

DIRECTORS' PROFILE

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Y. BHG DATO' HAJI MOKHTAR BIN HAJI SAMAD

Y. Bhg Dato' Haji Mokhtar Bin Haji Samad, a Malaysian aged 57, was appointed the Non-Executive Chairman of Kossan on 22 February 2002. He is an Independent Director and is the Chairman of the Audit Committee. He is a member of the Nomination Committee and Remuneration Committee.

He has a wide range of business interest and sits on the board of several private companies. He is currently the Yang DiPertua of the Persatuan Kontraktor Melayu Malaysia, Wilayah Persekutuan and members of the Jawatan Kuasa Agong, Persatuan Kontraktor Melayu Malaysia and Majlis Penasihat Dewan Perniagaan Melayu Malaysia, Bandaraya Kuala Lumpur.

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

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

LIM KUANG SIA

Mr. Lim Kuang Sia, a Malaysian aged 52, was appointed the Managing Director/Chief Executive Officer of Kossan on 22 February 2002. He is a founder director of Kossan. Mr. Lim graduated from Nanyang University in Singapore with a Bachelor of Science (Chemistry) degree. He also has a post-graduate Diploma in Chemical Engineering from University College and a Master in Chemical Engineering from Imperial College, both at the University of London.

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

Mr. Lim is a member of the Audit Committee and the Remuneration Committee.

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

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

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

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

LIM KUANG YONG

Mr. Lim Kuang Yong, a Malaysian aged 58, was appointed to the Board of Kossan on 22 October 1979. He has more than 20 years business experience in marine hardware. He is currently in charge of the Examination Gloves Division.

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

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

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

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

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

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LIM KUANG WANG

Mr. Lim Kuang Wang, a Malaysian aged 56, was appointed to the Board of Kossan on 27 May 1995. He has more than 20 years business experience in trading and manufacturing. He is currently involved in the Examination Gloves Division.

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

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

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

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

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

LIM KWAN HWA

Mr. Lim Kwan Hwa, a Malaysian aged 54, was appointed to the Board of Kossan on 27 May 1995. He is currently in charge of Kossan Latex Industries (M) Sdn. Bhd., a wholly owned subsidiary of Kossan.

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

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

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

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

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

LIM LENG BUNG

Mr. Lim Leng Bung, a Malaysian aged 41, was appointed to the Board of Kossan on 27 May 1995 as an alternate to Mr. Lim Kuang Wang. He currently heads the production portfolio in Kossan.

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

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

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

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

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

HENG BAK TAN

Mr. Heng Bak Tan, a Malaysian aged 55, was appointed to the Board of Kossan on 29 October 1984 as a non executive Director. He is non independent. He has more than 10 years experience in rubber moulding and extrusion.

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

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

Bung.

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

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

Y. BHG DATO' TAI CHANG ENG @ TEH CHANG YING

Y. Bhg. Dato' Tai Chang Eng @ Teh Chang Ying, a Malaysian aged 59, was appointed to the Board of Kossan on 12 August 1996. He is an Independent Non Executive Director. He is a councillor in the Klang Municipal Council. He is the Chairman of the Nomination and Remuneration Committees and a member of the Audit Committee.

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

He holds 62,400 shares in Kossan.

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

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

TONG SIEW CHOO

Madam Tong Siew Choo, a Malaysian aged 44, was appointed to the Board of Kossan on 22 February 2002 as an Independent Non Executive Director. She is a Chartered Accountant with membership in the Malaysian Institute of Accountants and the Malaysian Association of Certified Public Accountants. She has her own audit firm.

She is a member of the Audit and Nomination Committees.

She holds 6,240 shares in Kossan.

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

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

CORPORATE GOVERNANCE STATEMENT

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THE MALAYSIAN CODE ON CORPORATE GOVERNANCE ("CODE")

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

THE BOARD OF DIRECTORS

The Board has overall responsibility for corporate governance, strategic direction, formulation of policies and overseeing the investments and businesses of the Group. The various policies, procedures and guidelines present in the Group clearly set out the roles, responsibilities and authorities of staff of the Group, and ensure that the direction and control of the Group rests firmly with the Board. The Board has in place clear terms of reference for the Board, the Chairman and the Executive Directors, spelling out their duties and responsibilities.

COMPOSITION AND ATTENDANCE

The composition of the Board and the individual Directors' attendance of meeting during the financial year ended 31 December 2004 were as follows:-

<u>Directors</u>	<u>Position</u>	<u>Attendance</u>
Dato' Haji Mokhtar Bin Haji Samad	Independent Non-Executive Chairman	6/6
Lim Kuang Sia	Managing Director/ Chief Executive Officer	6/6
Dato' Tai Chang Eng @ Teh Chang Ying	Independent Non-Executive Director	6/6
Lim Kuang Yong	Executive Director	6/6
Lim Kuang Wang	Executive Director	5/6
Heng Bak Tan	Non-Independent Non-Executive Director	6/6
Lim Kwan Hwa	Executive Director	6/6
Tong Siew Choo	Independent Non-Executive Director	6/6
Haji Sulaiman Bin Mohd Hassan (retired on 18.6.2004)	Executive Director	4/6

Collectively, the Directors have a wide range of business, financial and technical experience. Their mix of skills and experience is vital for the successful oversight of the Group. A brief profile of each Director is presented on pages 8 to 10.

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

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

SUPPLY OF INFORMATION

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

CORPORATE GOVERNANCE STATEMENT (cont'd)

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BOARD COMMITTEES

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

NOMINATION COMMITTEE

The Nomination Committee comprises three Independent Non-Executive Directors as follows:

Dato' Tai Chang Eng @ Teh Chang Ying	(Chairman, Independent Non-Executive)
Dato' Haji Mokhtar Bin Haji Samad	(Independent Non-Executive)
Tong Siew Choo	(Independent Non-Executive)

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

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

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

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

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

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

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

One meeting was held during the financial year under review.

REMUNERATION COMMITTEE

The Remuneration Committee comprises one Non-Independent Executive Director and two Independent Non-Executive Directors, as follows:-

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

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

The remuneration package of an Executive Director comprises a fixed salary and allowances, a bonus and such benefits in kind approved by the Board, which is linked to the Group's performance. The individuals concerned abstain from discussion of their own remuneration. Non-Executive Directors are paid an annual fee and attendance allowance for each Board or Committee Meeting they attend.

CORPORATE GOVERNANCE STATEMENT (cont'd)

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

	<u>Salaries</u> RM	<u>Fees</u> RM	<u>Other Emoluments</u> RM	<u>Total</u> RM
Executive Directors	1,854,000	0	974,000	2,828,000
Non-Executive Directors	0	96,000	0	96,000
	<u>1,854,000</u>	<u>96,000</u>	<u>974,000</u>	<u>2,924,000</u>

Directors' Remuneration	Executive Directors	Non Executive Directors
Below RM50,000	1	4
RM50,001 - RM100,000	—	—
RM100,001 - RM150,000	—	—
RM150,001 - RM200,000	—	—
RM200,001 - RM250,000	—	—
RM250,001 - RM300,000	—	—
RM300,001 - RM350,000	—	—
RM350,001 - RM400,000	—	—
RM400,001 - RM450,000	—	—
RM450,001 - RM500,000	—	—
RM500,001 - RM550,000	4	—
RM550,001 - RM600,000	—	—
RM600,001 - RM650,000	—	—
RM650,001 - RM700,000	1	—

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

One meeting was held during the year under review.

AUDIT COMMITTEE

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

The report of the Audit Committee for the year ended 31 December 2004 is set out on pages 18 to 20.

Five meetings were held during the financial year under review.

SHAREHOLDERS

Dialogue between the Company and Investors

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

CORPORATE GOVERNANCE STATEMENT (cont'd)

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Annual General Meeting

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

The Board has identified Dato' Haji Mokhtar Bin Haji Samad, a senior Independent Non-Executive Director to whom any queries or concerns regarding the Group may be conveyed.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

Internal Control

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

The Risk Management Committee assists the Board in identifying and assessing risks and oversees the various control measures taken to minimise risks.

The Group's Statement on Internal Control for the year ended 31 December 2004 is set out on pages 16 to 17 of this annual report.

Relationship with Auditors

The role of the Audit Committee in relation to the auditors is described on pages 18 to 20.

DIRECTORS' RESPONSIBILITY STATEMENT AND OTHER INFORMATION

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

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

In preparing the financial statements the Directors have:-

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

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

OTHER INFORMATION

During the financial year under review

(a) Executive Share Option Scheme (ESOS)

The Company did not have a share option scheme.

(b) Utilisation of Proceeds

The Company did not implement any fund raising exercise.

(c) Shares Buy-Back

There were no share buy-back.

(d) Options, Warrants or Convertible Securities Exercised

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

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

The Company has not sponsored any ADR or GDR programme.

(f) Conflict of Interest

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

(g) Material Contracts

The Company does not have any material contracts involving directors' and major shareholders' interest either still subsisting at the end of the financial year or, if not subsisting, entered into since the end of the previous financial year.

(h) Sanctions and/or Penalties

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

(i) Non-Audit Fees

Non-audit fees paid to the external auditors of the Group amounted to RM35,740.00.

(j) Variation in Results

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

(k) Profit Guarantee

The Company did not issue any profit forecast or profit guarantee

(l) Revaluation Policy

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

This Statement is made in accordance with a resolution of the Board of Directors dated 15 April 2005.

STATEMENT ON INTERNAL CONTROL

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INTRODUCTION

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

RESPONSIBILITY

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

THE GROUP'S SYSTEM OF INTERNAL CONTROL

Key Features of the System of Internal Control

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

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

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

The functions of the Board committees are described in the Corporate Governance Statement on pages 11 to 14. The key roles of the management committees are depicted below:

Management Committee	Functions
Risk Management Committee	Responsible for monitoring the risk management activities of the Group.
Budget and Operations Review Committee	Responsible for monitoring both the financial and non-financial performance of the Group as well as evaluation of other factors affecting operations.
Subsidiary Management Committees	Responsible for monitoring both the operational and financial performance of subsidiary companies as well as evaluation of other factors affecting their operations.
Human Resources Committee	Responsible for focusing on policy setting in relation to employee related issues.
Quality Management Committee	Responsible for all ISO 9001 and ISO/TS 16949:2002 and related matters including monitoring of compliance and resolution of audit findings.
Credit Committee	Responsible for reviewing credit policies and monitoring the credit position of customers.

STATEMENT ON INTERNAL CONTROL (cont'd)

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Work Safety Committee	Responsible for monitoring occupational, health & safety practices.
Technology Review Committee	Responsible for setting the direction and monitoring of research and development activities.

ASSURANCE MECHANISM

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

The Board reviews the minutes of the AC's meetings. The Report of the AC is set out on pages 18 to 20 of the Annual Report.

Additionally, as part of the requirements of the ISO 9001 and ISO/TS 16949:2002 certifications, scheduled audits are conducted internally as well as by SAI GLOBAL, SGS YARLEY INTERNATIONAL AND LLOYD'S REGISTER auditors. Results of these audits are reported to the Quality Management Committee which is chaired by the MD. Any pertinent or unresolved issues arising out of these audits are forwarded to the Board for its attention.

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

REPORT OF THE AUDIT COMMITTEE

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The Board of Directors have pleasure in submitting the report of the Audit Committee of the Board for the year ended 31 December 2004.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Composition

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

2. Authority

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

3. Responsibility

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

4. Functions

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

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

REPORT OF THE AUDIT COMMITTEE (cont'd)

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- (x) To consider the major findings of internal investigations and management's response; and
- (xi) To consider other topics as defined by the Board.

5. Meeting and minutes

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

MEMBERS

The Audit Committee comprises three Independent Non-Executive Directors and one Non-Independent Executive Director, as follows:-

Independent Non-Executive

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

Non-Independent Executive

Lim Kuang Sia (Managing Director/Chief Executive Officer)

MEETINGS

The Audit Committee held a total of 5 meetings during the year ended 31 December 2004. Details of attendance are as follows:-

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

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

The Group's external auditors attended all the meetings.

INTERNAL AUDIT FUNCTION

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

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

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

REPORT OF THE AUDIT COMMITTEE (cont'd)

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ACTIVITIES

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

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

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

REPORT OF THE DIRECTORS

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The Directors have pleasure in submitting their Report together with the Audited Financial Statements of the Group and of the Company for the financial year ended 31st December 2004.

1. PRINCIPAL ACTIVITIES

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

2. FINANCIAL RESULTS

	<u>Group</u>	<u>Company</u>
(a) Net profit for the year	<u>RM22,126,892</u>	<u>RM7,253,495</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 other than as disclosed in the Financial Statements.		

3. DIVIDENDS

The dividends paid by the Company since 31st December 2003 are as follows:-

In respect of the financial year ended 31st December 2003:-

	RM
Interim dividend of 5% less income tax at 28% paid on 22nd April 2004	2,398,005
Final dividend of 5% less income tax at 28% paid on 27th August 2004	<u>2,398,005</u>
	<u>4,796,010</u>

The Board now proposes a final dividend of 10% less income tax for the financial year ended 31st December 2004 subject to the approval of the members at the forthcoming Annual General Meeting.

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.

REPORT OF THE DIRECTORS (cont'd)

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6. 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' HAJI MOKHTAR BIN HAJI SAMAD, D.S.S.A., A.M.N., P.M.C., P.J.K.
TUAN HJ. SULAIMAN BIN MOHD. HASSAN (Retired on 18.6.2004)
Y. BHG. DATO' TAI CHANG ENG @ TEH CHANG YING, D.S.S.A., A.M.S., P.J.K.
TONG SIEW CHOO
LIM LENG BUNG (Alternate to LIM KUANG WANG)

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

Name		Balance 1.1.2004	Shares of RM1 each		Balance 31.12.2004
			Bought	Sold	
LIM KUANG SIA	- direct	769,080	0	689,520	79,560
	- indirect	35,779,560	0	0	35,779,560
LIM KUANG YONG	- direct	411,840	0	411,840	0
	- indirect	35,629,800	0	0	35,629,800
HENG BAK TAN	- direct	0	0	0	0
	- indirect	6,240	6,020	6,240	6,020
LIM KUANG WANG	- direct	149,760	0	0	149,760
	- indirect	35,629,800	0	0	35,629,800
LIM KWAN HWA	- direct	411,840	0	411,840	0
	- indirect	35,629,800	0	0	35,629,800
Y. BHG. DATO' HAJI MOKHTAR BIN HAJI SAMAD, D.S.S.A., A.M.N., P.M.C., P.J.K.	- direct	0	0	0	0
LIM LENG BUNG	- direct	411,840	0	411,840	0
	- indirect	35,629,800	0	0	35,629,800
Y. BHG. DATO' TAI CHANG ENG @ TEH CHANG YING, D.S.S.A., A.M.S., P.J.K.	- direct	62,400	0	0	62,400
TONG SIEW CHOO	- direct	6,240	0	0	6,240

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

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

Name		Balance 1.1.2004	Shares of RM1 each		Balance 31.12.2004
			Bought	Sold	
LIM KUANG SIA	- direct	19,000	0	0	19,000
LIM KUANG YONG	- direct	19,000	0	0	19,000
HENG BAK TAN	- direct	5,000	0	0	5,000
LIM KUANG WANG	- direct	19,000	0	0	19,000
LIM KWAN HWA	- direct	19,000	0	0	19,000
LIM LENG BUNG	- direct	19,000	0	0	19,000

REPORT OF THE DIRECTORS (cont'd)

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(ii) RELATED COMPANIES

<u>Name</u>		Balance	Shares of RM1 each		Balance
		<u>1.1.2004</u>	<u>Bought</u>	<u>Sold</u>	<u>31.12.2004</u>
<u>KOSSAN CHEMICAL INDUSTRIES (M) SDN. BHD.</u>					
LIM KUANG SIA	- direct	12,498	0	0	12,498
HENG BAK TAN	- direct	2	0	0	2
<u>KOSSAN JAPAN ROLLERS SDN. BHD.</u>					
LIM KUANG SIA	- direct	1	0	0	1
LIM KUANG WANG	- direct	1	0	0	1
<u>PLEASURE LATEX PRODUCTS SDN. BHD.</u>					
LIM KUANG SIA	- direct	1	0	0	1
LIM KUANG YONG	- direct	1	0	0	1

- (d) 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.
- (e) Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the Financial Statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with the Directors or with a firm of which he is a member, or with a company in which he has a substantial financial interest other than as disclosed in this report and the benefits included in Note 30 to the Financial Statements.
- (f) In accordance with Article 108 of the Articles of Association, MR. LIM KUANG SIA, Y. BHG. DATO' HAJI MOKHTAR BIN HAJI SAMAD and Y. BHG. DATO' TAI CHANG ENG @ TEH CHANG YING retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

7. OTHER STATUTORY INFORMATION

- (a) Before the Income Statement and Balance Sheet of the Group and of the Company were made out, the Directors had taken reasonable steps:-
- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and to satisfy themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - to ensure that any current assets which were unlikely to realise their book value in the ordinary course of business were written down to an amount which they might be expected so to realise.
- (b) At the date of this Report, the Directors are not aware of any circumstances which would render:-
- the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent.
 - the values attributed to current assets in the Financial Statements misleading.

REPORT OF THE DIRECTORS (cont'd)

ANNUAL REPORT 2004

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- (c) At the date of this Report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) As at the date of this Report, there are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (e)
 - i) As at the date of this Report, there are no contingent liabilities which have arisen since the end of the financial year except for unsecured contingent liabilities amounting to RM19,250,000 being corporate guarantee given to a bank for banking facilities granted to certain subsidiaries.
 - 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.

8. AUDITORS

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

On behalf of the Board,

.....
LIM KUANG SIA
(Director)

.....
LIM KUANG YONG
(Director)

Dated: 15 April 2005
Klang.

BALANCE SHEETS

as at 31st December 2004

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		GROUP		COMPANY	
		2004	2003	2004	2003
	NOTE	RM	RM	RM	RM
NON CURRENT ASSETS					
Property, plant and equipment	4	129,616,740	103,360,097	34,936,842	33,605,788
Subsidiaries	5	0	0	14,841,429	14,841,429
Associate	6	97,664	116,551	0	0
Other investments	7	116,000	116,000	116,000	116,000
Deferred tax assets	8	1,854,109	4,960,194	0	0
Goodwill on consolidation	9	880,982	1,761,964	0	0
		<u>132,565,495</u>	<u>110,314,806</u>	<u>49,894,271</u>	<u>48,563,217</u>
CURRENT ASSETS					
Inventories	10	38,029,341	23,708,909	12,020,134	6,412,331
Trade and other receivables	11	72,958,753	63,509,017	52,548,777	50,860,797
Fixed deposits with licensed bank	12	437,106	1,350,000	0	1,000,000
Cash and bank balances		4,488,576	4,039,458	1,188,704	2,667,045
		<u>115,913,776</u>	<u>92,607,384</u>	<u>65,757,615</u>	<u>60,940,173</u>
CURRENT LIABILITIES					
Trade and other payables	13	38,725,802	29,570,649	6,502,938	5,471,513
Hire purchase liabilities	14	6,024,768	5,075,299	1,436,921	1,009,951
Unsecured loan	15	225,009	0	0	0
Taxation		71,805	39,832	0	0
Bank borrowings	16	42,438,006	27,628,500	11,595,859	9,823,607
		<u>87,485,390</u>	<u>62,314,280</u>	<u>19,535,718</u>	<u>16,305,071</u>
NET CURRENT ASSETS					
		<u>28,428,386</u>	<u>30,293,104</u>	<u>46,221,897</u>	<u>44,635,102</u>
		<u>160,993,881</u>	<u>140,607,910</u>	<u>96,116,168</u>	<u>93,198,319</u>
REPRESENTING:-					
SHARE CAPITAL	17	66,611,240	66,611,240	66,611,240	66,611,240
ACCUMULATED PROFITS		58,728,429	41,338,999	14,313,375	11,797,342
REVALUATION RESERVE	18	1,677,397	1,735,945	1,677,397	1,735,945
SHARE PREMIUM	19	2,714,587	2,714,587	2,714,587	2,714,587
RESERVE ON CONSOLIDATION	20	2,265,207	4,530,414	0	0
CURRENCY TRANSLATION RESERVE		86,657	36,199	0	0
DIVIDENDS PAYABLE		4,796,010	4,796,010	4,796,010	4,796,010
TOTAL CAPITAL AND RESERVES		<u>136,879,527</u>	<u>121,763,394</u>	<u>90,112,609</u>	<u>87,655,124</u>
MINORITY SHAREHOLDERS' INTEREST		2,213,723	2,296,709	0	0
DEFERRED AND LONG TERM LIABILITIES					
Unsecured loan	15	239,430	0	0	0
Bank borrowings	16	10,107,968	4,185,435	0	534,191
Deferred tax liabilities	8	7,562,940	5,231,456	4,468,443	4,207,216
Hire purchase liabilities	14	3,990,293	7,130,916	1,535,116	801,788
		<u>21,900,631</u>	<u>16,547,807</u>	<u>6,003,559</u>	<u>5,543,195</u>
		<u>160,993,881</u>	<u>140,607,910</u>	<u>96,116,168</u>	<u>93,198,319</u>

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

INCOME STATEMENTS

for the year ended 31st December 2004

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	NOTE	GROUP		COMPANY	
		2004 RM	2003 RM	2004 RM	2003 RM
REVENUE	21	277,803,290	179,639,957	58,718,937	43,267,983
OTHER OPERATING INCOME		3,043,206	2,411,517	518,092	527,463
		280,846,496	182,051,474	59,237,029	43,795,446
Less					
CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS		15,496,990	5,013,498	1,830,858	630,101
RAW MATERIAL AND CONSUMABLE USED		(175,726,936)	(95,673,003)	(27,709,575)	(18,146,818)
GOODS PURCHASED FOR RESALE		(2,448,468)	(4,267,994)	0	0
STAFF COST		(39,660,846)	(29,651,929)	(12,400,885)	(10,583,526)
DEPRECIATION		(12,697,725)	(9,939,017)	(3,618,380)	(3,486,950)
OTHER OPERATING EXPENSES		(33,502,547)	(26,486,879)	(8,094,790)	(6,649,287)
TOTAL OPERATING EXPENSES		(248,539,532)	(161,005,324)	(49,992,772)	(38,236,480)
PROFIT FROM OPERATIONS		32,306,964	21,046,150	9,244,257	5,558,966
Less					
FINANCE COST		(2,934,134)	(2,404,746)	(749,772)	(899,632)
		29,372,830	18,641,404	8,494,485	4,659,334
Less					
SHARE OF LOSS OF ASSOCIATE		(69,345)	(66,323)	0	0
		29,303,485	18,575,081	0	0
Add					
EXCEPTIONAL ITEM	22	0	94,405	0	1,165,845
PROFIT BEFORE TAXATION	23	29,303,485	18,669,486	8,494,485	5,825,179
Less					
TAXATION	24	(7,259,579)	(1,914,848)	(1,240,990)	(133,070)
PROFIT AFTER TAXATION		22,043,906	16,754,638	7,253,495	5,692,109
Add					
MINORITY INTEREST SHARE OF PROFIT/(LOSS)		82,986	(16,819)	0	0
NET PROFIT FOR THE YEAR		22,126,892	16,737,819	7,253,495	5,692,109
BASIC EARNINGS PER SHARE (SEN)	25	33.22	26.56		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December 2004

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	Non-Distributable					Accumulated Profits	Dividends Payable	Total
	Share Capital	Revaluation Reserve	Share Premium	Reserve on Consolidation	Currency Translation Reserve			
	RM	RM	RM	RM	RM	RM	RM	RM
At 1st January 2003	51,740,000	1,794,493	792,763	104,171	19,730	41,052,442	0	95,503,599
Transfers within reserves on realisation	0	(58,548)	0	0	0	58,548	0	0
Acquisition of subsidiaries	0	0	0	4,426,243	0	0	0	4,426,243
Bonus issue through capitalisation of accumulated profit	10,348,000	0	0	0	0	(10,348,000)	0	0
Issue of shares through ESOS	4,523,240	0	2,125,923	0	0	0	0	6,649,163
Expenses for bonus issue and transfer to Main Board	0	0	(204,099)	0	0	0	0	(204,099)
Currency translation differences, representing net profits not recognised in income statement	0	0	0	0	16,469	0	0	16,469
Net profit for the year	0	0	0	0	0	16,737,819	0	16,737,819
Final dividend – 3% less income tax (31st December 2002)	0	0	0	0	0	(1,365,800)	0	(1,365,800)
Interim dividend – 5% less income tax (31st December 2003)	0	0	0	0	0	(2,398,005)	2,398,005	0
Final dividend – 5% less income tax (31st December 2003)	0	0	0	0	0	(2,398,005)	2,398,005	0
At 31st December 2003	66,611,240	1,735,945	2,714,587	4,530,414	36,199	41,338,999	4,796,010	121,763,394
At 1st January 2004	66,611,240	1,735,945	2,714,587	4,530,414	36,199	41,338,999	4,796,010	121,763,394
Transfers within reserves on realisation	0	(58,548)	0	0	0	58,548	0	0
Write back of reserve on consolidation	0	0	0	(2,265,207)	0	0	0	(2,265,207)
Currency translation differences, representing net profits not recognised in income statement	0	0	0	0	50,458	0	0	50,458
Net profit for the year	0	0	0	0	0	22,126,892	0	22,126,892
Interim dividend – 5% less income tax (31st December 2003)	0	0	0	0	0	0	(2,398,005)	(2,398,005)
Final dividend – 5% less income tax (31st December 2003)	0	0	0	0	0	0	(2,398,005)	(2,398,005)
Final dividend – 10% less income tax (31st December 2004)	0	0	0	0	0	(4,796,010)	4,796,010	0
At 31st December 2004	66,611,240	1,677,397	2,714,587	2,265,207	86,657	58,728,429	4,796,010	136,879,527

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

COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 31st December 2004

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	Share Capital RM	Non-Distributable Revaluation Reserve RM	Share Premium RM	Accumulated Profits RM	Dividends Payable RM	Total RM
At 1st January 2003	51,740,000	1,794,493	792,763	22,556,495	0	76,883,751
Transfers within reserves on realisation	0	(58,548)	0	58,548	0	0
Bonus issue through capitalisation of accumulated profit	10,348,000	0	0	(10,348,000)	0	0
Issue of shares through ESOS	4,523,240	0	2,125,923	0	0	6,649,163
Expenses for bonus issue and transfer to Main Board	0	0	(204,099)	0	0	(204,099)
Net profit for the year	0	0	0	5,692,109	0	5,692,109
Final dividend – 3% less income tax (31st December 2002)	0	0	0	(1,365,800)	0	(1,365,800)
Interim dividend – 5% less income tax (31st December 2003)	0	0	0	(2,398,005)	2,398,005	0
Final dividend – 5% less income tax (31st December 2003)	0	0	0	(2,398,005)	2,398,005	0
At 31st December 2003	66,611,240	1,735,945	2,714,587	11,797,342	4,796,010	87,655,124
At 1st January 2004	66,611,240	1,735,945	2,714,587	11,797,342	4,796,010	87,655,124
Transfers within reserves on realisation	0	(58,548)	0	58,548	0	0
Net profit for the year	0	0	0	7,253,495	0	7,253,495
Interim dividend – 5% less income tax (31st December 2003)	0	0	0	0	(2,398,005)	(2,398,005)
Final dividend – 5% less income tax (31st December 2003)	0	0	0	0	(2,398,005)	(2,398,005)
Final dividend – 10% less income tax (31st December 2004)	0	0	0	(4,796,010)	4,796,010	0
At 31st December 2004	66,611,240	1,677,397	2,714,587	14,313,375	4,796,010	90,112,609

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

CASH FLOW STATEMENTS

for the year ended 31st December 2004

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NOTE	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	29,303,485	18,669,486	8,494,485	5,825,179
Adjustments for:-				
Depreciation	12,697,725	9,939,017	3,618,380	3,486,950
Exceptional item	0	(94,405)	0	(1,165,845)
Loss on disposal of property, plant and equipment	0	6,233	0	0
Profit on disposal of property, plant and equipment	(170,822)	(109,342)	(4,492)	(34,639)
Share of loss of associate	69,345	66,323	0	0
Interest income	(3,854)	(23,273)	0	0
Bad and doubtful debts	0	155,567	0	151,167
Property, plant and equipment written off	0	426,236	0	0
Interest expenses	2,934,134	2,404,746	749,772	899,632
Interest income	0	0	(2,548)	(20,845)
Amortisation of goodwill on consolidation	880,982	0	0	0
Write back of reserve on consolidation	(2,265,207)	0	0	0
	14,142,303	12,771,102	4,361,112	3,316,420
Operating profit before working capital changes	43,445,788	31,440,588	12,855,597	9,141,599
Increase in fixed deposit pledged to bank	(87,106)	(325,500)	0	0
Increase in inventories	(14,320,432)	(4,669,242)	(5,607,803)	(990,171)
Increase/decrease in receivables	(9,395,348)	(3,286,316)	(1,642,745)	3,289,926
Increase/(decrease) in payables	25,283,764	13,160,268	3,443,504	(1,709,167)
	1,480,878	4,879,210	(3,807,044)	590,588
Cash generated from operations	44,926,666	36,319,798	9,048,553	9,732,187
Dividend paid to minority interest	0	(32,213)	0	0
Interest received	3,854	23,273	2,548	20,845
Interest paid	(2,811,009)	(2,404,746)	(749,772)	(899,632)
Income tax paid	(1,844,427)	(2,085,773)	(1,025,000)	(1,175,943)
Dividend paid	(4,796,010)	(1,365,800)	(4,796,010)	(1,365,800)
Income tax refund	0	17,885	0	0
	(9,447,592)	(5,847,374)	(6,568,234)	(3,420,530)
Net cash from operating activities	35,479,074	30,472,424	2,480,319	6,311,657
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	270,392	2,760,258	18,750	2,211,516
Purchase of property, plant and equipment	(34,776,279)	(23,841,568)	(2,244,422)	(1,688,774)
Purchase of investment	0	0	0	(3,500,000)
Acquisition of subsidiary companies	0	(4,213,481)	0	0
	(34,505,887)	(25,294,791)	(2,225,672)	(2,977,258)
	973,187	5,177,633	254,647	3,334,399
CASH FLOWS FROM FINANCING ACTIVITIES				
26 NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(64,430)	1,102,570	(2,726,450)	2,826,521
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	908,757	6,280,203	(2,471,803)	6,160,920
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	2,503,724	(3,776,479)	3,174,101	(2,986,819)
	3,412,481	2,503,724	702,298	3,174,101
CASH AND CASH EQUIVALENTS				
Cash and bank balances	4,488,576	4,039,458	1,188,704	2,667,045
Bank overdrafts	(1,076,095)	(2,535,734)	(486,406)	(492,944)
Fixed deposit	0	1,000,000	0	1,000,000
	3,412,481	2,503,724	702,298	3,174,101

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

NOTES TO THE FINANCIAL STATEMENTS

31st December 2004

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1. GENERAL INFORMATION

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

At the end of the financial year, the Company has 457 (2003 – 418) employees.

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

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

The Financial Statements are authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 15th April 2005.

2. FINANCIAL RISK MANAGEMENT POLICIES

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

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

a) Foreign Currency Risk

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

b) Interest Rate Risk

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

c) Liquidity and Cash Flow Risk

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

d) Credit Risk

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December 2004

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3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

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

b) Revenue Recognition

i) Sale of Goods

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

ii) Dividend Income

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

iii) Interest Income

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

c) Basis of Consolidation

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

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

Goodwill/(reserve) on consolidation represents the excess/(deficit) of the purchase consideration over the fair values of the net assets of the subsidiaries at the date of acquisition. Goodwill/(reserve) on consolidation is amortised/(credited) on a systematic basis following an assessment of the remaining weighted average economic useful life of the acquired depreciable assets of the respective subsidiary company, subject to a maximum of 2 years.

Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount. The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the Consolidated Income Statement.

d) Associates

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

Investments in associates are accounted for in the Consolidated Financial Statements by the equity method of accounting based on the management financial statements of the associates.

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

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

The difference between the purchase consideration and the fair value of net assets acquired is reflected as goodwill or reserve on acquisition. Goodwill on consolidation is reviewed at each balance sheet date and will be written down for impairment where it is considered necessary.

e) Investments

Investments in subsidiaries, associates and other non-current investments are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

f) Currency Conversion and Translation

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

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

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

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

	2004 RM	2003 RM
Pound Sterling	7.246	N/A
Singapore Dollar	2.200	2.188
United States Dollar	3.775	3.775
Swiss Franc	3.907	2.994
Australian Dollar	2.907	2.782
Euro	5.095	4.676
New Zealand Dollar	2.700	N/A

g) Property, Plant and Equipment and Depreciation

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

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

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

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

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

h) Impairment of Assets

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

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

i) Inventories

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

j) Income Tax

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

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

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

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k) Finance Lease and Hire Purchase

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

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

A finance lease gives rise to depreciation expense for the asset as well as a finance expense for each accounting period. The depreciation policy for leased asset is consistent with that for depreciable property, plant and equipment as described in Note 3(g).

l) Cash and Cash Equivalents

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

m) Borrowings

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

n) Trade and Other Receivables

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

o) Provisions for Liabilities

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

p) Retirement Benefits

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

q) Financial Instruments

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

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

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r) Segmental Information

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

s) Intersegment Transfers

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

4. PROPERTY, PLANT AND EQUIPMENT

Group - 2004	Cost/Valuation at 1.1.2004 RM	Additions RM	Disposals RM	Transfers RM	Cost/Valuation at 31.12.2004 RM
At valuation –					
Freehold land and buildings	17,490,000	0	0	0	17,490,000
At cost –					
Freehold land and buildings	18,276,012	1,304,446	0	1,240,607	20,821,065
Plant and machinery	115,291,395	17,503,757	178,626	45,483	132,662,009
Motor vehicles	6,440,315	2,046,306	548,702	0	7,937,919
Factory renovation	2,214,807	656,016	0	3,458	2,874,281
Office furniture and equipment	5,617,136	486,183	405,250	0	5,698,069
Factory furniture and equipment	1,211,594	210,260	0	0	1,421,854
Electrical installation	1,278,306	144,753	0	0	1,423,059
Plant and machinery under construction	0	9,912,335	0	0	9,912,335
Office renovation	25,032	81,001	0	0	106,033
Buildings under construction	1,289,548	6,708,880	0	(1,289,548)	6,708,880
	169,134,145	39,053,937	1,132,578	0	207,055,504

	Accumulated depreciation at 1.1.2004 RM	Depreciation charge for the year RM	Disposals RM	Accumulated depreciation at 31.12.2004 RM	Net book value at 31.12.2004 RM
Freehold land and buildings	3,133,741	557,107	0	3,690,848	34,620,217
Plant and machinery	52,750,018	10,517,188	160,659	63,106,547	69,555,462
Motor vehicles	4,697,878	709,288	489,786	4,917,380	3,020,539
Factory renovation	984,990	215,514	0	1,200,504	1,673,777
Office furniture and equipment	2,771,434	479,160	382,564	2,868,030	2,830,039
Factory furniture and equipment	740,301	99,857	0	840,158	581,696
Electrical installation	693,618	112,033	0	805,651	617,408
Plant and machinery under construction	0	0	0	0	9,912,335
Office renovation	2,068	7,578	0	9,646	96,387
Buildings under construction	0	0	0	0	6,708,880
	65,774,048	12,697,725	1,033,009	77,438,764	129,616,740

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Group - 2003	Cost/ Valuation at 1.1.2003 RM	Additions RM	Disposals/ Deletions RM	Transfers RM	Acquisition of subsidiary RM	Cost/Valuation at 31.12.2003 RM
At valuation – Freehold land and buildings	17,490,000	0	0	0	0	17,490,000
At cost – Freehold land and buildings	11,395,067	7,166,000	884,308	599,253	0	18,276,012
Leasehold factories	0	0	1,045,595	0	1,045,595	0
Plant and machinery	76,101,396	26,410,740	2,970,891	0	15,750,150	115,291,395
Motor vehicles	5,729,658	674,876	672,440	0	708,221	6,440,315
Factory renovation	1,595,313	422,379	0	0	197,115	2,214,807
Office furniture and equipment	4,453,567	615,339	3,900	0	552,130	5,617,136
Factory furniture and equipment	215,624	242,368	0	0	753,602	1,211,594
Electrical installation	993,065	214,616	0	0	70,625	1,278,306
Office renovation	6,278	18,754	0	0	0	25,032
Building under construction	602,271	1,286,530	0	(599,253)	0	1,289,548
	118,582,239	37,051,602	5,577,134	0	19,077,438	169,134,145
	Accumulated depreciation at 1.1.2003 RM	Depreciation charge for the year RM	Disposals/ Deletions RM	Acquisition of Subsidiary RM	Accumulated depreciation at 31.12.2003 RM	Net book value at 31.12.2003 RM
Freehold land and buildings	2,667,857	465,884	0	0	3,133,741	32,632,271
Leasehold factories	0	0	0	0	0	0
Plant and machinery	36,421,531	8,101,637	2,095,282	10,322,132	52,750,018	62,541,377
Motor vehicles	4,294,269	565,106	489,906	328,409	4,697,878	1,742,437
Factory renovation	646,049	190,824	0	148,117	984,990	1,229,817
Office furniture and equipment	1,971,056	466,646	2,967	336,699	2,771,434	2,845,702
Factory furniture and equipment	125,204	52,944	0	562,153	740,301	471,293
Electrical installation	534,727	95,132	0	63,759	693,618	584,688
Office renovation	1,224	844	0	0	2,068	22,964
Building under construction	0	0	0	0	0	1,289,548
	46,661,917	9,939,017	2,588,155	11,761,269	65,774,048	103,360,097

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Company - 2004	Cost/ Valuation at 1.1.2004 RM	Additions RM	Disposals RM	Cost/ Valuation at 31.12.2004 RM
At valuation –				
Freehold land and buildings	14,437,000	0	0	14,437,000
At cost –				
Freehold land and buildings	4,712,254	21,049	0	4,733,303
Plant and machinery	30,642,218	3,915,971	0	34,558,189
Motor vehicles	2,797,210	956,238	0	3,753,448
Factory renovation	133,158	0	0	133,158
Office furniture and equipment	2,112,981	70,434	21,500	2,161,915
	54,834,821	4,963,692	21,500	59,777,013

	Accumulated depreciation at 1.1.2004 RM	Depreciation charge for the year RM	Disposals RM	Accumulated depreciation at 31.12.2004 RM	Net book value at 31.12.2004 RM
Freehold land and buildings	2,035,723	273,624	0	2,309,347	16,860,956
Plant and machinery	15,876,229	2,781,604	0	18,657,833	15,900,356
Motor vehicles	2,060,674	369,654	0	2,430,328	1,323,120
Factory renovation	111,202	5,171	0	116,373	16,785
Office furniture and equipment	1,145,205	188,327	7,242	1,326,290	835,625
	21,229,033	3,618,380	7,242	24,840,171	34,936,842

Company - 2003	Cost/ Valuation at 1.1.2003 RM	Additions RM	Disposals/ Deletions RM	Cost/ Valuation at 31.12.2003 RM
At valuation –				
Freehold land and buildings	14,437,000	0	0	14,437,000
At cost –				
Freehold land and buildings	4,905,780	690,782	884,308	4,712,254
Plant and machinery	28,453,616	2,188,602	0	30,642,218
Motor vehicles	2,846,004	164,384	213,178	2,797,210
Factory renovation	133,158	0	0	133,158
Office furniture and equipment	2,001,225	114,956	3,200	2,112,981
	52,776,783	3,158,724	1,100,686	54,834,821

	Accumulated depreciation at 1.1.2003 RM	Depreciation charge for the year RM	Disposals/ Deletions RM	Accumulated depreciation at 31.12.2003 RM	Net book value at 31.12.2003 RM
Freehold land and buildings	1,773,217	262,506	0	2,035,723	17,113,531
Plant and machinery	13,128,241	2,747,988	0	15,876,229	14,765,989
Motor vehicles	1,952,204	279,357	170,887	2,060,674	736,536
Factory renovation	106,031	5,171	0	111,202	21,956
Office furniture and equipment	956,157	191,928	2,880	1,145,205	967,776
	17,915,850	3,486,950	173,767	21,229,033	33,605,788

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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	
	2004 RM	2003 RM	2004 RM	2003 RM
Freehold land and buildings	8,723,344	8,837,946	6,786,421	6,880,744

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

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Plant and machinery	19,088,927	7,622,039	3,994,398	3,838,259
Motor vehicles	2,346,160	1,385,657	995,161	611,869
	21,435,087	9,007,696	4,989,559	4,450,128

During the year, the Group and the Company acquired property, plant and equipment with aggregate cost of RM39,053,937 (2003 – RM37,051,602) and RM4,963,692 (2003 – RM3,158,724) respectively of which RM4,277,658 (2003 – RM13,210,034) and RM2,719,269 (2003 – RM1,469,950) respectively were acquired by means of hire purchase arrangements.

The following property, plant and equipment have been pledged to banks for borrowings granted to the Group and the Company as referred to in Note 16:-

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Freehold land and buildings	17,601,962	17,843,027	12,729,667	12,926,390
Plant and machinery	2,177,852	3,152,048	941,810	1,488,845
	19,779,814	20,995,075	13,671,477	14,415,235

Included in property, plant and equipment of the Group and the Company are fully depreciated assets which are still in use costing RM20,549,732 (2003 – RM15,030,624) and RM7,672,645 (2003 – RM4,936,603) respectively.

5. SUBSIDIARIES

	COMPANY	
	2004 RM	2003 RM
Unquoted shares, at valuation	9,691,425	9,691,425
Unquoted shares, at cost	5,150,004	5,150,004
	14,841,429	14,841,429

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a) The subsidiaries are as follows:-

	<u>Name</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Effective equity interest</u>	
				<u>2004</u>	<u>2003</u>
i)	Kossan Latex Industries (M) Sdn. Bhd.	Manufacturing of latex examination gloves	Malaysia	100%	100%
ii)	Perusahaan Getah Asas Sdn. Bhd.	Manufacturing of latex examination gloves	Malaysia	100%	100%
iii)	Kossan Engineering (M) Sdn. Bhd.	Fabrication and installation of machinery	Malaysia	100%	100%
iv)	Ideal Quality Sdn. Bhd.	Investment holding	Malaysia	100%	100%
v)	Top Calibre Sdn. Bhd.	Investment holding	Malaysia	100%	100%
+vi)	Envi-Care Sdn. Bhd.	Investment holding	Malaysia	100%	100%
#+vii)	Normandin Pacific Holdings Corp.	Trading of latex examination gloves	United States of America	51%	51%
viii)	Doshin Rubber Products (M) Sdn. Bhd.	Manufacturing and dealing in rubber products	Malaysia	70%	70%
+ix)	Quality Profile Sdn. Bhd.	Manufacturing and dealing in rubber products	Malaysia	70%	70%
x)	Hibon Corporation Sdn. Bhd.	Manufacturing and marketing of rubber based parts and products	Malaysia	70%	70%
+xi)	Wear Safe (Malaysia) Sdn. Bhd.	Manufacturing of surgical, procedure and examination gloves	Malaysia	100%	100%

+ Sub-subsidiary companies

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

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6. ASSOCIATE

	GROUP	
	2004 RM	2003 RM
Unquoted shares, at cost	112,272	112,272
Add		
Group share of post acquisition loss	(101,265)	(31,920)
	11,007	80,352
Add		
Exchange adjustments	86,657	36,199
	97,664	116,551
Represented by:-		
Share of net tangible assets	114,658	133,545
Reserve on acquisition	(16,994)	(16,994)
	97,664	116,551

The associate is Kossan Europa AG, a company incorporated in Switzerland in which the Group holds 48% (2003- 48%) of its issued equities.

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

7. OTHER INVESTMENTS

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Investment in club membership, at cost	116,000	116,000	116,000	116,000

8. DEFERRED TAX (ASSETS)/ LIABILITIES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
At beginning of the year	271,262	(111,158)	4,207,216	3,947,979
Transfer to income statement	5,413,679	1,253,476	261,227	259,237
Acquisition of subsidiaries	0	(871,056)	0	0
Underprovision in prior years	23,890	0	0	0
At end of the year	5,708,831	271,262	4,468,443	4,207,216
Presented after appropriate offsetting as follows:-				
Deferred tax assets	(1,854,109)	(4,960,194)	0	0
Deferred tax liabilities	7,562,940	5,231,456	4,468,443	4,207,216
	5,708,831	271,262	4,468,443	4,207,216

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

Group - 2004	Accelerated capital allowances	Revaluation of properties	Total
	RM	RM	RM
Deferred tax liabilities of the Group:			
At beginning of the year	4,201,245	1,030,211	5,231,456
Transfer to/(from) income statement	2,330,362	(22,768)	2,307,594
Underprovision in prior years	23,890	0	23,890
At end of the year	6,555,497	1,007,443	7,562,940

	Decelerated capital allowances	Tax losses and unabsorbed capital allowances	Total
	RM	RM	RM
Deferred tax assets of the Group:			
At beginning of the year	(700,675)	(4,259,519)	(4,960,194)
Transfer to income statement	700,675	2,405,410	3,106,085
At end of the year	0	(1,854,109)	(1,854,109)

Group - 2003	Accelerated capital allowances	Revaluation of properties	Total
	RM	RM	RM
Deferred tax liabilities of the Group:			
At beginning of the year	3,638,000	1,052,979	4,690,979
Transfer to/(from) income statement	314,301	(22,768)	291,533
Acquisition of subsidiaries	248,944	0	248,944
At end of the year	4,201,245	1,030,211	5,231,456

	Decelerated capital allowances	Tax losses and unabsorbed capital allowances	Total
	RM	RM	RM
Deferred tax assets of the Group:			
At beginning of the year	(4,802,137)	0	(4,802,137)
Transfer to/(from) income statement	5,221,462	(4,259,519)	961,943
Acquisition of subsidiaries	(1,120,000)	0	(1,120,000)
At end of the year	(700,675)	(4,259,519)	(4,960,194)

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Company - 2004

Deferred tax liabilities of the Company:

	Accelerated capital allowances RM	Revaluation of properties RM	Total RM
At beginning of the year	3,177,005	1,030,211	4,207,216
Transfer to/(from) income statement	283,995	(22,768)	261,227
At end of the year	3,461,000	1,007,443	4,468,443

Company - 2003

Deferred tax liabilities of the Company:

	Accelerated capital allowances RM	Revaluation of properties RM	Total RM
At beginning of the year	2,895,000	1,052,979	3,947,979
Transfer to/(from) income statement	282,005	(22,768)	259,237
At end of the year	3,177,005	1,030,211	4,207,216

Deferred tax assets have not been recognised in respect of the following items:-

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Unabsorbed tax losses	563,889	544,110	0	0
Unabsorbed capital allowances	253,758	551,629	0	0
	817,647	1,095,739	0	0

The deferred tax assets are not recognised in the balance sheet of a subsidiary as the Group is uncertain of the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

9. GOODWILL ON CONSOLIDATION

	GROUP	
	2004 RM	2003 RM
At beginning of the year	1,761,964	859,329
Acquisition of subsidiaries	0	902,635
Amortisation during the year	(880,982)	0
At end of the year	880,982	1,761,964

10. INVENTORIES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
At cost –				
Raw material	8,270,160	8,813,620	7,287,892	3,510,947
Finished goods	20,736,852	13,109,518	3,358,073	2,251,817
Work-in-progress	9,022,329	1,785,771	1,374,169	649,567
	38,029,341	23,708,909	12,020,134	6,412,331

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11. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Gross receivables	62,354,697	52,031,680	19,837,061	15,715,814
Less				
Allowance for doubtful debts	586,903	586,903	411,628	411,628
	61,767,794	51,444,777	19,425,433	15,304,186
Due from holding company	162	20	161	20
Due from subsidiaries	0	0	25,668,381	29,576,465
Due from related companies	636,462	1,251,043	269,608	283,992
Sundry receivables and deposits	6,542,498	6,855,728	3,710,986	2,267,163
Tax recoverable	4,011,837	3,957,449	3,474,208	3,428,971
	72,958,753	63,509,017	52,548,777	50,860,797

Included in trade receivables of the Group are receivables arising from trade with related companies amounting to RM787,109 (2003 – RM93,185).

Included in trade receivables of the Company are receivables arising from trade with subsidiaries and related companies amounting to RM5,097,924 (2003 – RM3,113,525) and RM93,185 (2003 – RM32,159) respectively. The Company's normal trade credit terms range from 30 to 60 days.

Included in sundry receivables and deposits of the Group and the Company are amounts of RM1,063,693 (2003 – RM166,063) and RM1,052,953 (2003 – RM165,063) respectively being part payments for purchase of machinery as referred to in Note 29.

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

12. FIXED DEPOSIT WITH LICENSED BANK

Included in deposits with licensed banks of the Group are amounts of RM437,006 (2003 – RM350,000) pledged to the bank for banking facilities granted to the Group.

13. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade payables	27,744,692	19,241,789	4,026,695	2,989,231
Due to subsidiary	0	0	264,905	0
Due to related companies	524,694	0	0	0
Due to holding company	19,504	19,947	0	0
Sundry payables	10,436,912	10,308,913	2,211,338	2,482,282
	38,725,802	29,570,649	6,502,938	5,471,513

Included in trade payables of the Group are payables arising from trade with related companies amounting to RM57,658 (2003 – RM4,129)

Included in the trade payables of the Company are payables arising from trade with a subsidiary amounting to RM360,407 (2003 – Nil)

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

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

The holding company is KOSSAN HOLDINGS (M) SDN. BHD., a company incorporated in Malaysia, which owns 53.49% (2003 – 53.49%) of the Company's issued equities.

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14. HIRE PURCHASE LIABILITIES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Future minimum payment are as follows:-				
Payable within one year	6,468,785	5,740,419	1,577,897	1,110,499
Payable between one and five years	4,172,154	7,491,521	1,629,198	835,893
	10,640,939	13,231,940	3,207,095	1,946,392
Less				
Finance charges	625,878	1,025,725	235,058	134,653
	10,015,061	12,206,215	2,972,037	1,811,739
Represented by hire purchase liabilities:-				
Due within 12 months	6,024,768	5,075,299	1,436,921	1,009,951
Due after 12 months	3,990,293	7,130,916	1,535,116	801,788
	10,015,061	12,206,215	2,972,037	1,811,739

Hire purchase liabilities carry interest with flat rates of 1.88% to 5.10% (2003 – 1.88% to 5.50%) per annum.

15. UNSECURED LOAN

Unsecured loan carries interest at 3.3% (2003 – NIL) per annum and has a repayment term of 36 months.

16. BANK BORROWINGS

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Long term borrowings				
Secured –				
Term loans	13,695,084	7,130,570	534,191	1,200,223
Unsecured –				
Term loans	0	501,447	0	501,447
Total long term borrowings	13,695,084	7,632,017	534,191	1,701,670
Less				
Due within 12 months	3,587,116	3,446,582	534,191	1,167,479
Due after 12 months	10,107,968	4,185,435	0	534,191
Short term borrowings				
Secured –				
Term loans due within 12 months	3,587,116	2,945,135	534,191	666,032
Trade finance	10,140,875	18,039,116	6,961,875	4,556,116
Bank overdrafts	153,610	92,864	0	0
	13,881,601	21,077,115	7,496,066	5,222,148
Unsecured –				
Term loans due within 12 months	0	501,447	0	501,447
Trade finance	27,633,920	3,607,068	3,613,387	3,607,068
Bank overdrafts	922,485	2,442,870	486,406	492,944
	28,556,405	6,551,385	4,099,793	4,601,459
	42,438,006	27,628,500	11,595,859	9,823,607

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Secured borrowings are secured as follows:-

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

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

Term loans, and bank overdrafts carry interest ranging from 0.8% to 1.25% above the banks' base lending rates per annum. Banker acceptance and revolving credit facilities carry interest ranging from 0.3% to 1.5% above the prevailing interbank rate per annum. Export credit refinancing facility carries interest at 1% above the Export-Import Bank of Malaysia Berhad's funding rate per annum. Foreign currency trade finance carries interest at 0.8% above the banks' cost of funds.

17. SHARE CAPITAL

	2004 RM	2003 RM
Authorised:		
150,000,000 ordinary shares of RM1 each	<u>150,000,000</u>	<u>150,000,000</u>
Issued and Fully Paid:		
66,611,240 ordinary shares of RM1 each	<u>66,611,240</u>	<u>66,611,240</u>

18. REVALUATION RESERVE

	2004 RM	2003 RM
At beginning of the year	1,735,945	1,794,493
Transfer within reserves on realisation	(58,548)	(58,548)
At end of the year	<u>1,677,397</u>	<u>1,735,945</u>

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.

19. SHARE PREMIUM

	2004 RM	2003 RM
At beginning of the year	2,714,587	792,763
Add:		
Proceeds from issue of ESOS shares	0	2,125,923
	<u>2,714,587</u>	<u>2,918,686</u>
Less:		
Expenses for bonus issue and transfer to Main Board	0	204,099
At end of the year	<u>2,714,587</u>	<u>2,714,587</u>

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

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20. RESERVE ON CONSOLIDATION

	GROUP	
	2004 RM	2003 RM
At beginning of the year	4,530,414	104,171
Acquisition of subsidiaries	0	4,426,243
Write back to income statement	(2,265,207)	0
At end of the year	2,265,207	4,530,414

21. REVENUE

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Sales of goods	277,489,421	179,616,684	56,116,377	43,097,744
Interest income	2,548	23,273	2,548	20,845
Dividend income	0	0	2,600,012	149,394
Services rendered	311,321	0	0	0
	277,803,290	179,639,957	58,718,937	43,267,983

22. EXCEPTIONAL ITEM

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Gain on disposal of property	0	94,405	0	1,165,845

23. PROFIT BEFORE TAXATION

Profit before taxation is arrived at:-

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
AFTER CHARGING:-				
Directors' fees	126,000	96,000	96,000	96,000
Directors' salaries and allowance	4,253,544	3,718,447	1,243,200	1,216,320
Auditors' remuneration				
- statutory audit	98,150	94,150	35,000	35,000
- non statutory audit	0	54,175	0	51,175
- under/(over) provision in previous year	500	(345)	0	0
Rental of premises	2,131,436	1,696,300	354,006	326,210
Overdraft interest	230,416	294,938	125,200	162,587
Hire purchase interest	821,705	589,367	174,193	188,109
Term loan interest	652,453	642,337	80,102	220,215
Depreciation	12,697,725	9,939,017	3,618,380	3,486,950
Property, plant and equipment written off	0	426,236	0	0
Loss on disposal of property, plant and equipment	0	6,233	0	0
Hire of equipment	4,216	8,410	0	0
Unsecured loan interest	36,724	0	0	0
Trade finance interest	1,192,836	878,104	370,277	328,721
Amortisation of goodwill on consolidation	880,982	0	0	0

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	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
AND CREDITING:-				
Dividend income	0	0	2,600,012	149,394
Trade interest receivable	0	7,910	0	7,910
Fixed deposit interest receivable	3,854	15,363	2,548	12,935
Profit on disposal of property, plant and equipment	170,822	109,342	4,492	34,639
Rental income	344,000	300,000	354,000	294,000
Gain on foreign exchange differences	0	993,841	0	168,974
Write back of reserve on consolidation	2,265,207	0	0	0

24. TAXATION

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Income tax:-				
Malaysian	(1,894,511)	(1,216,224)	(1,023,760)	(480,896)
Foreign tax	0	(33,261)	0	0
Over provision in prior year	72,501	589,095	43,997	607,063
	(1,822,010)	(660,390)	(979,763)	126,167
Deferred tax:-				
(Origination)/reversal of deferred taxation	(5,295,255)	(1,253,476)	(142,803)	(79,048)
Under provision in prior years	(142,314)	0	(118,424)	(180,189)
	(5,437,569)	(1,253,476)	(261,227)	(259,237)
Share of tax of associates	0	(982)	0	0
Tax expense for the year	(7,259,579)	(1,914,848)	(1,240,990)	(133,070)

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

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Taxation at Malaysian statutory tax rate	(8,204,976)	(5,227,457)	(2,378,456)	(1,304,614)
Effect on the opening deferred tax due to reduction of tax rate	(12,480)	(11,754)	0	0
Expenses not deductible for tax purposes	(222,263)	(220,098)	(38,611)	(54,793)
Tax incentives	911,359	2,855,185	610,032	875,895
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	0	38,580	0	0
Depreciation of non-qualifying property, plant and equipment	(209,249)	(132,865)	(110,299)	(87,121)
Income not subject to tax	728,003	0	728,003	0
Deferred tax asset not recognised during the year	(135,360)	264,125	0	0
Effect of different tax rates in other countries	0	27,541	0	0
(Under)/over provision in prior year				
- income tax expense	72,501	589,095	43,997	607,063
- deferred tax expense	(142,314)	0	(118,424)	(180,189)
Others	(44,800)	(97,200)	22,768	10,689
Tax expense for the year	(7,259,579)	(1,914,848)	(1,240,990)	(133,070)
Tax saving from the utilisation of losses brought forward	0	472	0	0
Unutilised tax losses carried forward	6,250,946	4,3524,346	0	0
Unabsorbed capital allowance carried forward	9,720,645	35,305,417	0	0

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

As at 31st December 2004, there are sufficient Section 108 tax credit to frank in full the accumulated profits of the Company if distributed as dividends.

As at 31st December 2004, the Group has unutilised reinvestment allowances amounting to RM14,733,553 (2003 – RM7,741,000) which, subject to approval by the tax authorities, can be used to offset against future business income.

As at 31st December 2004, the Company has tax-exempt income of RM16,252,772 (2003 – RM14,089,499) arising from incentive of reinvestment allowance which is subject to confirmation by the Inland Revenue Board and tax exempt accounts arising from waiver of tax on chargeable income under Income Tax (Amendment) Act, 1999 and tax exempt dividend income of RM34,249,601 (2003 – RM31,649,589). Dividends declared out of such profit will also be exempted from income tax in the hands of the shareholders.

25. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the Group net profit for the year of RM22,126,892 (2003 – RM16,737,819) by the weighted average number of 66,611,240 (2003 – 63,012,605) ordinary shares in issue during the financial year.

No diluted earnings per share were presented for current year as there were no potential dilutive ordinary shares outstanding as at 31st December 2004.

26. CASH FLOWS FROM FINANCING ACTIVITIES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Repayment of hire purchase liabilities	(6,468,814)	(4,946,401)	(1,558,971)	(1,436,601)
Term loan received	9,300,000	3,200,000	0	0
Repayment of term loans	(3,360,056)	(3,596,093)	(1,167,479)	(2,181,942)
Unsecured loan received	675,000	0	0	0
Repayment of unsecured loan	(210,560)	0	0	0
Proceed from allotment of shares	0	6,649,163	0	6,649,163
Bonus and transfer to main board expenses	0	(204,099)	0	(204,099)
	<u>(64,430)</u>	<u>1,102,570</u>	<u>(2,726,450)</u>	<u>2,826,521</u>

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27. SEGMENTAL ANALYSIS – GROUP

	<u>Rubber products</u>		<u>Others</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	RM	RM	RM	RM	RM	RM
ANALYSIS BY ACTIVITIES REVENUE AND EXPENSES						
Revenue -						
External sales	277,491,969	179,535,957	311,321	104,000	277,803,290	179,639,957
Result -						
Segment results	32,026,266	20,309,045	280,698	737,105	32,306,964	21,046,150
Finance cost, net					(2,934,134)	(2,404,746)
Share of results of associate	0	0	(69,345)	(66,323)	(69,345)	(66,323)
Taxation					(7,259,579)	(1,914,848)
Exceptional item	0	94,405	0	0	0	94,405
Profit after taxation					<u>22,043,906</u>	<u>16,754,638</u>
ASSETS AND LIABILITIES						
Segment assets	248,214,552	200,896,875	167,055	1,908,764	248,381,607	202,805,639
Investment in equity method of associate	0	0	97,644	116,551	97,664	116,551
Consolidated total assets					<u>248,479,271</u>	<u>202,922,190</u>
Segment liabilities	108,737,699	80,534,886	2,862,045	3,021,915	<u>111,599,744</u>	<u>83,556,801</u>
OTHER INFORMATION						
Capital expenditure	39,053,937	37,051,601	0	0	39,053,937	37,051,601
Depreciation	12,697,725	9,939,017	0	0	12,697,725	9,939,017
Non-cash expenses other than depreciation	880,982	581,803	0	0	880,982	581,803

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

28. CONTINGENT LIABILITIES - UNSECURED

As at 31st December 2004, the Company has outstanding unsecured contingent liabilities amounting to RM45,762,161 (2003 – RM22,410,805) being corporate guarantees given to banks for banking facilities granted to certain subsidiaries.

29. CAPITAL COMMITMENT

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	RM	RM	RM	RM
Authorised and contracted for	<u>20,564,780</u>	<u>444,378</u>	<u>1,570,012</u>	<u>290,100</u>

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30. RELATED PARTY TRANSACTIONS

Related party	Relationship	Type of Transaction	GROUP		COMPANY	
			2004 RM	2003 RM	2004 RM	2003 RM
Group						
Kossan Chemical Industries (M) Sdn. Bhd.	Subsidiary of holding company	Rental payable	(367,360)	(288,000)	(40,320)	0
Kossan Japan Rollers Sdn. Bhd.	Subsidiary of holding company	Rental receivable	150,000	150,000	150,000	150,000
Pleasure Latex Products Sdn. Bhd.	Subsidiary of holding company	Rental receivable	176,000	144,000	120,000	60,000
Pleasure Latex Products Sdn. Bhd.	Subsidiary of holding company	Sales	0	300	0	300
Kossan Paint (M) Sdn. Bhd.	Subsidiary of holding company	Sales	361,784	277,241	361,584	277,241
Kossan Paint (M) Sdn. Bhd.	Subsidiary of holding company	Purchase of consumables	(537,614)	(54,535)	(18,154)	(26,369)
Kossan Paint (M) Sdn. Bhd.	Subsidiary of holding company	Purchase of raw materials	0	(342,208)	0	0
Kossan Paint (M) Sdn. Bhd.	Subsidiary of holding company	Services rendered receivable	75,220	0	0	0
HT Ceramics (M) Sdn. Bhd.	Corporation in which Mr. Lim Kuang Yong has financial interest	Purchase of formers	(2,520,217)	(410,588)	0	0
HT Ceramics (M) Sdn. Bhd.	Corporation in which Mr. Lim Kuang Yong has financial interest	Sales	912	5,042	912	5,042
Kossan F.R.P. Industries (M) Sdn. Bhd.	Corporation in which Messrs. Lim Kuang Yong and Lim Kuang Wang have financial interest	Purchase of consumables	(52,519)	(4,280)	(12,169)	(4,280)
Kossan F.R.P. Industries (M) Sdn. Bhd.	Corporation in which Messrs. Lim Kuang Yong and Lim Kuang Wang have financial interest	Sales	4,149	4,730	4,149	4,730
Kossan F.R.P. Industries (M) Sdn. Bhd.	Corporation in which Messrs. Lim Kuang Yong and Lim Kuang Wang have financial interest	Services rendered payable	(12,500)	0	0	0
Chemtube (M) Sdn. Bhd.	Corporation in which Mr. Lim Kuang Sia has financial interest	Sales	6,076	281	6,076	281
Premium Medical Products Sdn. Bhd.	Corporation in which Mr. Lim Kuang Yong has financial interest	Sales	256,700	128,860	256,700	128,860
Pan Asian Corporation Sdn. Bhd.	Subsidiary of holding company	Rental payable	(535,080)	0	(297,960)	0

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

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31. SUBSEQUENT EVENTS

- a) On 28th January 2005, Kossan Latex Industries (M) Sdn. Bhd., a wholly owned subsidiary, entered into a Sale and Purchase Agreement with Soon Seng Steel Mills Sdn. Bhd. for the purchase of a piece of freehold industrial land held under Geran 45714 Lot 6129 located at Mukim Kapar, Daerah Klang, Selangor Darul Ehsan for a cash consideration of RM8,722,920. None of the Directors and substantial shareholders of Kossan nor persons connected with them has any interest, direct or indirect, in the acquisition.
- b) On 24th February 2005, the Board of Directors announced the following:-
 - (i) Proposed share split involving the subdivision of every one existing ordinary share of RM1.00 each held in Kossan ("Kossan Shares") into two ordinary shares of RM0.50 each ("Subdivided Kossan Shares") ("Proposed Share Split") on a date to be determined and announced later upon obtaining all the relevant approvals for the Proposed Share Split.
 - (ii) Proposed amendments to the Memorandum and Articles of Association ("M & A") to reflect the subdivision of every one ordinary share of RM1.00 each into two ordinary shares of RM0.50 each held in Kossan and resulting in the authorised share capital of Kossan being amended from RM150,000,000 comprising 150,000,000 ordinary shares of RM1.00 each to RM150,000,000 comprising 300,000,000 ordinary shares of RM0.50 each ("Proposed Amendments").
 - (iii) Proposed bonus issue of 26,644,496 new Subdivided Kossan Shares ("Bonus Shares") on the basis of two new Bonus Shares for every five existing Kossan Shares (equivalent to 10 Subdivided Kossan Shares) held at an entitlement date to be determined later ("Proposed Bonus Issue").
 - (iv) An executives' share option scheme for the grant of options ("Options") to the executive directors and eligible executives of Kossan and its Malaysian incorporated subsidiary companies (not being a dormant company) ("Kossan Group") to subscribe for the Kossan Shares or Subdivided Kossan Shares (in the event the Proposed Share Split is implemented prior to the launch of the executives' share option scheme) subject to the terms and conditions of the By-Laws. ("Proposed ESOS").

The approvals for the Proposed Share Split, Proposed Amendments, Proposed Bonus Issue and Proposed ESOS, collectively referred to as the "Proposal", are still pending from the Securities Commission ("SC") and Bursa Malaysia Securities Bhd. ("BMSB").

32. FINANCIAL INSTRUMENTS

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

As at 31st December 2004, the Group had contracted the following amounts under forward contracts:-

			Average Exchange Rate per unit of Ringgit Malaysia	
	<u>2004</u> RM	<u>2003</u> RM	<u>2004</u> RM	<u>2003</u> RM
United State Dollars (to sell)	127,506,493	31,756,222	3.80	3.81

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

- b) Credit Risk

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

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c) Fair Values of Financial Instruments

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

	<u>2004</u> RM	<u>2003</u> RM
Off Balance Sheet Item:		
Carrying amount	<u>127,506,493</u>	<u>31,756,222</u>
Fair value	<u>127,506,493</u>	<u>31,756,222</u>

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

- iii) The carrying amounts and estimated fair values of the other financial instruments of the Group as at 31st December 2004 are as follows:-

	<u>2004</u> RM	<u>Carrying</u> <u>Amount</u> <u>2003</u> RM	<u>2004</u> RM	<u>Fair</u> <u>Value</u> <u>2003</u> RM
Financial Assets				
Other investments	116,000	116,000	116,000	116,000
Financial Liabilities				
Borrowings	52,545,974	31,813,935	52,545,974	31,813,935
Hire purchases liabilities	10,015,061	12,206,215	10,015,061	12,206,215
Unsecured loan	464,439	0	464,439	0

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

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

- iv) The nominal/notional amount and net fair value of contingent liabilities (as disclosed in Note 28) are not recognised in the balance sheet as at 31st December 2004 as it is not practicable to make a reliable estimate due to the uncertainties of timing, costs and eventual outcome.

REPORT OF THE AUDITORS TO THE MEMBERS OF KOSSAN RUBBER INDUSTRIES BHD

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FINANCIAL STATEMENTS

31ST DECEMBER 2004

We have audited the Financial Statements set out on pages 25 to 52. These Financial Statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibilities to any other person for the content of this report.

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 2004 and of their results and cash flows for the year then ended and comply with the provisions of the Companies Act, 1965; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the Financial Statements of the Group and of the Company.
- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the said Act.

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

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

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

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

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

Dated: 15 April 2005
Klang.

FINANCIAL STATEMENTS

31st December 2004

ANNUAL REPORT 2004

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STATEMENT BY DIRECTORS

We, LIM KUANG SIA and LIM KUANG YONG, being two of the Directors of KOSSAN RUBBER INDUSTRIES BHD., do hereby state that, in the opinion of the Directors, the Financial Statements set out on pages 25 to 52 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 2004 and of the results and cash flows for the year then ended.

On behalf of the Board,

LIM KUANG SIA

Director

LIM KUANG YONG

Director

Dated: 15 April 2005

Klang.

STATUTORY DECLARATION

I, LEE HON CHEE, the officer primarily responsible for the accounting records and financial management of KOSSAN RUBBER INDUSTRIES BHD., do solemnly and sincerely declare that the Financial Statements set out on pages 25 to 52 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed LEE HON CHEE,)
at Klang, in the State of Selangor, this)
15 April 2005)

Before me,

CHEW KIM SWEE @ CHEW TOO NYAAH
No. B102

Commissioner for Oaths,
Klang.

55.

<u>Location</u>	<u>Description</u>	<u>Date of Acquisition/ Valuation</u>	<u>Age of Building</u>	<u>Land Area</u>	<u>Tenure</u>	<u>Existing Use</u>	<u>Net Book Value RM</u>
No 14 Lorong Sungai Puloh Tmn Klang Utama 42100 Klang	1 unit double storey link house	3/24/1995	11 yrs	990 sq.ft	Freehold	Staff quarters	87,874
No 16 Lorong Sungai Puloh Tmn Klang Utama 42100 Klang	1 unit double storey link house	3/24/1995	11 yrs	990 sq.ft	Freehold	Staff quarters	87,874
Lot 754 Jalan Hj Sirat 42100 Klang	Factory	3/24/1995	10 yrs	246,550 sq.ft	Freehold	Factory	10,879,018
Lot 782 Jalan Hj Sirat 42100 Klang	Factory and office	3/24/1995	Factory-17 yrs Office-10 yrs	47,480 sq.ft	Freehold	Factory and office	2,627,750
Lot 16632 Batu 5 1/4 Jalan Meru 41050 Klang	Single storey detached factory	3/24/1995	15 yrs	65,175 sq.ft	Freehold	Factory and office	2,738,029
Lot 2401 Batu 17 Jln Sungai Sembilang 45800 Jeram	Factory	1/31/1995	6 yrs	106,177 sq.ft	Freehold	Factory	3,147,402
GM 554 Lot 2796 Mukim of Jeram District of Kuala Selangor	Factory	1/31/1995	2 yrs	213,916 sq.ft	Freehold	Factory	5,124,009
Lot 1365 Batu 17 Jln Sungai Sembilang 45800 Jeram	Factory	1/3/1995	6 yrs	217,800 sq.ft	Freehold	Factory and office	6,364,007
HS (M) 15410 & 15405 PT 21715 & 15708 24 Jln Pengasah 4 Off Jln Kapar 42100 Klang	1 unit 1 1/2 Storey light industrial building	4/3/2003	11 yrs	174 sq.mtr	Freehold	Store	252,633
HS (M) 1168 PT 476 Batu 15 1/4 Jalan Kapar Mukim Jeram	Staff quarters	2/27/2003	1 yr	5,527 sq.mtr	Freehold	Staff quarters	925,580
Lot 1366 Batu 17 Jalan Kapar Mukim Jeram	Factory	8/28/2003	1 yr	152,460 sq.ft	Freehold	Factory	7,538,136
Geran 40417, Lot 4761 Mukim Jeram Kuala Selangor	Factory	5/19/2004	Factory under construction	7 acres 1 rood 14.67 poles	Freehold	Factory	1,556,785
TOTAL							41,329,097

STATISTICS ON SHAREHOLDINGS as at 29 April 2005

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DISTRIBUTION OF SHAREHOLDINGS AS AT 29 APRIL 2005

<u>Size of Shareholdings</u>	<u>No. of Shareholders</u>	<u>% of Shareholders</u>	<u>No. of Shares</u>	<u>% of Issued Share Capital</u>
Less than 100	121	5.82	3,817	0.00
100 - 1,000	299	14.37	178,143	0.27
1,001 - 10,000	1,394	67.02	4,768,320	7.16
10,001 - 100,000	224	10.77	6,661,960	10.00
100,001 to less than 5% of issued shares	41	1.97	25,609,200	38.45
5% and above of issued shares	1	0.05	29,389,800	44.12
	<u>2,080</u>	<u>100.00</u>	<u>66,611,240</u>	<u>100.00</u>

SUBSTANTIAL SHAREHOLDERS AS AT 29 APRIL 2005

<u>Name of Shareholders</u>	<u>No. of Shares Held</u>	<u>% of Issued Share Capital</u>
1. Kossan Holdings (M) Sdn Bhd	35,629,800*	53.49

Include:-

* - 3,240,000 shares held through Malaysia Nominees (Tempatan) Sdn Bhd

* - 3,000,000 shares held through EB Nominees (Tempatan) Sdn Bhd

DIRECTORS' SHAREHOLDINGS AS AT 29 APRIL 2005

<u>Name of Directors</u>	<u>No. of Shares Held Direct Holdings</u>	<u>%</u>
1. Y. Bhg. Dato' Haji Mokhtar Bin Hj. Samad	-	-
2. Lim Kuang Sia	79,560	0.12
3. Lim Kuang Yong	-	-
4. Lim Kuang Wang	149,760	0.22
5. Lim Kwan Hwa	-	-
6. Heng Bak Tan	-	-
7. Y. B. Dato' Tai Chang Eng @ Teh Chang Ying	62,400	0.09
8. Tong Siew Choo	6,240	0.01
9. Lim Leng Bung	-	-

STATISTICS ON SHAREHOLDINGS (cont'd) as at 29 April 2005

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THIRTY (30) LARGEST SHAREHOLDERS AS AT 29 APRIL 2005

<u>Name of Shareholders</u>	<u>No. of Shares Held</u>	<u>% of Issued Share Capital</u>
1. Kossan Holdings (M) Sdn Bhd	23,748,660	35.65
2. Kossan Holdings (M) Sdn Bhd	5,641,140	8.47
3. Malaysia Nominees (Tempatan) Sendirian Berhad (A/C for Kossan Holdings (M) Sdn Bhd 05-00042-000))	3,240,000	4.86
4. EB Nominees (Tempatan) Sendirian Berhad (A/C for Kossan Holdings (M) Sdn Bhd (PKG))	3,000,000	4.50
5. AMMB Nominees (Tempatan) Sdn Bhd (AmTrustee Berhad for Pacific Pearl Fund (5/1-9))	2,366,800	3.55
6. AMMB Nominees (Tempatan) Sdn Bhd (AmTrustee Berhad for Pacific Dividend Fund (5/27-2))	1,490,100	2.24
7. HSBC Nominees (Tempatan) Sdn Bhd (HSBC (M) Trustee for Prudential Dana Dinamik (4546))	1,449,000	2.18
8. Ruby Technique Sdn Bhd	1,309,800	1.97
9. Mayban Nominees (Tempatan) Sdn Bhd (Malaysian Trustees Berhad for Mayban Smallcap Trust Fund (240165))	1,173,300	1.76
10. BHLB Trustee Berhad (Prugrowth Fund)	839,300	1.26
11. Mayban Nominees (Tempatan) Sdn Bhd (Mayban Trustees Berhad for Hidden Treasures Fund (240218))	765,000	1.15
12. CIMB Nominees (Tempatan) Sdn Bhd (Nin Koi Yong @ Lim Koi Yong)	750,000	1.13
13. Universal Trustee (Malaysia) Berhad (SBB Dana Al-Azam)	695,000	1.04
14. Ruby Technique Sdn Bhd	659,200	0.99
15. Yeo Wha	604,800	0.91
16. Lim Hui Guan	598,500	0.90
17. Chia Fei Kung	575,000	0.86
18. Universal Trustee (Malaysia) Berhad (Pacific Premier Fund)	547,300	0.82
19. BHLB Trustee Berhad (Prusmall-Cap Fund)	458,100	0.69
20. RHB Capital Nominees (Tempatan) Sdn Bhd (A/C for Susy Ding (CEB))	445,000	0.67
21. Bumiputra-Commerce Trustee Berhad (RHB Islamic Growth Fund)	445,000	0.67
22. Hee Yook Lan	438,000	0.66
23. Yee Chek Mun	390,000	0.59
24. Nin Koi Yong @ Lim Koi Yong	322,480	0.48
25. Malaysian Trustees Berhad (PacificMas Asset Management Sdn Bhd for Great Eastern Life Assurance (Malaysia) Berhad (PAR 1))	302,100	0.45
26. Teng Choon Kwang	264,080	0.40
27. Chia Bak Lang	250,000	0.38
28. Sulaiman Bin Mohd Hassan	209,160	0.31
29. Yeo Wha	181,200	0.27
30. Lim Kuan Chiang	175,040	0.26

NOTICE OF ANNUAL GENERAL MEETING

ANNUAL REPORT 2004

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NOTICE IS HEREBY GIVEN that the Twenty Fifth (25th) 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 16 June 2005 at 10.30 a.m. for the following purposes:-

AGENDA

1. To receive and consider the audited financial statements for the year ended 31 December 2004 and the Reports of the Directors' and the Auditors thereon. (Resolution 1)
2. To approve the payment of a final dividend of 10% gross less 28% income tax for the financial year ended 31 December 2004. (Resolution 2)
3. To approve the payment of directors' fee of RM 96,000 for the financial year ended 31 December 2004. (2003 : RM96,000) (Resolution 3)
4. To re-elect the following Directors retiring by rotation pursuant to Article 108 of the Articles of Association, and being eligible, offers themselves for re-election:-
 - (i) Y.Bhg Dato' Tai Chang Eng @ Teh Chang Ying (Resolution 4)
 - (ii) Mr. Lim Kuang Sia (Resolution 5)
 - (iii) Y.Bhg. Dato' Haji Mokhtar Bin Haji Samad (Resolution 6)
5. To re-appoint Messrs Khoo Teng Keat & Co. as Auditors and to authorise the Board of Directors to fix their remuneration. (Resolution 7)
6. SPECIAL BUSINESS

To consider and if thought fit, to pass the following as ordinary resolutions:-

- (a) Authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965-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 absolute discretion deem fit and expedient in the interest of the Company provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid up capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company and that the Directors be and are also empowered to obtain the approval from the Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued."

- (b) Proposed renewal and further shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("Proposed Shareholders' Mandate").

"That, subject always to the Listing Requirements of the Bursa Malaysia Securities Berhad, the Company and its subsidiaries shall be mandated to enter into the categories of recurrent related party transactions of a revenue or trading nature specified in Section 2.4 of the Circular to Shareholders dated 24 May 2005 with the following related parties:-

- (1) Kossan Holdings (M) Sdn. Bhd. and its subsidiaries (Resolution 9)
- (2) Kossan FRP Industries (M) Sdn. Bhd. (Resolution 10)
- (3) HT Ceramics (M) Sdn. Bhd. (Resolution 11)

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

ANNUAL REPORT 2004

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Subject further to the following:-

- i) the transactions are in the ordinary course of business and are on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and
- ii) the Proposed Shareholders' Mandate will take effect from the date of the passing of the Ordinary Resolution proposed at the Annual General Meeting ("AGM") until the next Annual General Meeting ("AGM") of the Company and shall apply in respect of the recurrent related party transactions to be entered into from the date of the forthcoming AGM until the next AGM of the Company. The proposed shareholders' mandate is subject to annual renewal. Any authority conferred by the mandate shall only continue to be in force until:-
 - (a) the conclusion of the first annual general meeting of the Company following the general meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
 - (b) the expiration of the period within which the next annual general meeting is required to be held pursuant to section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to section 143(2) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders in general meeting, whichever is earlier; and
- iii) disclosure is made in the annual report of the breakdown of aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year and in the annual reports for the subsequent financial year during which the shareholders' mandate is in force based on the type of recurrent transactions made and the names of the related parties involved in each type of the recurrent transactions made and their relationship with the Company, provided that such transactions are made on normal commercial terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company and at an arm's length basis; and
- iv) the Directors and/or any of them be and are hereby authorised to complete and do such acts and things (including executing such document as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

- (c) Ratification of related party transaction.

(Resolution 12)

"That the Company do and hereby ratify the contract dated 28.8.2003 entered into between Lim Kuang Yong and Lim Kuang Sia ("Vendors") and Perusahaan Getah Asas Sdn. Bhd. ("Purchaser") for the sale by the Vendors and the purchase by the Purchaser of the piece of land held under HS(M) 2088 PT 2006 Mukim Jeram, Daerah Kuala Selangor, Selangor Darul Ehsan for a cash consideration of RM1,667,060.

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

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

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NOTICE OF DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that the final dividend of 10% less Malaysian Income Tax at 28% in respect of the financial year ended 31 December 2004, if approved by members at the Annual General Meeting to be held on 16 June 2005 will be paid on 25 July 2005. The entitlement date for the dividend will be 4 July 2005.

A depositor shall qualify for entitlement only in respect of:-

- (a) Shares transferred to the depositor's securities account before 4.00 p.m. on 4 July 2005 in respect of ordinary transfer; and
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD
KOSSAN RUBBER INDUSTRIES BHD.

CHIA ONG LEONG
CHIA YEW NGO
Company Secretaries

Dated : 24 May 2005
Klang

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company, a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies in a particular case. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Wisma Kossan, Lot 782, Jalan Sungai Putus, Off Batu 3 ¾, Jalan Kapar, 42100 Klang not less than forty-eight hours before the time for holding the meeting.
3. If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.
4. Authority to directors to issue shares pursuant to Section 132D

In line with the Company's plan for expansion/diversification, the Company is actively looking into prospective areas so as to broaden its operation base and earnings potential. As the expansion/diversification may involve the issue of new shares, the Directors, under present circumstances, would have to call for a general meeting to approve the issue of new shares even though the number involved is less than 10% of the issued and paid up capital. In order to avoid any delay and cost involved in convening a general meeting to approve such issue of shares, it is thus considered appropriate that the Directors be 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. Ratification of contract

A subsidiary of the Company, Perusahaan Getah Asas Sdn. Bhd. ("PGA"), had entered into an agreement with Messrs Lim Kuang Yong and Lim Kuang Sia to purchase a piece of land, HS(M) 2088 PT 2006 Mukim Jeram, Daerah Kuala Selangor, which adjoins PGA's existing premises, to enable PGA to expand its production facilities. The sale was carried out at market value. Since the transaction was between the Directors of the Company and PGA, a wholly owned subsidiary company, the consent of the shareholders of the Company was required as the Company is the holding company of PGA. The Companies Act requires the transaction to have the prior approval of the members of the Company or a ratification by the same within a reasonable period. This resolution seeks members' ratification of the contract as the transaction was completed in 2003.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL
GENERAL MEETING

ANNUAL REPORT 2004

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

- (i) Y.Bhg. Dato' Tai Chang Eng @ Teh Chang Ying
- (ii) Mr. Lim Kuang Sia
- (iii) Y.Bhg. Dato' Haji Mokhtar Bin Haji Samad

The profile of the Directors standing for re-election are on pages 8 to 10.

2. Details of Attendance of Directors at Board Meetings.

Six (6) Board Meetings were held during the financial year ended 31 December 2004. Details of attendance of Directors at the Board Meetings are as follows:-

<u>Name of Director</u>	<u>No. of meeting attended</u>
Mr. Lim Kuang Sia	6/6
Mr. Lim Kuang Yong	6/6
Mr. Lim Kuang Wang	5/6
Mr. Lim Kwan Hwa	6/6
Mr. Heng Bak Tan	6/6
Dato Haji Mokhtar Bin Haji Samad	6/6
Dato' Tai Chang Eng @ Teh Chang Ying	6/6
Mdm Tong Siew Choo	6/6
Haji Sulaiman Bin Mohd Hassan (retired on 18.6.2004)	4/6

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

All the Board Meetings, were held at Wisma Kossan, Lot 782 Jalan Sungai Putus, Off Batu 3¾, Jalan Kapar, 42100 Klang except the Board meeting on 18.6.2004 which was held at Concorde Hotel, Shah Alam.

<u>Date</u>	<u>Time</u>
25 February 2004	4.00 p.m.
16 April 2004	4.00 p.m.
12 May 2004	4.00 p.m.
18 June 2004	11.00 a.m.
20 August 2004	4.00 p.m.
9 November 2004	4.00 p.m.

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PROXY FORM



KOSSAN RUBBER INDUSTRIES BHD

(48166-W)
(INCORPORATED IN MALAYSIA)

I/We _____
of _____
being a member of KOSSAN RUBBER INDUSTRIES BHD, hereby appoint
of _____
or failing him, _____
of _____

as my/our proxy to vote for me/us and on my/our behalf at the Twenty Fifth (25th) 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 16 June 2005 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' fee	- Ordinary Resolution 3		
Election of directors: (i) Dato' Tai Chang Eng @ Teh Chang Ying (ii) Lim Kuang Sia (iii) Dato' Haji Mokhtar Bin Haji Samad	- Ordinary Resolution 4 - Ordinary Resolution 5 - Ordinary Resolution 6		
Appointment of auditors and authorizing directors to fix their remuneration	- Ordinary Resolution 7		
Authority to allot and issue shares in general pursuant to Section 132D of the Companies Act. 1965 - General allotment	- Ordinary Resolution 8		
Mandate and Ratification of Recurrent Related Party Transaction of a Revenue or Trading Nature (i) Kossan Holdings (M) Sdn. Bhd. and its subsidiaries (ii) Kossan FRP Industries (M) Sdn. Bhd. (iii) HT Ceramics (M) Sdn. Bhd.	- Ordinary Resolution 9 - Ordinary Resolution 10 - Ordinary Resolution 11		
Ratification of related party transaction	- Ordinary Resolution 12		

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 _____ 2005

NOTES

■ 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.

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

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

NO. OF SHARES HELD

Signature(s) of Shareholder(s)

Please fold here



The Secretary
KOSSAN RUBBER INDUSTRIES BHD
WISMA KOSSAN (48166-W)
Lot 782, Jalan Sg. Putus,
Off Batu 3 3/4 Jalan Kapar,
42100 Klang, Selangor Darul Ehsan

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