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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Tel: 03-3291 2657 **Fax:** 03-3291 2903 **E-mail:** kossan@kossan.po.my

AUDITORS

- **Khoo Teng Keat & Co.(AF 0033)**

PRINCIPAL BANKERS

- **OCBC Bank (Malaysia) Berhad**
- **United Overseas Bank (Malaysia) Berhad**
- **Bank Muamalat (Malaysia) Berhad**
- **Malayan Banking Berhad**

SHARE REGISTRAR

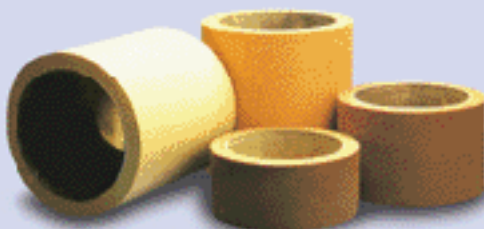
Malaysian Share Registration Services Sdn Bhd

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

Tel: 03-206 8099 **Fax:** 03-206 3731

STOCK EXCHANGE LISTING

Kuala Lumpur Stock Exchange - Second Board



Audit Committee Terms of Reference

MEMBERS OF THE COMMITTEE

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

SECRETARY TO THE COMMITTEE

• Chia Ong Leong	Company Secretary
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FORMATION

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

COMPOSITION

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

QUORUM

The quorum for a meeting shall be two members.

AUTHORITY

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

DUTIES

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

Chairman's Statement

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and the Audited Financial Statements of Kossan Rubber Industries Bhd and its Group of Companies for the financial year ended 31st December 2000.

FINANCIAL PERFORMANCE

For the financial year under review the Company recorded a pre-tax profit of RM3.81 million against the RM10.99 million earned in the preceding year. The reduction was because no dividend was declared by the subsidiary companies.

The Group's performance continued to be pinned by the difficult trading environment prevailing in the examination gloves market. The Group recorded a pre-tax profit of RM3.50 million for the financial year under review compared to RM6.18 million achieved in the financial year ended 31st December 1999.

Turnover of the Group for the year was RM104.65 million compared to the preceding year's RM97.30 million.

DIVIDEND

The Board of Directors recommends a final dividend of 2 sen less income tax for the financial year ended 31st December 2000 after taking into consideration the prevailing market condition and the Group's cash requirement. The net dividend payment will amount to RM745,056.



REVIEW OF OPERATIONS

(a) Examination Gloves Division

During the year under review, the pressure of increasing fuel prices, especially that of natural gas, and packaging cost which began in the latter part of 1999 grew more intense in the latter part of 2000. In addition, there was also a rapid deterioration of prices due to over-supply.

The division's resilient performance partly cushioned the harsh impact of the increased cost of production and lower selling price.

(b) The Industrial Rubber Products Division

This division continued to record growth, both in the local and export markets. In the year under review, greater attentions were given to promoting the division's products overseas and the response had been encouraging.

PROSPECT FOR 2001

While the global slowdown will impact on manufacturing concerns in general, the overall prospect for the Company in 2001 remain resilient, given its inherent technical strength, type of products manufactured as well as its experienced management team.

The Industrial Rubber Products Division will continue to generate growth. We aim to focus more in the vast business opportunities available overseas and in this connection will continue to promote our products more extensively in the overseas market. The local market for industrial rubber products will continue to show growth.

The examination gloves market in general will remain weak in 2001. However, our division is expected to increase its sale volume and hopefully will contribute towards the profitability of the Group.

ACKNOWLEDGEMENTS

The Board believes our human resources are the greatest assets of Kossan Rubber Group. Their dedication, professionalism, loyalty, enthusiasm and diligence had led us to where we are today. I take this opportunity to thank all our employees for their significant contributions and unwavering support.

A special thank you is extended to our loyal shareholders. We would also like to thank the regulatory authorities, the statutory bodies, bankers, suppliers, contractors and business partners for their keen support.

Lim Kuang Sia
Executive Chairman
28th May 2001
Klang

Report of The Directors

The Directors have pleasure in submitting their Report together with the Audited Financial Statements of the Group and of the Company for the year ended 31st December 2000.

1. PRINCIPAL ACTIVITIES

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

2. FINANCIAL RESULTS

	<u>Group</u>	<u>Company</u>
(a) Profit after taxation	<u>RM2,286,861</u>	<u>RM2,630,965</u>
(b) In the opinion of the Directors the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.		

3. DIVIDENDS

During the year, the Company paid a final dividend of 5% less income tax, amounting to RM1,862,640 in respect of year ended 31st December 1999 which had been proposed and shown in the previous report. The Directors now propose a final dividend of 2% less income tax, amounting to RM745,056 for the year ended 31st December 2000.

4. SHARE CAPITAL

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

5. RESERVES

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

6. EXECUTIVE SHARE OPTION SCHEME

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

The salient features of the ESOS are as follows :-

- i. The maximum number of shares to be offered and allotted under the ESOS shall not exceed 10% of the issued and paid-up capital of the Company at any point of time during the existence of the ESOS.
- ii. Eligible executives are confirmed executives aged eighteen or above with at least one year service as at the date of offer including full-time executive directors of any Company comprised in the Group.
- iii. No option shall be granted for less than 1,000 shares or more than 500,000 shares.
- iv. The option price for ordinary share of RM1 each shall be the average of the mean market quotation of the shares of the Company as shown in the Daily Official List issued by the Kuala Lumpur Stock Exchange for the five market days immediately preceding the date of 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 any year during the option period may be exercised in any subsequent year until and including the last year of the option period.

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

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

As at 31st December 2000, 4,141,800 ordinary shares under the ESOS have been offered and accepted but none has been exercised

7. DIRECTORS

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

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

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

		----- Shares of RM1 each -----			
Name		Balance 1.1.2000	Bought	Sold	Balance 31.12.2000
LIM KUANG SIA	-direct	66,300	-	-	66,300
	-indirect	28,194,400	-	-	28,194,400
LIM KUANG YONG	-direct	-	-	-	-
	-indirect	28,194,400	-	-	28,194,400
HENG BAK TAN	-direct	-	-	-	-
LIM KUANG WANG	-direct	124,800	-	-	124,800
	-indirect	28,194,400	-	-	28,194,400
LIM KWAN HWA	-direct	-	-	-	-
	-indirect	28,194,400	-	-	28,194,400
Y.BHG. DATO' MOKHTAR BIN HJ. SAMAD, D.S.S.A., A.M.N. P.M.C., P.J.K.		-	-	-	-
SULAIMAN BIN MOHD. HASSAN	-direct	41,600	-	-	41,600
LIM LENG BUNG	-direct	-	-	-	-
	-indirect	28,194,400	-	-	28,194,400
YB DATO' TAI CHANG ENG @ TEH CHANG YING, A.M.S., P.J.K.		52,000	-	-	52,000

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

(i) HOLDING COMPANY

KOSSAN HOLDINGS (M) SDN. BHD.

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

(ii) RELATED COMPANIES

KOSSAN CHEMICAL INDUSTRIES (M) SDN. BHD.

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

KOSSAN JAPAN ROLLERS SDN. BHD.

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

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

	As at <u>1.1.2000</u>	Option for ordinary shares of RM1 each Offered and <u>accepted</u>	Adjustment for <u>Bonus issue</u>	<u>Exercised</u>	As at <u>31.12.2000</u>
LIM KUANG SIA	221,000	-	353,600	-	574,600
LIM KUANG YONG	132,000	-	211,200	-	343,200
LIM KWAN HWA	132,000	-	211,200	-	343,200
SULAIMAN BIN MOHD. HASSAN	106,000	-	169,600	-	275,600
LIM LENG BUNG	132,000	-	211,200	-	343,200

- (e) Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements, to which the Company is a party, whereby Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate except for share 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 of the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with the Directors or with a firm of which he is a member, or with a company in which he has a substantial financial interest other than as disclosed in this report and the benefits included in Note 20 to the Financial Statements.
- (g) In accordance with the Articles of Association, MR. HENG BAK TAN and YB DATO' TAI CHANG ENG @ TEH CHANG YING, A.M.S., P.J.K. retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

8. OTHER STATUTORY INFORMATION

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

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

9. AUDITORS

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

On behalf of the Board,

LIM KUANG SIA (Director)

LIM KUANG YONG (Director)

24th April 2001

Klang

Consolidated Balance Sheet

As at 31st December 2000

	Note	2000 RM	1999 RM
FIXED ASSETS	3	69,854,045	68,542,243
INVESTMENTS	4	53,000	57,200
CURRENT ASSETS			
Stocks	5	18,026,664	13,888,422
Trade debtors	6	34,613,404	29,708,460
Debtor from disposal of property		5,875,137	-
Non-trade debtors and deposits		7,321,260	4,482,250
Amount due from related companies		22,574	-
Cash and bank balances		587,950	209,507
		<u>66,446,989</u>	<u>48,288,639</u>
CURRENT LIABILITIES			
Trade creditors		9,326,281	8,204,508
Non-trade creditors		4,621,388	4,993,893
Proposed dividend		745,056	1,862,640
Hire purchase creditors	7	2,031,426	2,599,419
Amount due to related companies		1,192,899	452,860
Amount due to holding company	8	749,380	520,281
Taxation		630,753	25,637
Bank borrowings	9	29,531,453	19,330,489
		<u>48,828,636</u>	<u>37,989,727</u>
NET CURRENT ASSETS		<u>17,618,353</u>	<u>10,298,912</u>
REPRESENTING : -		<u>87,525,398</u>	<u>78,898,355</u>
SHARE CAPITAL	10	51,740,000	51,740,000
ACCUMULATED PROFITS		18,386,569	16,764,216
REVALUATION RESERVE	11	3,498,000	3,498,000
SHARE PREMIUM	12	792,763	796,540
RESERVE ON CONSOLIDATION		104,171	-
TOTAL CAPITAL AND RESERVES		74,521,503	72,798,756
MINORITY SHAREHOLDERS' INTEREST		1,478,994	-
DEFERRED AND LONG TERM LIABILITIES			
Bank borrowings	9	8,120,702	3,884,280
Deferred taxation	13	1,683,468	949,000
Hire purchase creditors	7	1,720,731	1,266,319
		<u>11,524,901</u>	<u>6,099,599</u>
		<u>87,525,398</u>	<u>78,898,355</u>

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

Consolidated Income Statement

For The Year Ended 31st December 2000

	Note	2000 RM	1999 RM
REVENUE		104,654,249	97,303,596
OTHER OPERATING INCOME		2,550,851	1,313,232
		107,205,100	98,616,828
Less			
CHANGES IN INVENTORIES OF FINISHED GOOD AND WORK-IN-PROGRESS		(799,444)	(5,006,989)
RAW MATERIAL AND CONSUMABLE USED		(55,538,116)	(48,008,591)
GOOD PURCHASED FOR RESALES		(2,829,717)	(1,728,550)
STAFF COST		(16,911,132)	(16,547,765)
DEPRECIATION		(7,206,316)	(6,204,626)
OTHER OPERATING EXPENSES		(17,826,685)	(13,037,637)
TOTAL OPERATING EXPENSES		(101,111,410)	(90,534,158)
PROFIT FROM OPERATIONS		6,093,690	8,082,670
Less			
FINANCE COST		(2,592,731)	(1,902,204)
PROFIT BEFORE TAXATION	14	3,500,959	6,180,466
Less			
TAXATION	15	(1,214,098)	149,556
NET PROFIT AFTER TAXATION		2,286,861	6,330,022
Add			
MINORITY INTEREST SHARE OF LOSS		80,548	-
NET PROFIT AFTER TAXATION AND MINORITY INTEREST		2,367,409	6,330,022
BASIC EARNINGS PER SHARE (SEN)	16	4.58	12.23
FULLY DILUTED EARNINGS PER SHARE (SEN)	16	4.41	12.23

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

Consolidated Statement of Changes in Equity

For The Year Ended 31st December 2000

	Share Capital RM	Revaluation Reserve RM	Share Premium RM	Reserve on Consolidation RM	Accumulated Profits RM	Total RM
At 1st January 1999	19,900,000	3,498,000	916,078	-	44,136,834	68,450,912
Net profit for the year	-	-	-	-	6,330,022	6,330,022
Proposed dividend - 5% less income tax	-	-	-	-	(1,862,640)	(1,862,640)
Bonus issue through capitalisation of accumulated profits	31,840,000	-	-	-	(31,840,000)	-
Bonus issue expenses	-	-	(119,538)	-	-	(119,538)
At 31st December 1999	51,740,000	3,498,000	796,540	-	16,764,216	72,798,756
Acquisition of subsidiaries	-	-	-	104,171	-	104,171
Net profit for the year	-	-	-	-	2,367,409	2,367,409
Proposed dividend - 2% less income tax	-	-	-	-	(745,056)	(745,056)
Bonus issue expenses	-	-	(3,777)	-	-	(3,777)
At 31st December 2000	51,740,000	3,498,000	792,763	104,171	18,386,569	74,521,503

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

Consolidated Cash Flow Statement

For the year ended 31st December 2000

	Note	2000 RM	1999 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		3,500,959	6,180,466
Adjustments for :			
Depreciation of fixed assets		7,206,316	6,204,626
Loss on disposal of fixed assets		-	10,446
Profit on disposal of fixed assets		(1,420,109)	(19,499)
Fixed assets written off		176	-
Preliminary expenses written off		2,000	-
Pre-operating expenses		10,883	-
Interest expenses		2,592,731	1,904,204
		<u>8,391,997</u>	<u>8,099,777</u>
Operating profit before working capital changes		11,892,956	14,280,243
(Increase)/decrease in stocks		(2,117,503)	5,044,754
Increase in debtors		(11,342,752)	(8,328,844)
Increase/(decrease) in creditors		7,728,214	(1,453,836)
(Increase)/decrease in contract work-in-progress		-	69,063
		<u>(5,732,041)</u>	<u>(4,668,863)</u>
Cash generated from operations		6,160,915	9,611,380
Interest paid		(2,592,731)	(1,904,204)
Tax paid		(1,590,888)	(2,308,350)
Dividend paid		(1,862,640)	(1,432,800)
		<u>(6,046,259)</u>	<u>(5,645,345)</u>
Net cash from operating activities		114,656	3,966,026
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of fixed assets		6,541,877	53,971
Purchase of fixed assets		(12,693,622)	(10,174,656)
Refund of club deposit		4,200	-
Acquisition of subsidiary companies	17	(989,308)	-
		<u>(7,136,853)</u>	<u>(10,120,685)</u>
		(7,022,197)	(6,154,659)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bonus issue expenses		(3,777)	(119,538)
Term loan received		10,000,000	3,038,320
Repayment of term loans		(2,432,281)	(1,440,046)
		<u>7,563,942</u>	<u>1,478,736</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		541,745	(4,675,923)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		(6,826,952)	(2,151,029)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u>(6,285,207)</u>	<u>(6,826,952)</u>
CASH AND CASH EQUIVALENTS			
Cash and bank balances		587,950	209,507
Bank overdraft		(6,873,157)	(7,036,459)
		<u>(6,285,207)</u>	<u>(6,826,952)</u>

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

Company Balance Sheet

As at 31st December 2000

	Note	2000 RM	1999 RM
FIXED ASSETS	3	32,015,276	29,953,698
INVESTMENTS	4	47,481,900	43,160,725
CURRENT ASSETS			
Stocks	5	5,217,939	4,630,877
Trade debtors	6	8,932,499	7,443,265
Non-trade debtors and deposits		6,181,309	2,160,115
Cash and bank balances		181,639	88,735
		<u>20,513,386</u>	<u>14,322,992</u>
CURRENT LIABILITIES			
Trade creditors		2,169,674	1,276,254
Non-trade creditors		1,817,648	1,471,925
Proposed dividend		745,056	1,862,640
Hire purchase creditors	7	962,294	304,831
Amount due to holding company	8	727,573	457,476
Bank borrowings	9	14,537,238	8,099,318
		<u>20,959,483</u>	<u>13,472,444</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>(446,097)</u>	<u>850,548</u>
		<u>79,051,079</u>	<u>73,964,971</u>
REPRESENTING :-			
SHARE CAPITAL	10	51,740,000	51,740,000
REVALUATION RESERVE	11	3,498,000	3,498,000
ACCUMULATED PROFITS		16,334,811	14,448,902
SHARE PREMIUM	12	792,763	796,540
TOTAL CAPITAL AND RESERVES		<u>72,365,574</u>	<u>70,483,442</u>
DEFERRED AND LONG TERM LIABILITIES			
Term loans			
Deferred taxation	9	4,012,661	2,871,068
Hire purchase creditors	13	1,270,000	504,000
	7	1,402,844	106,461
		<u>6,685,505</u>	<u>3,481,529</u>
		<u>79,051,079</u>	<u>73,964,971</u>

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

Company Income Statement

For The Year Ended 31st December 2000

	Note	2000 RM	1999 RM
REVENUE		32,584,672	28,817,909
OTHER OPERATING INCOME		862,818	7,463,240
		33,447,490	36,281,149
Less			
CHANGES IN INVENTORIES OF FINISHED GOOD AND WORK-IN-PROGRESS		283,232	(568,928)
RAW MATERIAL AND CONSUMABLE USED		(13,211,889)	(11,150,153)
STAFF COST		(7,564,138)	(6,725,204)
DEPRECIATION OF FIXED ASSETS		(2,422,575)	(2,303,226)
OTHER OPERATING EXPENSES		(5,590,676)	(3,717,136)
TOTAL OPERATING EXPENSES		(28,506,046)	(24,464,647)
PROFIT FROM OPERATIONS		4,941,444	11,816,502
Less			
FINANCE COST		(1,134,479)	(824,414)
PROFIT BEFORE TAXATION	14	3,806,965	(10,992,088)
Less			
TAXATION	15	(1,176,000)	(581,549)
NET PROFIT FOR THE YEAR		2,630,965	10,410,539

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

Company Statement of Changes in Equity

For The Year Ended 31st December 2000

	Share Capital RM	Revaluation Reserve RM	Share Premium RM	Accumulated Profits RM	Total RM
At 1st January 1999	19,900,000	3,498,000	916,078	37,741,003	62,055,081
Net profit for the year	-	-	-	10,410,539	10,410,539
Proposed dividend - 5% less income tax	-	-	-	(1,862,640)	(1,862,640)
Bonus issue through capitalisation of accumulated profits	31,840,000	-	-	(31,840,000)	-
Bonus issue expenses	-	-	(119,538)	-	(119,538)
At 31st December 1999	51,740,000	3,498,000	796,540	14,448,902	70,483,442
Net profit for the year	-	-	-	2,630,965	2,630,965
Proposed dividend - 2% less income tax	-	-	-	(745,056)	(745,056)
Bonus issue expenses	-	-	(3,777)	-	(3,777)
At 31st December 2000	51,740,000	3,498,000	792,763	16,334,811	72,365,574

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

Company Cash Flow Statement

For the year ended 31st December 2000

	2000 RM	1999 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,806,965	10,992,088
Adjustments for :		
Depreciation of fixed assets	2,422,575	2,303,226
(Profit)/loss on disposal of fixed assets	(19,866)	10,446
Fixed assets written off	176	-
Interest expenses	1,134,479	824,414
	<u>3,537,364</u>	<u>3,138,086</u>
Operating profit before working capital changes	7,344,329	14,130,174
(Increase)/decrease in stocks	(587,063)	58,974
Increase in debtors	(8,914,196)	(9,914,137)
Increase/(decrease) in creditors	8,687,756	(1,916,811)
	<u>(813,503)</u>	<u>(11,771,974)</u>
Cash generated from operations	6,530,826	2,358,200
Interest paid	(1,134,479)	(824,414)
Tax paid	(1,331,604)	(1,181,918)
Dividend paid	(1,862,640)	(1,432,800)
	<u>(4,328,723)</u>	<u>(3,439,132)</u>
Net cash from/(used in) operating activities	2,202,103	(1,080,932)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of fixed assets	54,700	34,471
Purchase of fixed assets	(4,519,163)	(2,182,198)
Refund of club deposit	4,200	-
Purchase of investment	(2)	-
	<u>(4,460,265)</u>	<u>(2,147,727)</u>
	(2,258,162)	(3,228,659)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bonus issue expenses	(3,777)	(119,538)
Term loan received	3,000,000	3,038,320
Repayment of term loans	(1,451,662)	(719,526)
	<u>1,544,561</u>	<u>2,199,256</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(713,601)</u>	<u>(1,029,403)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>(3,383,612)</u>	<u>(2,354,209)</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u><u>(4,097,213)</u></u>	<u><u>(3,383,612)</u></u>
CASH AND CASH EQUIVALENTS		
Cash and bank balances	181,639	88,735
Bank overdraft	(4,278,852)	(3,472,347)
	<u><u>(4,097,213)</u></u>	<u><u>(3,383,612)</u></u>

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

Notes To The Financial Statements

31st December 2000

1. GENERAL INFORMATION

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

At the end of the financial year, the Company has 340 (1999 – 260) employees.

The Company is a limited liability company, incorporated and domiciled in Malaysia.

The business address of the Company is Wisma Kossan, Lot 782, Jalan Sungai Putus, Off Batu 3 ³/₄, Jalan Kapar, 42100 Klang, Selangor.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

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

b) Basis of Consolidation

The Consolidated Financial Statements include the Financial Statements of the Company and all its subsidiaries. Companies acquired or disposed during the year are included in the consolidated Financial Statements from the date of acquisition or to the date of disposal. Intragroup transactions are eliminated on consolidation and the consolidated Financial Statements reflect external transactions only.

The excess of the purchase price over the fair value of the net assets of subsidiaries at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve arising on consolidation. Goodwill or reserve arising on consolidation is not amortised.

c) Fixed Assets and Depreciation

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

The principal annual rates used are as follows : -

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

Those freehold land and buildings of the Group which are stated at valuation have not been revalued since the last valuation in 1995 as the Directors have not adopted a policy of regular revaluation of such assets. As permitted by the transitional provision of IAS 16 (Revised) – Properties, Plant and Equipment, these assets continued to be stated at their 1995 valuation less accumulated depreciation.

d) Stocks and Work-In-Progress

Stocks and work-in-progress are stated at the lower of cost, which is determined on the first-in first-out basis, and net realizable value. Cost includes all relevant and appropriate portions of overheads.

e) Foreign Currency Transactions

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

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

The exchange rate ruling at balance sheet date used is as follows : -

	<u>2000</u>	<u>1999</u>
United States Dollar	3.80	3.80

f) Revenue

Revenue represents the invoiced value of goods sold.

g) Debtors

Known bad debts are written off and specific provision is made on accounts which are doubtful of collection.

h) Interest capitalisation

Interest incurred on borrowings relating to the purchase of fixed assets is capitalised until the assets are ready for their intended use. Interest relating to development properties is capitalised during the period of active development and until they are ready for their intended purpose.

i) Deferred Taxation

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

j) Finance Lease

Fixed assets acquired under finance lease and hire purchase are capitalised in the Financial Statements and are depreciated in accordance with the policy set out in (c) above. The corresponding outstanding obligations due under the finance lease and hire purchase after deducting finance expenses are included as liabilities in the Financial Statements. Finance expenses are charged to the income statement over the period of the respective agreements using the sum-of-digit method.

k) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, cash at bank and bank overdrafts.

l) Investments

Investments in subsidiaries and other long term investments are stated at cost less provision for any permanent diminution in value.

3. FIXED ASSETS

<u>Group - 2000</u>	<u>Cost/Valuation at 1.1.2000</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Acquisition of subsidiary</u>	<u>Cost/Valuation at 31.12.2000</u>
	RM	RM	RM	RM	RM	RM
At valuation -						
Freehold land						
and buildings	17,490,000	-	-	-	-	17,490,000
At cost -						
Freehold land						
and buildings	10,802,955	4,157,335	3,965,712	-	-	10,994,578
Plant and machinery	51,104,843	6,530,736	576,732	4,805,649	79,084	61,943,580
Motor vehicles	4,256,246	982,026	164,547	-	49,789	5,123,514
Factory renovation	827,208	294,148	-	-	18,249	1,139,605
Office furniture						
and equipment	1,900,273	729,092	199	-	466,623	3,095,789
Factory furniture						
and fitting	205,093	285	-	-	-	205,378
Electrical installation	817,983	-	-	-	-	817,983
Plant and machinery						
under construction	4,805,649	-	-	(4,805,649)	-	-
	<u>92,210,250</u>	<u>12,693,622</u>	<u>4,707,190</u>	<u>-</u>	<u>613,745</u>	<u>100,810,427</u>

	Accumulated depreciation at 1.1.2000	Depreciation charge for the year	Disposals	Acquisition of subsidiary	Accumulated depreciation at 31.12.2000	Net book value at 31.12.2000
	RM	RM	RM	RM	RM	RM
Freehold land						
and buildings	1,440,593	375,843	-	-	1,816,436	26,668,142
Plant and machinery	18,411,070	5,586,094	179,894	56,321	23,873,591	38,069,989
Motor vehicles	2,410,357	730,403	18,972	43,863	3,165,651	1,957,863
Factory renovation	307,339	81,065	-	68	388,472	751,133
Office furniture						
and equipment	742,970	334,681	23	180,696	1,258,324	1,837,465
Factory furniture						
and fitting	67,175	19,382	-	-	86,557	118,821
Electrical installation	288,503	78,848	-	-	367,351	450,632
	<u>23,668,007</u>	<u>7,206,316</u>	<u>198,889</u>	<u>280,948</u>	<u>30,956,382</u>	<u>69,854,045</u>

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

	Accumulated depreciation at 1.1.2000	Depreciation charge for the year	Disposals	Accumulated depreciation at 31.12.2000	Net book value at 31.12.2000
	RM	RM	RM	RM	RM
Freehold land and buildings	1,042,907	212,592	-	1,255,499	18,058,994
Plant and machinery	7,418,010	1,780,276	69,799	9,128,487	11,903,501
Motor vehicles	1,263,994	286,995	-	1,550,989	1,183,792
Factory renovation	87,372	7,387	-	94,759	38,399
Office furniture and equipment	560,804	135,325	23	696,106	830,590
	<u>10,373,087</u>	<u>2,422,575</u>	<u>69,822</u>	<u>12,725,840</u>	<u>32,015,276</u>

<u>Group - 1999</u>	<u>Cost/Valuation at 1.1.1999</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Cost/Valuation at 31.12.1999</u>
	RM	RM	RM	RM	RM
At valuation -					
Freehold land and buildings	17,490,000	-	-	-	17,490,000
At cost -					
Freehold land and buildings	8,295,527	1,000,842	-	1,506,586	10,802,955
Plant and machinery	47,291,006	3,834,597	20,760	-	51,104,843
Motor vehicles	4,118,908	252,800	115,462	-	4,256,246
Factory renovation	666,056	161,893	741	-	827,208
Office furniture and equipment	1,786,413	113,860	-	-	1,900,273
Building under construction	1,506,586	-	-	(1,506,586)	-
Factory furniture and fitting	200,913	4,180	-	-	205,093
Electrical installation	817,148	835	-	-	817,983
Plant and machinery under construction	-	4,805,649	-	-	4,805,649
	<u>82,172,557</u>	<u>10,174,656</u>	<u>136,963</u>	<u>-</u>	<u>92,210,250</u>

	<u>Accumulated depreciation at 1.1.1999</u>	<u>Depreciation charge for the year</u>	<u>Disposals</u>	<u>Accumulated depreciation at 31.12.1999</u>	<u>Net book value at 31.12.1999</u>
	RM	RM	RM	RM	RM
Freehold land and buildings	1,065,595	374,998	-	1,440,593	26,852,362
Plant and machinery	13,686,282	4,740,679	15,891	18,411,070	32,693,773
Motor vehicles	1,739,945	746,566	76,154	2,410,357	1,845,889
Factory renovation	240,427	66,912	-	307,339	519,869
Office furniture and equipment	565,506	177,464	-	742,970	1,157,303
Building under construction	-	-	-	-	-
Factory furniture and fitting	47,981	19,194	-	67,175	137,918
Electrical installation	209,690	78,813	-	288,503	529,480
Plant and machinery under construction	-	-	-	-	4,805,649
	<u>17,555,426</u>	<u>6,204,626</u>	<u>92,045</u>	<u>23,668,007</u>	<u>68,542,243</u>

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

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

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

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

	-----GROUP-----		-----COMPANY-----	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	RM	RM	RM	RM
Freehold land and buildings	<u>9,175,752</u>	<u>9,288,354</u>	<u>7,163,713</u>	<u>7,258,036</u>

Cost of fixed assets of the Group and of the Company being acquired under finance lease and hire purchase arrangements amounted to RM9,433,336 (1999 – RM9,433,336) and RM4,020,304 (1999 – RM1,232,402) respectively.

The following fixed assets have been pledged to banks for bank borrowings granted to the Group and the Company as referred to in Note 9 :-

	Net Book Value			
	-----GROUP-----		-----COMPANY-----	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	RM	RM	RM	RM
Freehold land and buildings	<u>16,431,958</u>	<u>16,871,956</u>	<u>13,516,559</u>	<u>13,912,215</u>
Plant and machinery	<u>6,912,860</u>	<u>-</u>	<u>3,129,949</u>	<u>-</u>
	<u>23,344,818</u>	<u>16,871,956</u>	<u>16,646,508</u>	<u>13,912,215</u>

4. INVESTMENTS

	-----GROUP-----		-----COMPANY-----	
	<u>2000</u> RM	<u>1999</u> RM	<u>2000</u> RM	<u>1999</u> RM
i) Investment in subsidiaries				
Unquoted shares, at valuation	-	-	9,941,429	9,941,427
Add				
Amount due from subsidiaries	-	-	37,500,471	33,162,098
Less				
Amount due to subsidiaries	-	-	(13,000)	-
	-	-	47,428,900	43,103,525
ii) Investment in club membership, at cost	<u>53,000</u>	<u>57,200</u>	<u>53,000</u>	<u>57,200</u>
	<u>53,000</u>	<u>57,200</u>	<u>47,481,900</u>	<u>43,160,725</u>

The subsidiaries are as follows :-

Name	Principal activities	% of Shareholding	
		<u>2000</u>	<u>1999</u>
i) Kossan Latex Industries (M) Sdn. Bhd.	Manufacturing of latex examination gloves	100%	100%
ii) Perusahaan Getah Asas Sdn. Bhd.	Manufacturing of latex examination gloves	100%	100%
iii) Kossan Engineering (M) Sdn. Bhd.	Fabrication and installation of machinery	100%	100%
iv) Ideal Quality Sdn. Bhd.	Trading of latex examination gloves	100%	100%
v) Top Calibre Sdn. Bhd.	Investment holding	100%	-
+vi) Envi-Care Sdn. Bhd.	Investment holding	100%	-
#+vii) Normandin Pacific Holdings Corp.	Trading of latex examination gloves	51%	-

Except for Normandin Pacific Holding Corp. which is incorporated in the United States of America, the other subsidiaries are incorporated in Malaysia.

+ Sub-subsidiary companies

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

5. STOCKS AND WORK-IN-PROGRESS

	-----GROUP-----		-----COMPANY-----	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	RM	RM	RM	RM
Raw material	9,534,578	4,620,801	3,487,311	3,183,481
Finished goods	7,977,015	8,747,733	1,249,266	959,775
Work-in-progress	515,071	519,888	481,362	487,621
	<u>18,026,664</u>	<u>13,888,422</u>	<u>5,217,939</u>	<u>4,630,877</u>

6. TRADE DEBTORS

	-----GROUP-----		-----COMPANY-----	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	RM	RM	RM	RM
Gross debtors	34,873,864	29,987,174	9,192,959	7,721,979
Less				
Provision for doubtful debts	260,460	278,714	260,460	278,714
	<u>34,613,404</u>	<u>29,708,460</u>	<u>8,932,499</u>	<u>7,443,265</u>

7. HIRE PURCHASE CREDITORS

	-----GROUP-----		-----COMPANY-----	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	RM	RM	RM	RM
Future minimum payments are as follows : -				
Payable within one year	2,301,501	3,154,253	1,145,566	383,457
Payable between one and five years	1,837,566	1,479,102	1,505,552	118,406
	4,139,067	4,633,355	2,651,118	501,863
Less				
Finance charges	386,910	767,617	285,980	90,571
	<u>3,752,157</u>	<u>3,865,738</u>	<u>2,365,138</u>	<u>411,292</u>
Representing by hire purchases creditors : -				
Due within 12 months	2,031,426	2,599,419	962,294	304,831
Due after 12 months	1,720,731	1,266,319	1,402,844	106,461
	<u>3,752,157</u>	<u>3,865,738</u>	<u>2,365,138</u>	<u>411,292</u>

8. HOLDING COMPANY

The holding company is KOSSAN HOLDINGS (M) SDN. BHD., a company incorporated in Malaysia, which owns 54% (1999 – 54%) of the Company's issued equities.

9. BANK BORROWINGS

	-----GROUP-----		-----COMPANY-----	
	2000	1999	2000	1999
	RM	RM	RM	RM
Long term borrowings				
Secured -				
Term loans	7,875,117	539,802	3,072,842	539,,802
Unsecured -				
Term loans	3,606,451	5,374,047	2,633,138	3,617,841
Total borrowings	11,481,568	5,913,849	5,705,980	4,157,643
Less :				
Current portion of				
long term borrowings	3,360,866	2,029,569	1,693,319	1,286,575
	8,120,702	3,884,280	4,012,661	2,871,068
Short term borrowings				
Secured -				
Term loans	3,544,957	336,871	699,032	336,871
Trust receipts	27,716	230,396	27,716	230,396
Banker acceptance	7,587,363	4,534,065	2,855,000	1,610,000
Revolving credit	5,505,523	5,500,000	1,505,523	1,500,000
Bank overdraft	1,000,000	1,000,000	1,000,000	1,000,000
	17,665,559	11,601,332	6,087,271	4,677,267
Unsecured -				
Term loans	1,815,909	1,692,698	994,287	949,704
Banker acceptance	162,000	-	162,000	-
Revolving credit	4,014,828	-	3,278,852	-
Bank overdrafts	5,873,157	6,036,459	4,014,828	2,472,347
	11,865,894	7,729,157	8,449,967	3,422,051
	29,531,453	19,330,489	14,537,238	8,099,318

Secured borrowings are secured as follows : -

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

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

Bank borrowings carry interest ranging from 1% to 2.5% above the banks' base lending rate per annum.

10. SHARE CAPITAL

	<u>2000</u> RM	<u>1999</u> RM
Authorised :		
150,000,000 ordinary shares of RM1 each	<u>150,000,000</u>	<u>150,000,000</u>
Issued and Fully Paid :		
51,740,000 ordinary share of RM1 each	<u>51,740,000</u>	<u>51,740,000</u>

11. REVALUATION RESERVE

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

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

12. SHARE PREMIUM

	<u>2000</u> RM	<u>1999</u> RM
At beginning of the year	796,540	916,078
Less:		
Bonus issue expenses	<u>3,777</u>	<u>119,538</u>
At end of the year	<u>792,763</u>	<u>796,540</u>

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

13. DEFERRED TAXATION

	-----GROUP-----		-----COMPANY-----	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	RM	RM	RM	RM
At beginning of the year	949,000	949,000	504,000	504,000
Transfer from/(to) income statement	734,468	-	766,000	-
At end of the year	1,683,468	949,000	1,270,000	504,000

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

	-----GROUP-----		-----COMPANY-----	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	RM	RM	RM	RM
Timing differences between depreciation and capital allowance on fixed assets	1,683,468	949,000	1,270,000	504,000

The tax effect relating to the increase in the carrying values of the revalued assets is not disclosed as it is not the intention of the Company to dispose of these assets.

14. PROFIT BEFORE TAXATION

	-----GROUP-----		-----COMPANY-----	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	RM	RM	RM	RM
AFTER CHARGING : -				
Directors' fees	48,000	48,000	48,000	48,000
Directors' salaries and allowances	1,724,900	1,510,714	597,504	593,040
Auditors' remuneration	54,550	47,550	22,000	18,000
Rental of premises	776,887	409,166	135,969	93,866
Overdraft interest	524,829	356,005	291,350	219,630
Hire purchase interest	803,844	678,505	206,996	183,768
Trust receipts interest	439	1,299	439	1,299
Bankers' acceptance interest	317,881	278,281	88,056	79,894
Term loan interest	565,893	352,770	343,027	175,750
Depreciation of fixed assets	7,206,316	6,204,626	2,422,575	2,303,226
Revolving credit interest	379,767	237,344	204,611	164,073
Fixed asset written off	176	-	176	-
Loss on disposal of fixed assets	-	10,446	-	10,446
Preliminary expenses written off	2,000	-	-	-
Pre-operating expenses written off	10,833	-	-	-
AND CREDITING : -				
Dividend income	-	-	-	6,500,030
Profit on disposal of fixed assets	1,420,109	19,499	19,866	-
Rental income	234,000	234,000	234,000	534,000
Gain on foreign exchange differences	421,813	1,019,048	31,020	17,805

15. TAXATION

	-----GROUP-----		-----COMPANY-----	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	RM	RM	RM	RM
Current year's provision	(450,920)	-	(410,000)	(560,000)
Malaysia				
Outside Malaysia	(28,710)	-	-	-
	(479,630)	-	(410,000)	(560,000)
Over/(under) provision in previous years	-	149,556	-	(21,549)
Provision for deferred taxation	(734,468)	-	(766,000)	-
	<u>(1,214,098)</u>	<u>149,556</u>	<u>(1,176,000)</u>	<u>(581,549)</u>

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

Other than the tax on dividend of the Company, there is no tax charge for the previous financial year as the tax was waived in accordance with the Income Tax (Amendment) Act, 1999.

As at 31st December 2000, the Group and the Company have tax exempt profit amounting to approximately RM46,727,000 (1999 – 43,998,000) and RM31,649,000 (1999 – 31,649,000) respectively which subject to confirmation by the Inland Revenue Board, is available for distribution as tax exempt dividend.

As at 31st December 2000, the Company has sufficient tax credit to frank the payment of dividend amounting to approximately RM10,080,000 (1999 – RM9,028,000) without incurring additional tax liabilities.

16. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the Group net profit for the year of RM2,367,409 (1999 – RM6,330,022) by 51,740,000 (1999 – 51,740,000) shares in issue during the financial year.

The diluted earnings per share is calculated by dividing the Group net profit for the year of RM2,367,409 (1999 - RM6,330,022) by the weighted average number of 53,635,920 (1999 -51,740,000) ordinary shares on the assumption that all the options granted under the Company's Executive Share Option Scheme were exercised on the date the options were exercisable.

17. SUMMARY OF EFFECT ON ACQUISITION OF SUBSIDIARY COMPANIES

	2000 RM	1999 RM
Net assets acquired		
Fixed assets at net book value	332,797	-
Stocks	2,020,948	-
Trade and other receivables	1,186,971	-
Cash and bank balance	530,697	-
Trade and other payable	(900,578)	-
Expenditure carried forward	12,883	-
Minority interest	(1,559,542)	-
Net assets acquired	1,624,176	-
Reserves on consolidation	(104,171)	-
Purchases consideration	1,520,005	-
Less		
Cash and bank acquired	(530,697)	-
Net cash used for acquisition of subsidiary companies	989,308	-

18. SEGMENTAL ANALYSIS - GROUP

Analysis by activities

	TURNOVER	PROFIT/(LOSS) BEFORE TAXATION	TOTAL ASSETS
2000	RM	RM	RM
Trading division	10,026,414	1,049,643	12,198,377
Solid rubber division	32,584,672	3,806,965	52,581,662
Latex gloves division	61,581,390	(1,394,387)	71,302,226
Fabrication of machinery	461,773	38,738	271,769
	104,654,249	3,500,959	136,354,034
1999			
Trading division	-	(1,388)	1,538,000
Solid rubber division	28,817,909	4,492,058	44,333,890
Latex gloves division	66,975,677	1,597,129	70,577,193
Fabrication of machinery	1,510,000	92,667	438,999
	97,303,586	6,180,466	116,888,082

Analysis by geographical location

	TURNOVER	PROFIT/(LOSS) BEFORE TAXATION	TOTAL ASSETS
2000	RM	RM	RM
Malaysia	94,651,835	3,625,863	145,687,464
Outside Malaysia	10,002,414	(124,904)	6,207,524
	104,654,249	3,500,959	151,894,988

Analysis for 1999 has not been presented as the Group operated in Malaysia only in 1999.

19. CONTINGENT LIABILITIES

As at 31st December 2000, the Company has outstanding contingent liabilities amounting to RM63,600,000 (1999 – RM56,600,000) being corporate guarantees given to a bank for banking facilities granted to certain subsidiaries.

20. SIGNIFICANT RELATED PARTY TRANSACTIONS

	-----COMPANY-----	
	<u>2000</u>	<u>1999</u>
	RM	RM
Rent paid to certain Directors	(68,400)	(68,400)
Rental paid to a related company	(288,000)	(288,000)
Rental received from a related company	84,000	84,000
Purchases from a corporation in which the Directors have financial interest	(8,350)	(2,620)

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

21. SIGNIFICANT EVENTS

- i) On 18th August 2000, Kossan Rubber Industries Bhd. has entered into a Sales and Purchase Agreement to acquire 70% equity interest in Doshin Rubber Products (M) Sdn. Bhd. (DRP) for a total cash consideration not exceeding RM1,400,000. The principal activities of DRP are in the manufacturing of specialized technical rubber products. The acquisition was completed subsequent to the balance sheet date.
- ii) On 11th July 2000, Top Calibre Sdn. Bhd. a wholly owned subsidiary of the Company has entered into several conditional joint venture agreements for total cash consideration of RM296,814. The principal activities of the proposed joint venture companies are in the marketing of latex examination gloves and other related products of the group. Permissions to remit funds for the formation of the proposed joint ventures were obtained from Bank Negara Malaysia. However, the proposed joint ventures have not been finalized.
- iii) On 12th October 2000, Envi-Care Sdn. Bhd., a subsidiary of the Company has entered into agreements to dispose off its property for a consideration of RM4,896,488 and to reimburse the cost of construction work-in-progress for RM1,038,649. Net profit from the above transactions amounting to RM1,339,654 has been taken up in the Financial Statements.

22. COMPARATIVE FIGURES

Following the adoption of MASB Standards in the preparation of this set of Financial Statements, the presentation and classification of certain items in the Financial Statements have been amended. Accordingly, comparative amounts for those items have been reclassified to ensure comparability with the current financial year.

Report of The Auditors to The Members of Kossan Rubber Industries Bhd

We have audited the Financial Statements set out on pages 14 to 35. 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 : -
 - (i) the state of affairs of the Group and of the Company as at 31st December 2000 and of their results and the cash flow 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.
PUBLIC ACCOUNTANTS
NO. AF 0033

24th April 2001
Klang.

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

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 14 to 35 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 2000 and of its results and cash flows for the year then ended.

On behalf of the Board,

LIM KUANG SIA (Director)

LIM KUANG YONG (Director)

24th April 2001
Klang

Statutory Declaration

I, **LIM KUANG SIA**, NRIC No. 4299602, the Director 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 14 to 35 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)

the abovenamed **LIM KUANG SIA**,)

LIM KUANG SIA

at Klang, in the State of Selangor,)

this 24 day of April 2001.)

Before me,

CHEW KIM SWEE @ CHEW TOO NYAAH
No.B102
Commissioner for Oaths,
Klang

Particulars of Properties

As at 31st December 2000

Location	Description	Age Of Building	Land Area	Tenure	Existing Use	Net Book Value RM
No. 14, Lorong Sungai Puloh 14C, Taman Klang Utama, 42100 Klang.	1 unit double storey link house	7 Years	990 sq. ft.	Freehold	Staff quarters	97,148
No. 16, Lorong Sungai Puloh 14C, Taman Klang Utama, 42100 Klang.	1 unit double storey link house	7 Years	990 sq. ft.	Freehold	Staff quarters	97,148
Lot 754, Jalan Haji Sirat, 42100 Klang.	Factory	6 Years	246,550 sq. ft.	Freehold	Factory	11,209,389
Lot 782, Jalan Sungai Putus Off Batu 3 ³ / ₄ Jalan Kapar 42100 Klang.	Office and Factory Premises	Factory (13 Years) Office (6 Years)	47,480 sq. ft.	Freehold	Factory and Office	2,827,923
Lot 16632, Batu 5 1/4, Jalan Meru, 41050 Klang.	Single storey detached factory	11 Years	65,175 sq. ft.	Freehold	Factory and Office	2,915,399
Lot 2401, Batu 17, Jalan Sungai Sembilang, 45800 Jeram.	Factory	2 Year	106,177 sq. ft.	Freehold	Factory	2,952,553
GM 554 Lot 2796 Mukim of Jeram District of Kuala Selangor.	Land	-	213,916 sq. ft.	Freehold	Vacant	874,833
Lot 1365, Batu 17, Jalan Sungai Sembilang, 45800 Jeram.	Factory	3 Years	217,800 sq. ft.	Freehold	Factory and Office	5,693,749
TOTAL						26,668,142

Statistics On Shareholdings

As at 30th April 2001

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

a) Analysis of Shareholdings

Size of Shareholdings	No. of Shareholders	%	Shareholdings	%
1 - 1,000	1,413	33.67	1,352,100	2.61
1,001 - 5,000	1,966	46.85	5,648,900	10.92
5,001 - 10,000	446	10.63	3,326,000	6.43
More than 10,000	371	8.85	41,413,000	80.04
Total	4,196	100.00	51,740,000	100.00

b) Twenty (20) Largest Shareholders as at 30th April 2001

Rank	Name	Shareholdings	%
1.	Kossan Holdings (M) Sdn Bhd	28,194,400	54.49
2.	Permodalan Nasional Berhad	1,838,200	3.55
3.	Pan Asian Corporation Sdn Bhd	1,087,300	2.10
4.	Lembaga Tabung Haji	351,200	0.68
5.	Yee Chek Mun	338,000	0.65
6.	Teng Choon Kwang	303,400	0.59
7.	Yeoh Kean Hua	286,000	0.55
8.	Rubber Industry Smallholders Development Authority	234,000	0.45
9.	Yeo Soo Eng	218,000	0.42
10.	Ma Boon Eng	150,800	0.29
11.	Lim Kuang Wang	124,800	0.24
12.	Lim Kuan Chiang	122,200	0.24
13.	Lim Toon Hong	104,000	0.20
14.	Kuik Chong Hing @ Kwek Chong Heng	104,000	0.20
15.	Chew Thiar Loon @ Chew Thiang Soon	97,200	0.19
16.	Yeo Wha	95,000	0.18
17.	Kuek Yet Yim	91,000	0.18
18.	Shapadu Corporation Sdn Bhd	78,000	0.15
19.	Hian Bee Geak	76,600	0.15
20.	Lee Peck Chin	76,000	0.15
		33,970,100	65.65

c) Substantial Shareholders as at 30th April 2001

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

d) Directors' Shareholdings as at 30th April 2001

Name of Directors	Shareholdings	%
1. Lim Kuang Sia	66,300	0.13
2. Lim Kuang Yong	-	-
3. Heng Bak Tan	-	-
4. Lim Kuang Wang	124,800	0.24
5. Lim Kwan Hwa	-	-
6. Dato' Mokhtar Bin Hj. Samad	-	-
7. Sulaiman Bin Mohd Hassan	-	-
8. YB Dato' Tai Chang Eng @ Teh Chang Ying	52,000	0.10
9. Lim Leng Bung	-	-

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty First (21st) Annual General Meeting of the Company will be held at **Concorde II, Level 2, Concorde Hotel Shah Alam, 3, Jalan Tengku Ampuan Zabedah C 9/C, 40100 Shah Alam** on Friday, 22nd June 2001 at **10.30 a.m.** for the following purposes:

AGENDA

1. To receive and adopt the audited accounts for the financial year ended 31st December 2000 together with the Directors' and Auditors Reports thereon. (Resolution 1)
2. To approve payment of a 1st and final dividend of 2% gross less 28% income tax for the financial year ended 31st December 2000. (Resolution 2)
3. To approve the payment of Directors' fee of RM48,000 for the financial year ended 31st December 2000. (Resolution 3)
4. To re-elect the following Directors retiring under the provisions of the Articles of Association.
 - i) Mr. Heng Bak Tan (Resolution 4)
 - ii) YB Dato' Tai Chang Eng @ Teh Chang Ying, A.M.S., P.J.K. (Resolution 5)
5. To re-appoint Messrs Khoo Teng Keat & Co. as Auditors and to authorise the Directors to fix their remuneration. (Resolution 6)
6. As Special Business, to consider and if thought fit, to pass the following as ordinary resolutions:
 - (a) Authority to allot and issue shares in general pursuant to Section 132D of the Companies Act 1965-ESOS allotment. (Resolution 7)

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

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

the approval from the Kuala Lumpur Stock Exchange for the listing of and quotation for the additional shares so issued."

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

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

7. As Special Business, to consider and if thought fit, to pass the following as special resolution:

Proposed amendments to the Articles of Association of the Company. (Resolution 10)

"That the Articles of Association of the Company be amended to be consistent with the Kuala Lumpur Listing Requirements as per Appendix I enclosed."

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

NOTICE OF DIVIDEND PAYMENT

NOTICE IS HEREBY GIVEN that the final dividend of 2% less Malaysian Income Tax at 28% in respect of the financial year ended 31st December 2000, if approved by members at the Annual General Meeting to be held on 22nd June 2001 will be paid on 28th August 2001 to members whose names appear in the Record of Depositors on 3rd August 2001.

A depositor shall qualify for entitlement only in respect of:

- (a) Shares transferred to the depositor's securities account before 12.30 p.m. on 3rd August 2001 in respect of ordinary transfer; and
- (b) Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

BY ORDER OF THE BOARD
KOSSAN RUBBER INDUSTRIES BHD

CHIA ONG LEONG
CHIA YEW NGO
Company Secretaries

28th May 2001
Klang

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company, a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies in a particular case. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Wisma Kossan, Lot 782, Jalan Sg Putus, Off Batu 3 3/4, Jalan Kapar, 42100 Klang not less than forty-eight hours before the time for holding the meeting.
3. If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.
4. Authority to Directors to issue shares pursuant to Section 132D
 - (a) Resolution 7
The purpose of this Resolution is to enable the Directors of the Company to allot shares to those executives who have exercised their options under the Executive Share Option Scheme.
 - (b) Resolution 8
In line with the Company's plan for expansion/diversification, the Company is actively looking into prospective areas so as to broaden the 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.
5. Arrangements/Transactions with Directors/persons connected with Directors pursuant to Section 132E

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

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

The proposed adoption of the Special Resolution is to enable the Company to comply with the new requirements stipulated in the Kuala Lumpur Stock Exchange Listing Requirements. The proposed amendments are administrative in nature and would not have any effect on the Company or the Group.

Appendix I

Special Resolution 1 - Proposed Amendments to the Articles of Association of the Company

"That the Articles of Association of the Company be amended to comply with Chapter 7 of the KLSE Listing Requirements.

1. Article 2

To insert the following definitions in Article 2

"Word	Meanings
Approved Market Place	means a stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories)(Exemption) (No.2) Order 1998
Convertible Securities	means securities which are convertible or exercisable by the holder, or automatically, by their terms of issue, into shares or stocks."

2. Article 6

To delete the existing Article 6 in its entirety and adopt the following new Article 6

Existing Article 6 - " Subject to the Act, any preference shares may with the sanction of an Ordinary Resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed and the Company shall not issue preference shares ranking in priority above preference shares already issued, but may issue preference shares ranking equally therewith. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and Balance Sheets, and attending general meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital, or winding up, or sanctioning a sale of the undertaking, or where any resolution to be submitted to the meeting directly affects their rights and privileges, or when the dividend on the preference shares is in arrears for more than six(6) months."

New Article 6

- "6(a) Subject to the Act, any preference shares may, with the sanction of an Ordinary Resolution, be issued on the terms that they are, or at the option of the Company, are liable to be redeemed.
- (b) The Company shall not issue preference shares ranking in priority above preference shares already issued, but may issue preference shares ranking equally therewith.
- (c) Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and audited accounts and attending meetings of the Company.
- (d) Preference shareholders shall also have the rights to vote at any meeting convened
- (i) when the dividend or part of the dividend on the preference shares is in arrears for more than six(6) months;
 - (ii) for the purpose of reducing the share capital of the company;
 - (iii) for the disposal of the whole of the Company's property, business and undertaking;
 - (iv) where any resolution is submitted that directly affect the rights and privileges attached to the share; and
 - (v) during the winding up of the Company.
- (e) Preference shareholders shall be entitled to a return of capital in preference to ordinary shareholders when the company is wound up."

3. Article 11

To delete the existing Article 11 in its entirety and adopt the following new Article 11

Existing Article 11 - "Subject to any direction to the contrary that may be given by the Company in general meeting any original shares for the time being unissued and not allotted and any new shares from time to time to be created shall before they are issued be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the directors may dispose of those shares in such manner as they think most beneficial to the Company. The directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the directors, be conveniently offered under this Article."

New Article 11

"11 Subject to any direction to the contrary that may be given by the Company in general meeting, any original shares for the time being unissued and not allotted and any new shares or other convertible securities from time to time be created, shall before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings, in proportion, as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered and limiting a time within which the offer, if not accepted, will be declared to be declined, and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the directors may dispose of those shares or securities in such manner as they think most beneficial to the company. The directors may likewise so dispose of any shares or securities (by reason of the ratio which the new shares or securities bear to the shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the directors, be conveniently offered under this Article."

4. Article 39

To delete the existing Article 39 in its entirety and adopt the following new Article 39.

Existing Article 39 - "The Company shall have a lien on every share (not being a fully paid share) for all moneys, called or payable at a fixed time in respect of such share including all unpaid instalments and interest thereon. The Company's lien, if any, on a share shall extend to all dividends payable thereon and shall also be subject to such amount as the Company may be required by law to pay in respect of the member or deceased member."

New Article 39

"39 The Company shall have a lien on every share (not being a fully paid shares) for all moneys, called or payable at a fixed time in respect of such share including all unpaid instalments and interest thereon. The Company's lien, if any, on a share shall extend to all dividends payable thereon and shall also be subject to such amount as the Company may be required by law to pay and have paid in respect of the shares of the members or deceased members."

5. Article 45A

To insert the following new Article 45A after the existing Article 45

"45A The transfer of any listed security or class of listed security of the Company shall be by way of book entry by the Central Depository in accordance with the rules of the Central Depository and, notwithstanding Sections 103 and 104 of the Act, but subject to Subsection 107C(2) of the Act and any exemption that may be made from compliance with Subsection 107(1) of the Act, the Company shall be excluded from registering and effecting any transfer of the listed securities."

6. Article 45B

To insert the following new Article 45B after the existing Article 45 and the new Article 45A

"45B Transmission of securities from Foreign Register

(1) Where

- (a) the securities of the Company are listed on an Approved Market Place; and
- (b) the Company is exempted from compliance with Section 14 of the Securities Industry (Central Depository) Act 1991 or Section 29 of the Securities Industry (Central Depositories)(Amendment) Act 1998, as the case may be, under the Rules of the Central Depository in respect of such securities.

the Company shall upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the Registrar of the Company in the jurisdiction of the Approved Market Place (hereinafter referred to as the "Foreign Register") to the register of holders maintained by the Registrar of the Company in Malaysia (hereinafter referred to as the "Malaysian Register") provided there shall be no change in the ownership of such securities.

- (2) For the avoidance of doubt, notwithstanding the Company fulfilling the requirements of subparagraphs (1)(a) and (b) above, the Company shall not allow any transmission of securities from the Malaysian Register into the Foreign Register."

7. Article 63

To delete the existing Article 63 in its entirety and adopt the following new Article 63

Existing Article 63 "Any General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Act) a resolution of which special notice has been given to the Company shall be called by twenty-one days' notice in writing at the least and an annual general meeting and other General Meeting by fourteen days' notice in writing at the least (exclusive in either case of the day on which it is served or deemed to be served and of the day for which it is given) specifying the place, day and hour of the meeting. The accidental omission to give such notice to, or the non-receipt of notice by any person shall not invalidate the proceedings of any General Meeting. At least 14 days notice of every such meeting shall be given by advertisement in the daily press and in writing to the Stock Exchange upon which the Company is listed."

New Article 63

"63 Any Annual General Meeting or any General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Act) a resolution of which special notice has been given to the Company shall be called by twenty-one (21) days' notice in writing at the least and any other General Meeting by fourteen (14) days' notice in writing at the least (exclusive both of the day on which it is served or deemed to be served and of the day on which the General Meeting is held) specifying the place, day and hour of the meeting. The accidental omission to give such notice to, or the non-receipt of notice by any person shall not invalidate the proceedings of any General Meeting. At least 14 days' notice or 21 days' notice (in the case where any special resolution is proposed or where it is the Annual General Meeting) of such meeting shall be given by advertisement in the daily press and in writing to the Stock Exchange upon which the Company is listed."

8. Article 66A

To insert the following new Article 66A after the existing Article 66

"66A Subject to the Securities Industry (Central Depositories)(Foreign Ownership) Regulations 1996 (where applicable) a depositor shall not be regarded as a member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors."

9. Article 86A

To insert the following new Article 86A after the existing Article 86

"86A Where a member of a Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account."

10. Article 104

To delete the existing Article 104 in its entirety and adopt the following new Article 104

Existing Article 104 "The Directors may from time to time appoint any one or more of their body to be Managing Director or Managing Directors for such period not exceeding five(5) years and upon such terms as they think fit, and may vest in such Managing Director or Managing Directors the powers hereby vested in the directors generally as they may think fit, but subject thereto such Managing Director or Managing Directors shall be subject to the control of the Board."

New Article 104

- "104 (1) The Directors may from time to time appoint any one or more of their body to be Managing Director or Managing Directors for such period and upon such terms as they think fit, and may vest in such Managing Director or Managing Directors the powers hereby vested in the directors generally as they may think fit, but subject thereto such Managing Director or Managing Directors shall be subject to the control of the Board."
- (2) A Managing Director so appointed shall, while holding that office be subject to retirement by rotation and his appointment automatically determined if he ceased from any cause to be a Director."

11. Article 108

To delete the proviso "except the Managing Director" in line 3 of Article 108.

The new Article 108 shall read as follows:

"108 At each Annual General Meeting, one third (1/3) of the Directors for the time being, or if their number is not a multiple of 3, the number nearest to one third (1/3) with a minimum of one (1) shall retire from office such that all Directors shall retire from office at least once in every three(3) years. A Director retiring at a meeting shall retain office until the close of the meeting or adjourned meeting at which his successor is elected or at where it is resolved not to fill his vacated office."

12. Article 107

To delete the existing Article 107(f) in its entirety and adopt the following new Article 107(f)

Existing Article 107(f) - "If he absents from meetings of the Directors for six months without leave, and the Directors resolve that his office be vacated."

New Article 107(f)

"107(f) If he absents from more than fifty percentum (50%) of the total Board of Directors' meetings held during a financial year."

13. Article 161

To insert after the end of Article 161, the following statement

"The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the directors' and auditors' reports shall not exceed four (4) months."

14. Article 162

To delete the word "fourteen (14)" appearing in line 4 of Article 162 and replace thereto the word "twenty-one (21)."

15. Article 178

To delete the existing Article 178 in its entirety and adopt the following new Article 178

Existing Article 178 - "The Company shall not delete, amend or add to any of its existing Articles of Association which have been previously approved by the Kuala Lumpur Stock Exchange, unless prior written approval has been sought and obtained from the Kuala Lumpur Stock Exchange for such deletion, amendment or addition.

New Article 178

"178 The Company may delete, amend or add to any of its existing Articles of Association previously approved by the Exchange provided a letter of compliance together with the said deletion, amendment or addition thereto are submitted to the Exchange.

- "(1) Notwithstanding anything contained in these Articles, if the Listing Requirements, prohibit an act being done, the said act shall not be done;
- (2) Nothing contained in these Articles prevents an act being done that the Listing Requirements requires to be done;
- (3) If the Listing Requirements require an act to be done or not to be done, authority is given for that act to be done or not to be done(as the case may be);
- (4) If the Listing Requirements require these Articles to contain a provision and they do not contain such a provision, these Articles are deemed to contain that provision;
- (5) If the Listing Requirements require these Articles not to contain a provision and they contain such a provision, these Articles are deemed not to contain that provision;
- (6) If any provision of these Articles is or become inconsistent with the Listing Requirements, these Articles are deemed not to contain that provision to the extent of the inconsistency; and
- (7) For the purpose of these Articles, unless the context otherwise requires, "Listing Requirements" means the listing requirements of the Kuala Lumpur Stock Exchange, including any amendment to the Listing Requirements that may be made from time to time."



**KOSSAN RUBBER
INDUSTRIES BHD**

(48166-W)

(INCORPORATED IN MALAYSIA)

Proxy Form

I/We _____

of _____

being a member of KOSSAN RUBBER INDUSTRIES BHD, hereby appoint

of _____

or failing him _____

of _____

as my/our proxy to vote for me/us and on my/our behalf at the Twenty First (21st) Annual General Meeting of the Company to be held at Concorde II, Level 2, Concorde Hotel Shah Alam, 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam on 22 June 2001 at 10.30 a.m. or at any adjournment thereof.

RESOLUTIONS		FOR	AGAINST
Adoption of accounts and reports	Ordinary Resolution 1		
Approval for payment of dividend	Ordinary Resolution 2		
Approval of directors' fees	Ordinary Resolution 3		
Election of directors: (i) Heng Bak Tan (ii) Dato' Tai Chang Eng @ Teh Chang Ying A.M.S., P.J.K.	Ordinary Resolution 4 Ordinary Resolution 5		
Appointment of auditors and authorizing directors to fix their remuneration	Ordinary Resolution 6		
Authorize directors to issue shares pursuant to ESOS - Section 132D	Ordinary Resolution 7		
Authorize directors to issue shares up to 10% of issued capital - Section 132D	Ordinary Resolution 8		
Arrangements/ Transactions with directors/ persons connected with directors - Section 132E	Ordinary Resolution 9		
Proposed Amendments of the Articles of Association	Special Resolution 10		

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

As witness my hand this _____ day of _____ 2001.

NO. OF SHARES HELD

Signature(s) of Shareholder(s)

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company, a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies in a particular case. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Wisma Kossan, Lot 782, Jalan Sg. Putus, Off Batu 3 3/4, Jalan Kapar, 42100 Klang not less than forty-eight hours before the time for holding the meeting.

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

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

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