

BOARD OF DIRECTORS

Y. BHG. DATO' HAJI MOKHTAR BIN HAJI SAMAD,
D.S.S.A., A.M.N., P.M.C., P.J.K.
(Independent Non-Executive Chairman)

LIM KUANG SIA
(Managing Director/Chief Executive Officer)

LIM KUANG YONG
(Executive Director)

LIM KUANG WANG
(Executive Director)

LIM KWAN HWA
(Executive Director)

HENG BAK TAN
(Non-Independent Non-Executive Director)

Y. BHG. DATO' TAI CHANG ENG @
TEH CHANG YING, D.S.S.A., A.M.S., P.J.K.
(Independent Non-Executive Director)

HAJI SULAIMAN BIN MOHD HASSAN
(Executive Director - Retired on 18.06.2004)

TONG SIEW CHOO
(Independent Non-Executive Director)

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 3¼, JALAN KAPAR
42100 KLANG, SELANGOR
Tel : 03-32912657
Fax : 03-32912903
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
BANK MUAMALAT MALAYSIA BERHAD
UNITED OVERSEAS BANK (MALAYSIA) BERHAD

SHARE REGISTRAR

SYMPHONY SHARE REGISTRARS SDN. BHD.
LEVEL 26, MENARA MULTI-PURPOSE
CAPITAL SQUARE
NO. 8, JALAN MUNSHI ABDULLAH
50100 KUALA LUMPUR
Tel : 03-27212222
Fax : 03-27212530

STOCK EXCHANGE LISTING

BURSA MALAYSIA SECURITIES BERHAD
– MAIN BOARD

CHAIRMAN'S STATEMENT

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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 2004.

Financial Results

The Group recorded a revenue of RM 277.80 million, exceeding the RM179.64 million achieved in 2003. The growth of 54.64% came from all sectors, the bulk of the higher revenue were contributed by the subsidiaries producing examination gloves. A pre-tax profit of RM29.30 million was achieved, compared to RM18.67 million in 2003, an increase of 56.94%.

Net profit after taxation and minority interests stood at RM22.13 million, compared to RM16.74 million in 2003.

Group earning per share rose from 26.56 sen in 2003 to 33.22 sen in 2004.

The Company recorded a higher revenue of RM58.72 million compared to RM43.27 million in 2003. Both domestic and export sales recorded encouraging growth.

The RM8.49 million profit before taxation at Company level was higher than the RM5.83 million achieved in the last financial year. Net profit after taxation at RM7.25 million was also higher than the RM5.69 million earned in 2003.

Activities And Prospects Of The Group

The business activities of the Group continued to expand. 2004 was the ninth successive year of growth. The main source of growth was contributed by the examination gloves division. The industrial rubber division also performed well with significant contributions from the subsidiaries.

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

Technical ability and capability to produce quality goods at reasonable prices continue to provide the Group with the competitive edge in the global market, and should underpin its future prospects.

Your Board is optimistic the Group will continue to perform well in the current year.

Dividend

The Directors recommend the payment of a final dividend of 10 sen per share less 28% income tax (2003-5% less income tax) which will result in a payout of RM4,796,009 (after 28% tax).

Appreciation

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

I would also like to thank our shareholders, customers and business associates for their continued support and 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
24 May 2005
Klang

MANAGING DIRECTOR'S REVIEW

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"KOSSAN, The Name You Can Trust"

ANOTHER SUCCESSFUL YEAR

It gives me great pleasure, as the Managing Director of Kossan Rubber Industries Bhd ("Kossan"), to present my review of the Group's operations for the financial year ended 31 December, 2004 ("FY 2004") and the prospect for financial year 2005.

OVERVIEW

FY 2004 has been another good year for Kossan as the Group registered further growth in both revenue and net profit. During the year, the Glove Division which contributed 75% of the Group's overall revenue, remained as the core business of the Group. Besides gloves, the Group is also involved in manufacturing of technical rubber products and this division contributed approximately 25% to the overall revenue.

For the Glove Division, we added another 9 production lines to the existing 40 lines during the year. From 2005, our production capacity will increase by 30% to 3.9 billion pieces of gloves from the previous 3.0 billion pieces.

As for the Group's Industrial Rubber Product Division, the production and operational processes of the Company and its subsidiaries were streamlined and synergized to achieve better productivity and higher efficiency which had, lowered the overall cost of operations.

The year under review also saw the Group's consistent efforts in R&D, computerisation, automating and upgrading its production and operation systems which had resulted in improved production stability, higher productivity with minimum wastage, improved product quality with reduced rejects.

CORPORATE DEVELOPMENT

Subsequent to the year end, in February 2005, the Group proposed the following corporate exercise:

1. Share Split

Proposed share split of every 1 existing ordinary share of RM1.00 each in Kossan into 2 new ordinary shares of RM0.50 each in Kossan.

2. Bonus Issue

Proposed bonus issue of 26,644,496 new subdivided Kossan shares ("Bonus Shares") on the basis of 2 new subdivided Bonus Shares for every 5 existing Kossan shares before the split.

3. Executives' Share Option Scheme ("ESOS")

As a mark of recognition to our loyal employees who have contributed to the Group's success and, as an incentive to encourage greater contribution by employees for the better performance of the Group, a 5-years ESOS has been proposed. The Company recognizes the contributions of its employees whose services are vital to the Group's continued growth, and believes that the ESOS will not only reward but motivate them towards better performance through greater dedication.

HUMAN RESOURCE DEVELOPMENT

Our employees are the driving force of the Group's success. Our strength lies in having a group of highly competent staff united by a strong spirit of teamwork. This offers us a great competitive advantage in executing our business strategies to achieve the intended results and performance. To maintain and foster this spirit of excellence and unity of purpose, our personnel are continuously provided the best training programmes and career progression opportunities to enhance their professional knowledge, technical skills and personal development.

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INVESTORS RELATIONS

We have also set our priority on our company-stakeholders' relationship, besides our business. We appreciate the importance of clear and accurate information flows between the Company and our investors pertaining to our business strategies, operations, performance and major developments.

In pursuit of building a long term relationship with our shareholders and institutional investors, the Board has set up a Corporate Affairs Department, under the purview of the Group Managing Director, to maintain an open and transparent channel of communication with shareholders and investors.

CUSTOMERS' SATISFACTION

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

LOOKING AHEAD

The year ahead looks set to be another exciting one for the Group. On the back of increasing global latex glove consumption, which is expected to grow at the rate of 10% to 12% annually, we are well placed to benefit from such growth given our recent expansion in production capacities of 0.9 billion pieces of gloves.

Going forward, the favourable outlook of the glove industry as a whole will continue to benefit Kossan. With greater awareness and concern over hygiene standard, global improved health consciousness among consumers and the increasing usage by non-medical sectors; the latex glove industry is targeted to grow further. Kossan is targeting to double its world market share from the current estimated 4% or 3.9 billion pieces of gloves per annum to a total capacity of 8.0 billion pieces per annum in tandem with the targeted expansion to 88 production lines, from the existing of 49 production lines, by 2007.

Our industrial rubber products division, which currently contributed about 25% to the Group's overall revenue, will continue to perform better in 2005 and onward. Being the largest manufacturer of industrial rubber products in Malaysia and well-equipped with cutting-edge manufacturing technologies, we are well positioned to meet the rising demand from industrialized nations which consume substantial quantity of rubber based industrial products or OEM parts. Our position as the market leader in industrial rubber products sector has been further strengthen with the recent certification of ISO/TS 16949:2002 which covers the Quality Management System for the design, development, manufacture and sales of compression moulded rubber parts for the automotive industries.

We will continue to strengthen our ability to manufacture good quality and value-added products through continuous investments in R&D and manufacturing technologies. Producing top quality products and ensuring customers' satisfaction will be given top most priority in our strategic business plans. Our ultimate goal is to satisfy our customers and create an unrivalled trust in our products.

To achieve the intended overall growth rate of not less than 25% per annum, we will continue to intensify our marketing efforts and study, analyze and improve the production systems in our plants to further enhance our productivity and efficiency, which we in Kossan believe, is vital to stay competitive in the industry. We anticipate that the overall performance for 2005 will be better barring any unanticipated changes in the operating environment, both locally and globally.

APPRECIATION AND ACKNOWLEDGEMENT

My sincere thanks go to our customers, shareholders, government authorities, suppliers, bankers, consultants and the public who have supported and believed in us over the years. To our employees, I am grateful for their loyalty and dedication in growing together with the Company every step of the way. Finally, on behalf of the management team and all employees, I wish to express deep appreciation to members of the Board for standing with us to face every challenge.

Lim Kuang Sia
Managing Director
24 May 2005