Yong has financial interest	Sales	128,860	277,049	128,860	277,049	

The directors are in the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

29. SIGNIFICANT AND SUBSEQUENT EVENTS

- a) On 27th February 2003, Perusahaan Getah Asas Sdn. Bhd., a wholly owned subsidiary of Company entered into a Land Purchase Agreement to purchase an agriculture land held under H.S. (M) 1168, No. PT476, located at Mukim Jeram, Tempat Batu 15 ¼, Jalan Kelang, Selangor Darul Ehsan for a cash consideration of RM340,000.
- b) On 3rd April 2003, the Company entered into a Sale and Purchase Agreement for the purchase of two pieces of land held under HS (M) 15410, PT 21715 and HS (M) 15405 PT 21708 Mukim Kapar, Daerah Kapar, Daerah Klang, Selangor Darul Ehsan together with one unit of 1 ½ storey light industrial building for a cash consideration of RM260,000 to store its output pending delivery as the premises is situated near the Company's productions facilities.
- c) On 19th June 2003, the Company completed the acquisition of 70% equity interest in Hibon Corporation Sdn. Bhd. for a total cash consideration of RM3,500,000.
- d) On 12th June 2003, the Company alloted Bonus Shares of 10,348,000 new shares of RM1.00 each on the basis of one new share for every five existing shares of RM1.00 each held by capitalising RM10,348,000 from the accumulated profits account of the Company.
- e) On 13th June 2003, the Securities Commission approved the transfer of Company's listing to the Main Board of the Malaysia Securities Exchange Bhd.
- f) On 14th August 2003, the Company announced that its entire issued and paid up share capital will be transferred from the Second Board to the Main Board of the Exchange, under the 'Industrial Products' sector with effect from 9.00 a.m., Monday, 18th August 2003, and a "Ready" basis pursuant to the Rules of the Exchange-The Stock Short Name and Stock number of the shares remain unchanged.
- g) On 21st August 2003, Envi-Care Sdn. Bhd., a wholly owned subsidiary of company entered into a Sale and Purchase Agreement with Pan-Century Rubber Products Sdn. Bhd. for the acquisition of 100% equity interest comprising 5,000,000 ordinary shares of RM1.00 each in Wear Safe (Malaysia) Sdn. Bhd. for a total cash consideration of RM835,000.
- h) On 28th August 2003, Perusahaan Getah Asas Sdn. Bhd., a wholly owned subsidiary of Company entered into a sale and purchase agreement for the acquisition of a piece of freehold industrial land held under title no. HS (M) 2088, PT 2006 Mukim Jeram, Daerah Kuala Selangor, State of Selangor Darul Ehsan for a total cash consideration of RM1,667,060.
- i) On 11th December 2003, the Group announced that a legal suit has been instituted in the United States of America (USA) District Court by one of its customers against certain subsidiary companies for compensatory damages for alleged breach of warranties of sale of goods and misrepresentation in respect of gloves sold in the year 2000. Our solicitors are of the opinion that there are no merits to the claims and there is a good prospect of success in defending the suit.

30. FINANCIAL INSTRUMENTS

a) Foreign currency forward contracts are entered into to limit the exposure of the Group to fluctuations in foreign currency exchange rates on foreign currency receipts and payments.

As at 31st December 2003, the Group had contracted the following amounts under forward contracts:-

Average Exchange Rate per unit of Ringgit Malaysia

0000

			p	
	2003	2002	2003	2002
	RM	RM	RM	RM
Euro (to buy)	0	392,438	0	3.74
United State Dollars (to sell)	31.756.222	29.710.359	3.81	3.81

All of these contracts mature within six months from the balance sheet date.

b) Credit Risk

The Group is exposed to credit risk with respect to foreign currency forward contracts in the event of non-performance by the counterparties to these financial instruments which are major financial institutions. The directors are of the opinion that the risk of incurring material losses related to this credit risk is remote.

- c) Fair Values of Financial Instruments
 - The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate fair values because of the short term nature of these instruments
 - ii) Foreign currency forward contracts

	2003	2002
	RM	RM
Off Balance Sheet item : Carrying amount	31,756,222	30,102,797
Fair value	31,756,222	30,102,797

The fair value of forward foreign currency exchange contracts is calculated by reference to the current rate for contracts with similar maturity profiles.

iii) The carrying amounts and estimated fair values of the other financial instruments of the Group as at 31st December 2003 are as follows:

	Carryi	ng Amount	Fair Value		
	2003	2002	2003	2002	
	RM	RM	RM	RM	
Financial Assets					
Other investments	116,000	116,000	116,000	116,000	
Financial Liabilities					
Borrowings	31,813,935	31,655,285	31,813,935	31,665,285	
Hire purchases liabilities	12,206,215	2,867,032	12,206,215	2,867,032	

The fair value of other investments are estimated based on market prices.

The carrying amount of short term borrowings approximate fair value because of the short period to maturity of those instruments. The fair value of long term borrowings is estimated based on the market prices for the same or similar issues or on the current rates available for borrowings with the same maturity profile.

iv) The nominal/notional amount and net fair value of contingent liabilities (as disclosed in Note 26) are not recognised in the balance sheet as at 31st December 2003 as it is not practicable to make a reliable estimate due to the uncertainties of timing, costs and eventual outcome.

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

(Incorporated in Malaysia)

FINANCIAL STATEMENTS

31ST DECEMBER 2003

We have audited the Financial Statements set out on pages 25 to 54. These Financial Statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these Financial Statements 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 Statements are properly drawn up in accordance with the applicable approved accounting standards so as to give a true and fair view of :
 - the state of affairs of the Group and of the Company as at 31st December 2003 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 Statements 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 Statements are not required to be audited in its country of incorporation, but we have considered its Financial Statements.

Our audit reports on the Financial Statements 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

Klang.

Dated: 16 April 2004

YET KIONG SIANG **PROPRIETOR** NO. 1382/5/05 (J)

FINANCIAL STATEMENTS

31ST DECEMBER 2003

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 25 to 54 are drawn up in accordance with the applicable approved accounting standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31st December 2003 and of the results and cash flows for the year then ended.

On behalf of the Board,

LIM	KUANG	SIA
(Director))

LIM KUANG YONG (Director)

Dated: 16 April 2004

Klang.

Statutory Declaration

I, LEE HON CHEE, the officer primarily responsible for the accounting records and financial management of KOSSAN RUBBER INDUSTRIES BHD., do solemnly and sincerely declare that the Financial Statements set out on pages 25 to 54 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 LEE HON CHEE,	
at Klang, in the State of Selangor, this	
16 April 2004)

Before me,

CHEW KIM SWEE @ CHEW TOO NYAAH No. B102

Commissioner for Oaths, Klang.

List Of Properties As at 31st December 2003

Location	Description	Date of Valuation/ Acquisition	Age of Building	Land Area	Tenure	Existing Use	Net Book Value	
No. 14, Lorong Sungai Puloh 14C, Taman Klang Utama, 42100 Klang.	1 Unit Double Storey Link House	24.03.95	10 Years	990 sq.ft	Freehold	Staff quarters	90,192	
No. 16, Lorong Sungai Puloh 14C, Taman Klang Utama, 42100 Klang.	1 Unit Double Storey Link House	24.03.95	10 Years	990 sq.ft	Freehold	Staff quarters	90,192	
Lot 754, Jalan Haji Sirat, 42100 Klang.	Factory	24.03.95	9 Years	246,550 sq.ft	Freehold	Factory	10,808,296	
Lot 782, Jalan Sungai Putus Off Batu 3 3/4, Jalan Kapar 42100 Klang.	Office and Factory Premises	24.03.95	Factory (16 years) Office (9 years)	47,480 sq.ft	Freehold	Factory and Office	2,666,738	
Lot 16632, Batu 5 1/4, Jalan Meru, 41050 Klang.	Single Storey Detached Factory	24.03.95	14 Years	65,175 sq.ft	Freehold	Factory and Office	2,782,371	
Lot 2401, Batu 17, Jalan Sungai Sembilang, 45800 Jeram.	Factory	31.01.95	5 Years	106,177 sq.ft	Freehold	Factory	3,200,279	
GM 554 Lot 2796 Mukim of Jeram, District of Kuala Selangor.	Land	31.01.95	1 Year	213,916 sq.ft	Freehold	Vacant	5,184,916	
Lot 1365, Batu 17, Jalan Sungai Sembilang, 45800 Jeram.	Factory	03.01.95	5 Years	217,800 sq.ft	Freehold	Factory and Office	5,518,786	
HS (M) 15410 & 15405, PT 21715 & 21708, 24 Jln Pengasah 4, Off Jalan Kapar, 42100 Klang.	1 Unit 1 1/2 Storey Light Industrial Building	03.04.03	10 Years	174 sq.mtr	Freehold	Store	257,833	
HS (M) 1168 PT 476, Batu 15 1/4, Jalan Kapar, Mukim Jeram.	Land	27.02.03	-	5,527 sq.mtr	Freehold	Staff quarters under construction	689,760	
HS (M) 2088, PT 2006 Batu 17, Jalan Sungai Sembilang, 45800 Jeram.	Land	28.08.03	-	152,460 sq.ft	Freehold	Factory under construction	2,632,456	
						TOTAL	33,921,819	

Statistics on Shareholdings As at 29th April 2004

Authorised Share Capital : RM150,000,000 Issued and Fully Paid Up : RM66,611,240

Class of Shares : Ordinary Shares of RM1.00 each : 1 vote Per Ordinary Share Voting Rights

Distribution of Shareholdings As at 29th April 2004

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	104	4.23	3,454	0.01
100 - 1,000	362	14.74	235,220	0.35
1,000 - 10,000	1,687	68.66	5,597,900	8.40
10,001 - 100,000	260	10.58	7,006,066	10.52
100,001 to less than 5% of issued shares	42	1.71	18,138,800	27.23
5% and above of issued shares	2	0.08	35,629,800	53.49
	2,457	100.00	66,611,240	100.00

Substantial Shareholders

As at 29th April 2004

	Names	Shareholdings	<u>%</u>
1.	Kossan Holdings (M) Sdn Bhd	29,389,800	44.12
2.	Malaysia Nominees (Tempatan) Sdn Bhd (A/C for Kossan Holdings (M) Sdn Bhd)	6,240,000	9.37

Directors' Shareholdings As at 29th April 2004

		No. of Sh	No. of Shares		No. of Shares		
	Names	Direct	<u>%</u>	Indirect	<u>%</u>		
1.	Y. Bhg. Dato' Haji Mokhtar Bin Hj. Samad	-	-	-	-		
2.	Lim Kuang Sia	79,560	0.12	35,779,560 *2	53.71		
3.	Lim Kuang Yong	-	-	35,629,800 *1	53.49		
4.	Lim Kuang Wang	149,760	0.22	35,629,800 *1	53.49		
5.	Lim Kwan Hwa	-	-	35,629,800 *1	53.49		
6.	Heng Bak Tan	-	-	6,240 *3	- *4		
7.	Y. Bhg. Dato' Tai Chang Eng @ Teh Chang Ying	62,400	0.09	-	-		
8.	Haji Sulaiman Bin Mohd Hassan	221,640	0.33	-	-		
9.	Tong Siew Choo	6,240	0.01	-	-		
10.	Lim Leng Bung	-	-	35,629,800 *1	53.49		

*1 Deemed interest by virtue of interest held by Kossan Holdings (M) Sdn Bhd

^{*2} Deemed interest by virtue of interest held by Kossan Holdings (M) Sdn Bhd and spouse

^{*3} Deemed interest by virtue of shares held by spouse

^{*4 %} negligible

Thirty (30) Largest Shareholders As at 29th April 2004

	Names	Shareholdings	%
1.	Kossan Holdings (M) Sdn Bhd	29,389,800	44.12
2.	Malaysia Nominees (Tempatan) Sdn Bhd (A/C for Kossan Holdings (M) Sdn Bhd)	6,240,000	9.37
3.	AMMB Nominees (Tempatan) Sdn Bhd (AmTrustee Berhad for Pacific Pearl Fund)	2,466,800	3.70
4.	Universal Trustee (Malaysia) Berhad (Pacific Premier Fund)	1,747,300	2.62
5.	HSBC Nominees (Tempatan) Sdn Bhd (HSBC (M) Trustee Bhd for Prudential Dana Dinamik)	1,,199,800	1.80
6.	Ruby Technique Sdn Bhd	1,189,800	1.79
7.	AMMB Nominees (Tempatan) Sdn Bhd (AmTrustee Berhad for HLG Penny Stock Fund)	1,080,000	1.62
8.	Mayban Nominees (Tempatan) Sdn Bhd (Malaysian Trustee Berhad for Mayban Smallcap Trust Fund)	1,000,000	1.50
9.	Universal Trustee (Malaysia) Berhad (SBB Dana Al-Azam)	937,000	1.41
10.	Yeo Wha	754,000	1.13
11.	CIMB Nominees (Tempatan) Sdn Bhd (Nin Koi Yong @ Lim Koi Yong)	750,000	1.13
12.	Bumiputra-Commerce Trustee Berhad (RHB Islamic Growth Fund)	490,000	0.74
13.	Bumiputra-Commerce Trustee Berhad (RHB Mudharabah Fund)	475,200	0.71
14.	Hee Yook Lan	456,000	0.68
15.	Chia Fei Kung	449,000	0.67
16.	Nin Koi Yong @ Lim Koi Yong	408,780	0.61
17.	Yee Chek Mun	390,000	0.59
18.	Teng Choon Kwang	364,080	0.55
19.	RHB Capital Nominees (Tempatan) Sdn Bhd (A/C for Susy Ding)	319,500	0.48
20.	Malaysian Trustee Berhad (Pacific Asset Management Sdn Bhd for Great Eastern Life Assurance (Malaysia) Berhad)	302,100	0.45
21.	HSBC Nominees (Tempatan) Sdn Bhd (HSBC (M) Trustee Bhd for RHB Balanced Fund)	250,000	0.38
22.	Yoong Fui Kien	243,100	0.36
23.	Universal Trustee (Malaysia) Berhad (SBB Dana Al-Ihsan 2)	225,300	0.34
24.	Sulaiman Bin Mohd Hassan	221,640	0.33
25.	SBBAM Nominees (Tempatan) Sdn Bhd (Amal Assurance Bhd)	210,000	0.32
26.	Chia Bak Lang	200,000	0.30
27.	RHB Nominees (Tempatan) Sdn Bhd (RHB Asset Management Sdn Bhd for Telekom Malaysia Berhad)	198,000	,0.30
28.	Lim Kuan Chiang	175,040	0.26
29.	Yeoh Kean Hua	169,000	0.25
30.	TA Nominees (Tempatan) Sdn Bhd (A/C for Hian Bee Geok)	163,920	0.25

Notice Of Annual General Meeting

financial year ended 31 December 2003.

NOTICE IS HEREBY GIVEN that the Twenty Fourth (24th) Annual General Meeting of the Company will be held at Concorde II, Level 2, Concorde Hotel Shah Alam, 3, Jalan Tengku Ampuan Zabedah C 9/C, 40100 Shah Alam on 18 June 2004 at 10.30 a.m. for the following purposes:

AGENDA

- 1. To receive and consider the audited financial statements for the year ended 31

 December 2003 and the Report of the Directors and the Auditors thereon. (Resolution 1)
- To approve the payment of a final dividend of 5% gross less 28% income tax for the
- 3. To approve the payment of directors' fee of RM 96,000 for the financial year ended 31

 December 2003. (2002: RM72,000) (Resolution 3)
- 4. To re-elect the following Directors retiring by rotation pursuant to Article 108 of the Articles of Association, and being eligible, offers themselves for re-election:
 - (i) Mr. Heng Bak Tan (Resolution 4)
 (ii) Mr. Lim Kuang Yong (Resolution 5)
 - (iii) Madam Tong Siew Choo (Resolution 6)
- 5. To consider, and, if thought fit, to pass the following resolution in accordance with Section 129(6) of the Companies Act, 1965: (Resolution 7)
 - "That Haji Sulaiman Bin Mohd Hassan being over the age of 70 years and retiring in accordance with Section 129 of the Companies Act be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."
- 6 To re-appoint Messrs Khoo Teng Keat & Co. as Auditors and to authorise the Board of Directors to fix their remuneration. (Resolution 8)
- 7. 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-General allotment.

(Resolution 9)

(Resolution 2)

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

(b) Proposed renewal and further shareholders' mandate for recurrent related party (Resolution 10) transactions of a revenue or trading nature ("Proposal").

"That, subject always to the Listing Requirements of the Bursa Malaysia Securities Berhad, the Company and its subsidiaries 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 2.4 of the Circular to shareholders dated 26 May 2004 subject further to the following:

- 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. 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."
- 8. 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 5% less Malaysian Income Tax at 28% in respect of the financial year ended 31 December 2003, if approved by members at the Annual General Meeting to be held on 18th June 2004 will be paid on 27 August 2004. The entitlement date for the dividend will be 2 August 2004.

A depositor shall qualify for entitlement only in respect of:

- (a) Shares transferred to the depositor's securities account before 5.00 p.m. on 2 August 2004 in respect of ordinary transfer; and
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

KOSSAN RUBBER INDUSTRIES BHD.

CHIA ONG LEONG CHIA YEW NGO

Company Secretaries

26 May 2004 Klang

NOTES

- 1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company, a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies in a particular case. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- 2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Wisma Kossan, Lot 782, Jalan Sungai Putus, Off Batu 3 ¾, Jalan Kapar, 42100 Klang not less than forty-eight hours before the time for holding the meeting.
- 3. If the appointer is a corporation, 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 (Resolution 9)

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

(i)	Mr. Heng Bak Tan	(Resolution No. 4)
(ii)	Mr. Lim Kuang Yong	(Resolution No. 5)
(iii)	Madam Tong Siew Choo	(Resolution No. 6)
(iv)	Haji Sulaiman Bin Mohd Hassan	(Resolution No. 7)

The profile of the Directors standing for re-election are on pages 8 to 9.

2. Details of Attendance of Directors at Board Meeting

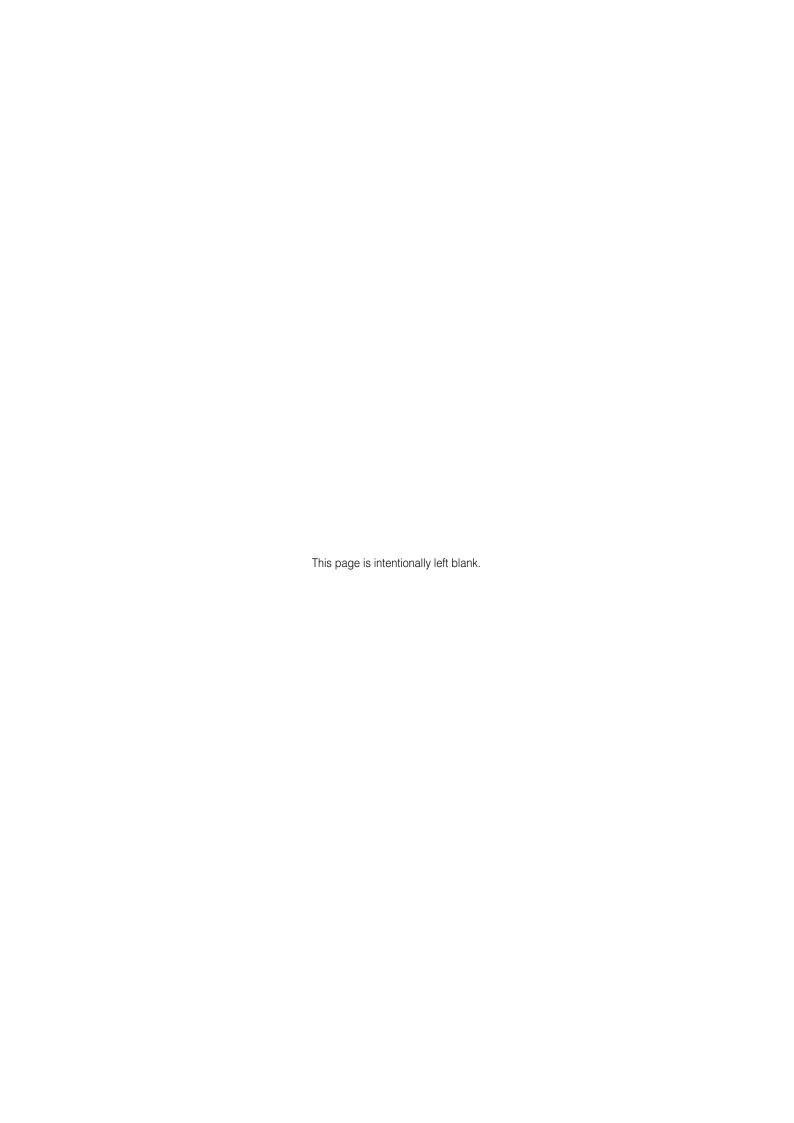
Six (6) Board of Directors Meeting were held during the financial year ended 31 December 2003. Details of attendance of Directors at the Board Meetings are as follows:-

Name of Director	No. of meeting attended
Mr. Lim Kuang Sia	6/6
Mr. Lim Kuang Yong	5/6
Mr. Lim Kuang Wang	6/6
Mr. Lim Kwan Hwa	6/6
Mr. Heng Bak Tan	6/6
Dato' Haji Mokhtar Bin Haji Samad	6/6
Haji Sulaiman Bin Mohd Hassan	6/6
Dato' Tai Chang Eng @ Teh Chang Ying	4/6
Mdm Tong Siew Choo	6/6

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

All the Board of Directors' Meetings, were held at Wisma Kossan, Lot 782 Jalan Sungai Putus, Off Batu 3¾, Jalan Kapar, 42100 Klang, except for the meeting on 16 April 2003 which was held at Concorde Hotel, Shah Alam

Date	Time
27 February 2003	4.00 p.m.
16 April 2003	11.00 a.m.
29 May 2003	4.15 p.m.
14 August 2003	4.00 p.m.
13 November 2003	4.30 p.m.
11 December 2003	10.30 a.m.



Proxy Form

I / We				
of				
being a member of KOSSAN RUBBER	INDUSTRIES BHE), hereby a	appoint	
of				
or failing him,				
of				
as my / our proxy to vote for me / us a Annual General Meeting of the Compa Hotel Shah Alam, 3, Jalan Tengku Am June 2004 at 10.30 a.m. or at any adjou	ny to be held at puan Zabedah C	Concorde	II, Leve	el 2, Concord
RESOLUTIONS			FOR	AGAINST
Adoption of accounts and reports	- Ordinary Resol	ution 1		
Approval for payment of dividend	- Ordinary Resol	ution 2		
Approval of directors' fee	- Ordinary Resol			
Election of directors: (i) Heng Bak Tan (ii) Lim Kuang Yong (iii) Tong Siew Choo (iv) Haji Sulaiman Bin Mohd Hassan	- Ordinary Resol - Ordinary Resol - Ordinary Resol - Ordinary Resol	ution 4 ution 5 ution 6		
Appointment of auditors and authorizing directors to fix their remuneration	- Ordinary Resol			
Authorise directors to issue shares up to 10% of issued capital – Section 132D	- Ordinary Resol	ution 9		
Mandate and Ratification of Recurrent Related Party Transactions of a Revenue or Trading Nature	- Ordinary Resolution 10			
Please indicate with an 'X' in the appropriate you do not do so, the proxy will vote of As witness my hand this	or abstain from vo	ting at his	discretion	

Signature(s) of Shareholders(s)

fold here

Affix Stamp

THE SECRETARY

KOSSAN RUBBER INDUSTRIES BHD

(48166-w)

WISMA KOSSAN

Lot 782, Jalan Sg. Putus,

Off Batu 3 3/4 Jalan Kapar,

42100 Klang, Selangor Darul Ehsan.

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KOSSAN RUBBER INDUSTRIES BHD. (48166-W)

Wisma Kossan, Lot 782, Jalan Sungai Putus, Off Batu 3 3/4, Jalan Kapar, 42100 Klang, Peti Surat 188, 41720 Klang, Selangor Darul Ehsan, Malaysia. Tel: +603-32912657, 32912890, 32912334, 32912484, Fax: +603-32912903 E-mail: kossan@kossan.po.my

Website: www.kossan.com.my