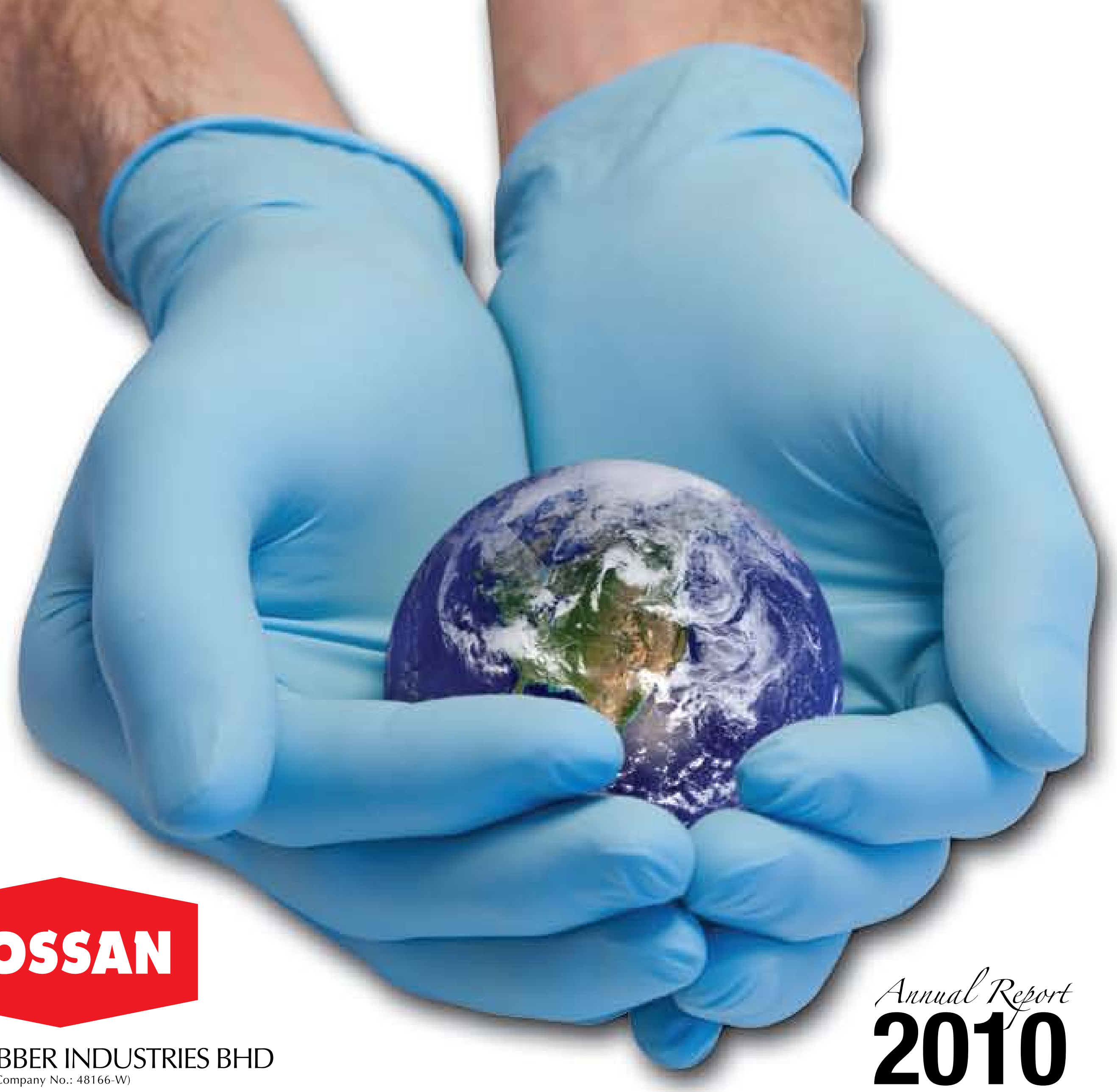
KOSSAN RUBBER INDUSTRIES BHD (48166-W)
Wisma Kossan, Lot 782 Jalan Sungai Putus
Off Batu 3¾, Jalan Kapar, 42100 Klang
Selangor Darul Ehsan, Malaysia.
Tel: 603 3291 2657
Fax: 603 3291 2903
email: kossan@kossan.com.my

www.kossan.com.my

KOSSAN RUBBER INDUSTRIES BHD (48166-W)

Annual Report 2010



KOSSAN

KOSSAN RUBBER INDUSTRIES BHD
(Company No.: 48166-W)

Annual Report
2010

Business stability with long term
sustainable growth

Corporate Mission

K | EEPING A HEALTHY GROWTH THROUGH TEAMWORK

O | PTING TO BE COMPETITIVE THROUGH THE PROVISION OF GOOD SERVICES AND QUALITY PRODUCTS

S | TRIVING TO REDUCE MALAYSIA'S DEPENDENCE ON IMPORTED RUBBER GOODS

S | TEPPING UP THE WELFARE AND PROFESSIONALISM OF OUR EMPLOYEES

A | SPIRING TO DEVELOP MORE HIGH TECHNOLOGY PRODUCTS

N | AVIGATING TOWARDS MALAYSIA'S VISION 2020

Automotive TS 16949
KOSSAN RUBBER INDUSTRIES BHD
Has been certified by
SAI- Global Limited, Australia
Against ISO/TS 16949 (Certificate No: IATF20004)

Quality ISO 9001
KOSSAN RUBBER INDUSTRIES BHD
Has been certified by
SAI-Global Limited, Australia
Against AS/NZS ISO 9001 (Certificate No: QEC12558)

KOSSAN RUBBER INDUSTRIES BHD
Has been certified by IKRAM QA Services Sdn Bhd
for BS EN 681 :Pt.1
Certificate No: IKRAM/B166/G0141/N0608

MS ISO/IEC 17025 TESTING SAMM NO. 464
KRI LABORATORY
KOSSAN RUBBER INDUSTRIES BHD
Has been certified by Standards Malaysia
for MS ISO/IEC 17025
Certificate No: SAMM 464

Quality ISO 9001
DOSHIN RUBBER PRODUCTS (M) SDN BHD
Has been certified by
SAI-Global Limited, Australia
Against AS/NZS ISO 9001 (Certificate No: QEC12558)

DOSHIN RUBBER PRODUCTS (M) SDN BHD
Has been certified by IKRAM QA Services Sdn Bhd
for MS 1385 (Marine Fender - Rubber)
Certificate No: IKRAM/B104/G0107/N2505

MS ISO/IEC 17025 TESTING SAMM NO. 372
DOSHIN BEARING LABORATORY
DOSHIN RUBBER PRODUCTS (M) SDN BHD
Has been certified by Department of Standards Malaysia
for MS ISO/IEC 17025
Certificate No: SAMM 372

KOSSAN LATEX INDUSTRIES (M) SDN BHD
HAS BEEN REGISTERED BY
LLOYD'S REGISTER QUALITY ASSURANCE
LIMITED AGAINST ISO 9001

HIBON CORPORATION SDN BHD
HAS BEEN REGISTERED BY
LLOYD'S REGISTER QUALITY ASSURANCE
LIMITED AGAINST ISO 9001

0086

CGSB Listed

KOSSAN LATEX INDUSTRIES (M) SDN BHD
Cert. No: FM 523601
ISO 13485:2003

KOSSAN LATEX INDUSTRIES (M) SDN BHD
Cert. No: FM 509125
ISO 9001:2008

PERUSAHAAN GETAH ASAS SDN BHD
ISO 9001:2008
Certificate No: FM512209

PERUSAHAAN GETAH ASAS SDN BHD
ISO 13485:2003
Certificate No: MD512207

PERUSAHAAN GETAH ASAS SDN BHD
ISO 13485:2003
Certificate No: MD512208

WEAR SAFE (MALAYSIA) SDN BHD
ISO 9001:2008
Certificate No: FM518350

WEAR SAFE (MALAYSIA) SDN BHD
ISO 13485:2003
Certificate No: MD518352

WEAR SAFE (MALAYSIA) SDN BHD
ISO 13485:2003
Certificate No: MD518353

CONTENTS 2010

Corporate Information

BOARD OF DIRECTORS

Dato' Haji Mokhtar Bin Haji Samad
(Chairman)

Dato' Lim Kuang Sia
(Managing Director / Chief Executive Officer)

Lim Kuang Yong

Lim Kuang Wang

Lim Kwan Hwa

Heng Bak Tan

Dato' Tai Chang Eng @ Teh Chang Ying

Tong Siew Choo

Lim Leng Bung
(Alternate to Lim Kuang Wang)

COMPANY SECRETARIES

Chia Ong Leong (MIA 4797)
Chia Yew Ngo (LS 1831)

BUSINESS AND REGISTERED ADDRESS

Wisma Kossan
Lot 782, Jalan Sungai Putus, Off Batu 3 ¾
Jalan Kapar, 42100 Klang
Selangor Darul Ehsan
Tel : 03-3291 2657
Fax : 03-3291 2903
E-mail : kossan@kossan.com.my
Website : www.kossan.com.my

AUDITORS

KPMG
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia

PRINCIPAL BANKERS

Bank Muamalat (Malaysia) Berhad
Cooperatieve Centrale Raiffeisen – Boerenleenbank B.A
(Labuan Branch)
EON Bank Berhad
OCBC Bank (Malaysia) Berhad

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House,
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301, Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7841 8000
Fax : 03-7841 8008
Website : www.Symphony.com.my

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

INVESTOR RELATIONS

Mr. Edward Yip
Tel : 03-3290 2580
Fax : 03-3291 2903
Email : edwardyip@kossan.com.my

Financial Highlights

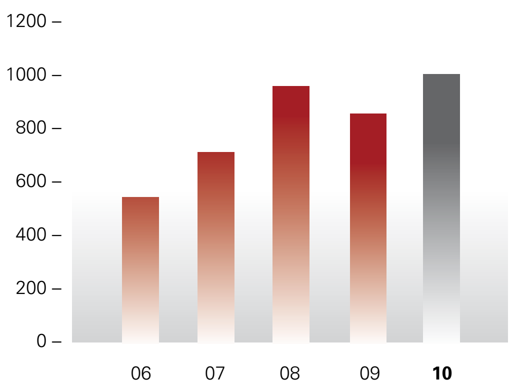
Operations (RM Million) for the year ended 31 December	2006	2007	2008	2009	2010
Revenue	571.283	702.637	897.194	842.135	1,046.887
Profit Before Taxation	48.453	58.318	72.906	85.828	140.651
Profit Attributable to Equity Shareholders	46.152	55.085	58.639	66.679	113.376
Dividend (%)	13.0	16.0	12.0	18.0	16.0

Balance Sheets (RM Million) as at 31 December	2006	2007	2008	2009	2010
Share Capital	79.933	79.933	79.933	79.933	159.866
Shareholders' Funds	205.456	251.370	298.883	358.999	444.615
NA (per share) (RM)	1.28*	1.57*	1.87*	2.24*	1.38**

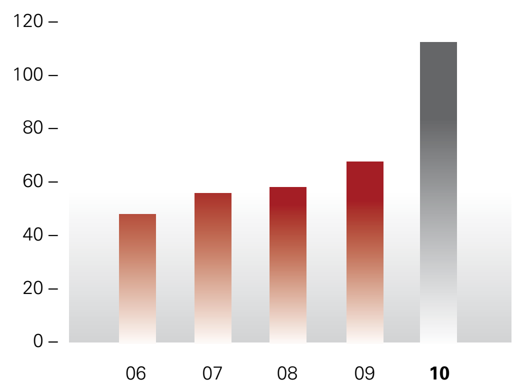
* NA per share is calculated based on 159,866,976 shares at RM0.50 each.

** NA per share is calculated based on 319,733,952 shares at RM0.50 each.

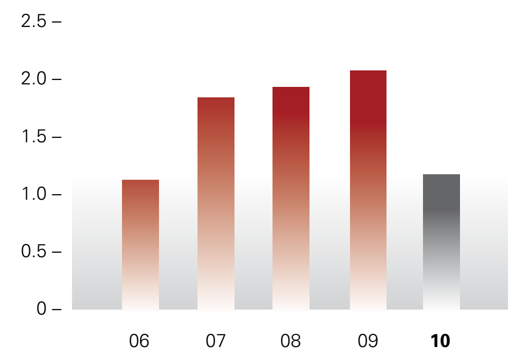
REVENUE
(RM Million)



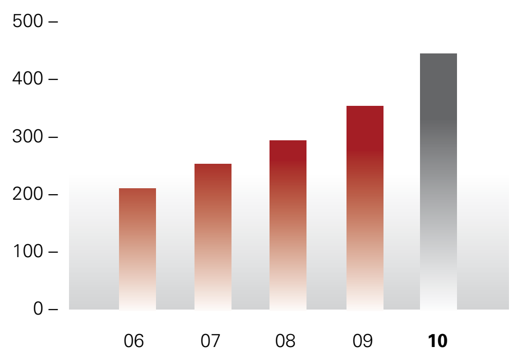
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS
(RM Million)



NA (PER SHARE)
(RM)



SHAREHOLDERS' FUNDS
(RM Million)



Chairman's Statement

THE YEAR 2010 HAD BEEN RATHER CHALLENGING WITH HISTORICAL HIGH RAW MATERIAL COSTS, IN PARTICULAR NATURAL RUBBER LATEX WHICH MARKED A RECORD 60% INCREASE COMPARED TO THE PREVIOUS YEAR. THE OPERATING ENVIRONMENT WAS FURTHER MADE WORSE BY THE EXCESS CAPACITY IN NATURAL LATEX GLOVES DUE MAINLY TO SLOWER ORDERS FROM BUYERS. AGAINST THIS BACKDROP, KOSSAN GROUP WAS ABLE TO PERFORM REMARKABLY WELL AS COMPARED TO ITS PEERS IN THE INDUSTRY. I AM PLEASED TO REPORT THAT WE ACHIEVED A RECORD PROFIT BEFORE TAXATION OF RM140.7 MILLION ON THE BACK OF REVENUES TOTALLING RM1.047 BILLION. INLCUDING THIS YEAR, THE KOSSAN GROUP IS IN THE 15TH YEAR OF UNBROKEN PROFITABILITY RECORD SINCE ITS LISTING IN BURSA MALAYSIA IN 1996.

TO OUR CUSTOMERS, EMPLOYEES AND SHAREHOLDERS:

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and audited financial statements of Kossan Rubber Industries Bhd. and the Group for the financial year ended 31 December 2010.

THE YEAR IN REVIEW

The year 2010 had been rather challenging with historical high raw material costs, in particular natural rubber latex which marked a record 60% increase compared to the previous year. The operating environment was further made worse by slowing orders from buyers. Against this backdrop, Kossan Group was able to perform remarkably well as compared to its peers in the industry. I am pleased to report that we achieved a record profit before taxation of RM140.7 million on the back of sales revenue totaling RM1.047 billion. Including this year, the Kossan Group is in its 15th year of unbroken profitability record since its listing in Bursa Malaysia 15 years ago.

RECORD FINANCIAL PERFORMANCE

A 15-year track record of unbroken profitability is a compelling testament of the success of a corporation in delivering uninterrupted profits to its shareholders. While pursuing sustainable profitability, the Kossan Group achieved a new milestone in 2010 with solid sales revenue which surpassed RM1.0 billion mark for the first time with a record profit after taxation exceeded RM113.0 million, representing an improvement of 24.3% and 68.9% respectively as compared to the preceding year. This translates to an improved earnings per share of 35.5 sen and a net return on equity of 28.4%. The Group saw significant synergistic returns from its refined product-mix which yielded more stable profit margins compared to its peers. More effective cost control and minimum rejects have also contributed to stronger profitability for the year under review.

Chairman's Statement

STRONG AND HEALTHY BALANCE SHEET

Equally important is the strength of the Group's balance sheet, and we are pleased to inform that it is in great shape: total assets spurt 12.9% upwards to RM777.3 million from RM688.6 million of the previous year. Kossan has net debt of RM86.2 million at the end of December, down from RM183.3 million a year earlier. Out of the total bank borrowings of RM177.8 million for the fiscal year; approximately 84.0% are short term in nature, made up mainly by trade facilities for our export business. The Group also continues to maintain a healthy cash and bank balance, which at 31 December 2010 stood at approximately RM92.0 million, and a net gearing ratio of 19.4%. The most fascinating achievement was the 23.9% growth in our shareholders' funds to RM444.6 million from RM358.9 million a year ago.

I am also very pleased to note that the strategic business measures persistently adopted by the Group all these years such as notable R&D efforts, continuous improvement in its production processes, more effective cost-savings measures, refined product-mix with higher output on better margin products, successful marketing approach and strategies; reliable customer delivery and sound risk management system have blended well and yielded remarkable returns. All these ingredients are vital to ensure our shareholders have continuous and sustainable growth in their investments.

CORPORATE DEVELOPMENT

On 23 March 2011, Kossan entered a Share Sale Agreement with INOUT ENTERPRISE PTE LTD and SOODE OPTIK PTE LTD for the acquisition of 51% of equity interest in Cleanera (HK) Limited for a total cash consideration of USD 3,060,000. The Acquisition is part of Kossan's expansion plan to venture into higher value added gloves that complements the Group's core business of manufacture and sale of examination and medical gloves. The Acquisition allows the Group to expand into clean room gloves, masks and wipes used in the electrical and electronic and manufacturing sectors; and is in line with its business strategy to diversify into more stringent and premium products. The Group is upbeat with this acquisition as this strategic tie-up will bring unlimited synergistic values and earnings potential to the Group.

DELIVERING VALUE TO SHAREHOLDERS

The ultimate measure of a company's success is through the consistent enrichment of its shareholders. Hence, the delivery of long term and sustainable shareholder value remains a high priority for the Kossan Group. The ability of the Group to deliver strong and consistent financial performance as demonstrated in its 15 years unbroken profitability track record underpins the value of the investment of shareholders in Kossan.

We have completed a bonus issue exercise of 159,866,976 ordinary shares on the basis of one (1) bonus share for every one (1) existing share held in the Company in July 2010.

The improvement in earnings has once again provided financial strength to the Group and the Board has recommended paying a final tax-exempt dividend of 8.0 sen per ordinary share at RM0.50 each, amounting to RM25.579 million, subject to shareholders' approval at the forthcoming Annual General Meeting.

I am pleased to note that in the past 15 years (since FY 1996); the Group has consistently rewarded its shareholders with increased payout of dividends year after year and 4 rounds of bonus shares in line with improved financial performance. Depending on the Group performance, we will endeavor to maintain or increase dividend payout in the years ahead.

Chairman's Statement

Record of Share Issues (1996 to 2010)

Financial Year	Description	Amount of New Shares	Cumulative Paid-Up Capital
		million	RM' million
1996	Initial Public Offerings ("IPO")	-	19.9
1999	Bonus Issue 8 for 5	31.8	51.7
2003	Bonus Issue 1 for 5	10.3	62.0
2005	Bonus Issue 1 for 5	12.4	74.4
	ESOS	5.5	79.9
	Share Split	79.9	79.9
2010	Bonus Issue 1 for 1	79.9	159.8

CORPORATE SOCIAL RESPONSIBILITY

The Group has long recognized and acknowledged the importance of a corporate culture that emphasizes good corporate social responsibility ("CSR"). While delivering sustainable and growing stakeholders value through the core business, the Group also contributes and provides for the betterment of the employees' welfare, market place and community.

More details on Kossan's statements on corporate governance can be found as a separate section in this Annual Report.

AWARDS AND RECOGNITION

Independent recognition of achievements is a key measure of the success of an organization in the fulfillment of its goals. The Group has been bestowed with the following awards and recognitions for its strong and consistent financial performance and solid management capabilities during the year in review:

a. **Prosperity Stocks in Bursa Malaysia 2010, by Philip Capital Asset Management**
Companies that have consistent growth in its profit before taxation for the past 10 years qualify for this recognition. Kossan was one of only nine stocks in Bursa Malaysia that met the criteria.

b. **The Edge Billion Ringgit Club 2010, by The Edge**
Besides being qualifying as an elite member of this Billion Ringgit Club having met the criteria of market capitalization exceeding RM1.0 billion, Kossan also top the list with The Highest Return on Equity over 3 Years Category in the Industrial Product Sector.

c. **Asia Pacific International Honesty Enterprise Golden Keris Award 2010**
This award, one of the most recognized international business awards in the Asia-Pacific region, is bestowed only to companies that practice good ethic and honesty in all the business dealings and produce good products or services. We are proud with this recognition by this independent organization as it reflects our strong beliefs in business honesty and integrity.

LOOKING AHEAD

Kossan finished the 2010 financial year with a set of remarkable performance despite the challenging operating environment. Moving into 2011, we may have started the year with a cautious outlook in view of the continuation of high latex prices, but the Group's robust balance sheet with low gearing and strong cash position, ability to come up with innovative products, make strategic business tie-ups with MNCs to create more business opportunities and potential expansion into upstream business will place the Group in a better footing to take on business challenges and continue to perform better.

APPRECIATION

Finally, on behalf of the Board, I would like to express my utmost gratitude to the staff and the Management team for their dedication and relentless efforts to drive the Group to achieve the various successes during the year. Our most sincere appreciation goes to all the other stakeholders (customers, suppliers, business associates, bankers, the regulatory authorities, investment analysts and member of press and medias) who have been supporting the Group strongly all these years. I would also like to thank the shareholders for your continued support.

DATO' HAJI MOKHTAR BIN HAJI SAMAD
Chairman
27 May 2011

Managing Director's Review of Operations

OUR EFFORTS AND BELIEFS IN R&D PAID OFF WHEN OUR OVERALL FINANCIAL PERFORMANCE WAS PRACTICALLY UNSCARRED DESPITE THE ADVERSE OPERATING ENVIRONMENT DUE MAINLY TO CONTINUOUS HIGH RAW MATERIAL COST AND FLUCTUATION OF THE RINGGIT AGAINST THE GREENBACK FOR THE YEAR IN REVIEW. THE GROUP CHARTED A RECORD BREAKING SALES REVENUE EXCEEDING RM1.0 BILLION AND DELIVERED A FASCINATING 70% INCREASE IN EARNINGS PER SHARE AS COMPARED TO PREVIOUS FINANCIAL YEAR.

REVIEW OF OPERATIONS

As I reflect on FY2010, it was indeed a tough year for most of the glove manufacturers in Malaysia due to high input cost which was further made worse by normalizing glove demand arising from minimal quantities order in anticipation of a fall in the latex prices in the second half of the current year. These adverse developments in the industry have weighed down the operating results significantly for some glove manufacturers, being more obvious in the natural rubber glove segment. While many glove manufacturers were experiencing earnings and profit margin contraction as compared to the previous good run in FY2008/2009, our Group has performed remarkably well with more consistent and robust earnings trend, thanks to our efforts and focus on R&D to develop more innovative products that yielded a more steady profitability. The Group charted a record breaking sales revenue exceeding RM1.0 billion and delivered a fascinating 70% increase in earnings per share as compared to the previous financial year.

To recap, in my last operational report for FY2009, we aimed to differentiate ourselves from our peers in the rubber glove industry by focusing on R&D to develop more innovative products that are better resilient to overcapacity threats besides yielding superior profit. Our efforts and beliefs in R&D paid off when our overall financial performance was practically unscarred despite the adverse operating environment due mainly to continuous high raw material cost and fluctuation of the ringgit against the greenback for the year in review.

Both our business divisions continued to grow in the fiscal year in spite of a grueling business environment. The Examination Gloves Division accounted for approximately 90% and 96% of the Group's total revenue and operating profits respectively while the Technical Rubber Products division contributed the remaining of 10% and 4%. It is worthy to note that we charted 61% grow in operating profits from our glove business.

Managing Director's Review of Operations

Examination Gloves Division

For the year in review, we added a total of 26 new production lines comprising ten (10) single-former and eight (8) double-formers lines which are able to produce an additional 3.0 billion pieces of gloves to the existing production capacity. All the production lines have commenced commercial production in the first (1st) quarter of 2011.

The year of 2010 had been an exciting year for the Group as our newly launched CheMax-7th Sense product series (accelerator and sulfur free nitrile glove) has brought in overwhelming response from our customers. This unique product was solely developed by us and its value-added features differentiates our nitrile gloves from the conventional one by other manufacturers as the user of CheMax-7th Sense are protected from potential chemical allergy. With this encouraging customers' recognition to our efforts in developing new products, we will continue to channel our resources into products and R&D initiatives that will make a difference to our customers.

The strength of the Group's balance sheet has been continuously growing for the past 15 years and its strong financial position allows it to continue seeking growth opportunities and broaden its value added products to ensure consistent earnings growth besides differentiate itself from its peers. On 23 March 2011, the Group has entered a Share Sale Agreement to acquire the controlling stake of 51% in Cleanera HK Limited, a leading clean room gloves, face masks and wipes manufacturer which supplies to the world class electronic and electrical MNCs in China and Japan. Cleanera will bring to Kossan opportunity to broaden its market reach to non-medical industry which will provide an additional platform for more sustainable earnings.

Technical Rubber Products Division

We posted another year of solid performance with revenue at 26% higher compared to FY2009 riding on increased outsourcing from our customers overseas after a moderate rebound in their economies from the low. Our utilization rate remained favorable at above 80% of available capacity.

In light of the continuation of high SMR and escalating synthetic rubber prices, we expect that the operating condition moving into 2011 will remain challenging. Against this background, the Group will continue to exercise stringent cost control and made further improvement in internal efficiencies to remain competitive. We are confident to replicate the same, if not better the performance achieved, in the fiscal year in 2011.

I am also pleased and proud to report that our lab now is ISO 17025 accredited by international accreditation bodies. This make our lab qualified to undertake performance testing for materials and parts internationally. This prestigious accreditation is testimony to the strong foundation in R&D and the technology capability we have built over the years.

Managing Director's Review of Operations

MOVING FORWARD CONFIDENTLY

The Group's success in riding over the challenging operating environment for the past 12 months with record performance provides a boost to our confidence in our capability and capacity to continue to perform in the coming year. We expect FY2011 to be exciting and busy period for the Group with more new products to be launched to the market and more strategic tie-ups projects with our MNCs customers, be it in co-product development or joint venture to penetrate into new market and business segment that are creating value for the Company.

As we forge ahead with our earnings growth plans, we will continue to place great emphasis on the 4 major key areas namely a) Research and development, b) Process automation and optimization, c) Business process computerization; and d) Employee trainings to tackle various business challenges as a result of shortage of manpower, escalating production cost due to increasing utilities and energy cost, rising raw material prices and continual exchange rate volatility going forward. Research and development will mean more innovative products can be developed and this will place the Group in a better position to expand our existing market share and more steady earnings momentum. Moving into more advanced stage of process automation and optimization will help in arresting the manpower shortage threats and human errors issues as lesser dependence on manual workers in the production flows will bring down the overall operating cost due to lower rejects and costly human errors.

We look forward to an outstanding 2011 where we can continue to scale new heights of achievement for the benefit of all stakeholders and particularly you, our valued shareholder. I wish to reiterate that the demonstrated capability of the Group in leveraging on its sustainable business model and philosophy and the success of the Group in its execution of its strategies creates long term intrinsic value of your investment in Kossan.

ACKNOWLEDGEMENT

On behalf of my fellow Directors, I would like to offer our sincere thanks to shareholders, valued customers, business associates, bankers, government authorities and equity analysts for their continued support and trust. Our appreciation also goes out to the management and all employees of the Group, whose collective contribution have made 2010 a great success.

Dato' Lim Kuang Sia
Group Managing Director/Chief Executive Officer
27 May 2011

Directors' Profile

DATO' HAJI MOKHTAR BIN HAJI SAMAD

Dato' Haji Mokhtar Bin Haji Samad, a Malaysian aged 63, 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 the Remuneration Committee.

Besides Kossan, he is an independent non executive director of Luxchem Corporation Berhad. He also sits on the boards of several private companies. He is currently the Yang Di Pertua of the Persatuan Kontraktor Melayu Wilayah Persekutuan, Executive Chairman of the Konsortium Kontraktor Melayu Wilayah Persekutuan, a director of Malay Contractor Consortium Malaysia, President of the Malay Contractor Organisation Malaysia, the Vice President of the Entrepreneur Development Agency Wilayah Persekutuan, a member of the Advisory Committee of Dewan Perniagaan Melayu Kuala Lumpur and a committee member of the Ministry of Domestic Trade and Consumer Affairs, Wilayah Persekutuan.

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.

DATO' LIM KUANG SIA

Dato' Lim Kuang Sia, ("Dato' KS Lim") a Malaysian aged 59, was appointed the Managing Director/ Chief Executive Officer of Kossan on 22 February 2002. He is a founder director of Kossan. Dato' KS 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 including being a member of the Board of Trustees of the Malaysian Rubber Export Promotion Council and committee member of the Klang Chinese Chamber of Commerce. He is the President of the Klang and Coast Teochew Association.

Dato' KS Lim is a member of the Remuneration Committee.

Dato' KS Lim is an indirect substantial shareholder by virtue of his substantial shareholdings in Kossan Holdings (M) Sdn. Bhd., a substantial shareholder of Kossan, he also holds 381,888 shares in his own name.

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, ("KY Lim") a Malaysian aged 64, was appointed to the Board of Kossan on 22 October 1979. He has more than 20 years business experience in marine hardware. He is in charge of the Examination Gloves Division.

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

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

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

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

Directors' Profile

LIM KUANG WANG

Mr. Lim Kuang Wang, ("KW Lim") a Malaysian aged 62, was appointed to the Board of Kossan on 27 May 1995. He has more that 20 years business experience in trading and manufacturing. He is involved in the Examination Gloves Division.

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

Mr. KW Lim is an indirect substantial shareholder by virtue of his substantial shareholdings in Kossan Holdings (M) Sdn. Bhd., a substantial shareholder of Kossan. He also holds 718,848 shares in his own name.

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, ("KH Lim") a Malaysian aged 60, was appointed to the Board of Kossan on 27 May 1995. He is in charge of Kossan Latex Industries (M) Sdn. Bhd., a wholly owned subsidiary of Kossan.

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

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

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, ("LB Lim") a Malaysian aged 48, was appointed to the Board of Kossan on 27 May 1995 as an alternate to Mr Lim Kuang Wang. He heads the technical rubber production portfolio in Kossan.

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

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

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

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

Directors' Profile

HENG BAK TAN

Mr. Heng Bak Tan, a Malaysian aged 62, was appointed to the Board of Kossan on 29 October 1984. He is a Non Independent Non Executive Director. 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.

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.

DATO' TAI CHANG ENG @ TEH CHANG YING

Dato' Tai Chang Eng @ Teh Chang Ying, a Malaysian aged 65, was appointed to the Board of Kossan on 12 August 1996. He is an Independent Non Executive Director. He is a Deputy Chairman, Board of Visitors, of the Klang General Hospital. He is the Chairman of the Nomination Committee and the Remuneration Committee 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 229,520 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 50, 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 is the senior partner of an audit firm.

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

She holds 29,952 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.

Dato' Lim Kuang Sia and Messrs Lim Kuang Yong, Lim Kuang Wang, Lim Kwan Hwa and Lim Leng Bung are siblings and Mr. Heng Bak Tan is their brother in law.

Corporate Governance Statement

THE MALAYSIAN CODE ON CORPORATE GOVERNANCE ("THE CODE")

BOARD OF DIRECTORS

The Board of Directors of Kossan Rubber Industries Bhd. recognizes and continues to subscribe and practice the principles of good corporate governance set out in the Code as a fundamental part of discharging its responsibilities to protect and enhance shareholders value and the financial performance of the Group.

The Board 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 of the Code for the financial year ended 31 December 2010.

DIRECTORS

Board and Board Balance

The Company is led by an experienced Board, made up of eight (8) directors, comprising four (4) Executive Directors, one (1) Non Independent Non Executive Director and three (3) Independent Non Executive Directors. The Directors' profiles are set out on pages 9 to 11 of the Annual Report.

Duties and Responsibilities of the Board

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

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, organizational effectiveness and implementation of Board policies and decisions. The presence of three Independent Non-Executive Directors fulfills 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 which provides sufficient check and balance. All Directors 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 affirmed its commitments to ensuring that such situation of conflicts are avoided.

The Board reviews the adequacy and integrity of the Group's internal control system and management information systems and ensures the systems comply with applicable laws and regulations. The Board also implements appropriate system to identify and manage principal risks.

Board Meetings and Supply of Information to the Board

The Board meets on a quarterly basis with additional meetings being convened to address urgent issues. All Directors are provided with quarterly reports on the performance of the Group. An agenda and a set of Board papers are distributed in sufficient time prior to the Board meetings to enable the Directors to consider and obtain further explanations and clarifications, 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.

The Board is regularly updated and advised on new statutory as well as regulatory requirements relating to duties and responsibilities of Directors. 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.

The Board met on five (5) occasions during the financial year ended 31 December 2010. The details of attendance of each Director are set out below:

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

Details Of Board Meetings

Date of Meeting	Time
25.02.2010	4.20 p.m.
21.04.2010	4.00 p.m.
20.05.2010	4.00 p.m.
26.08.2010	4.30 p.m.
18.11.2010	4.30 p.m.

All the above meetings were held at the Board Room, Wisma Kossan, Lot 782, Jalan Sungai Putus, Off Batu 3 3/4, Jalan Kapar, 42100 Klang, Selangor Darul Ehsan.

Appointments To The Board

The proposed appointment of a new member to the Board will be deliberated by the full Board based on the recommendation of the Nomination Committee with emphasis on qualification, experience and conduct. As an integral element in the process of appointing new Directors, the Company provides an orientation program for new Board members. The Directors also receive further training from time to time, particularly on relevant new laws and regulations.

Corporate Governance Statement

Re-appointment and Re-election of Directors

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board in the year are subject to re-election by shareholders at the next Annual General Meeting following 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. The re-election of each director is voted separately.

The Nomination Committee carries out annual evaluation and assessment on each Director's contributions and recommend for the re-appointment and re-election of Directors seeking re-appointment and re-election at annual general meetings.

DIRECTORS REMUNERATION

The Remuneration Committee annually reviews the performance of Executive Directors before making recommendation to the Board on adjustments in remuneration to reflect their respective contributions for the year as well as to ensure remunerations which are competitive and consistent with the Company's corporate objectives and strategy.

All Non-Executive Directors receive fees which are endorsed by the Board for approval of shareholders of the Company at the Annual General Meeting. The level of remuneration reflects the level of responsibilities undertaken. In addition, Non Executive Directors are paid an allowance for each Board meeting they attend.

The Directors' remuneration for the financial year ended 31 December 2010 are as follow:

	Salaries And Bonuses RM	EPF And Other Allowances RM	Fees RM	Total RM
Executive Directors	5,034,000	1,034,335	-	6,068,335
Non-Executive Directors	-	-	120,000	120,000
Total	5,034,000	1,034,335	120,000	6,188,335

The number of Directors whose remuneration is analyzed into bands of RM50, 000 is as follows:

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	-	4
RM1,000,000 - RM1,050,000	3	-
RM1,200,001 - RM1,250,000	1	-
RM1,800,001 - RM1,850,000	1	-

The above mentioned Directors' remuneration is the total sum of the remuneration received by the Directors from the Company and its subsidiaries.

DIRECTORS' TRAINING AND EDUCATION

All Directors have attended the Mandatory Accreditation Program prescribed by Bursa Malaysia.

All the Directors are committed to continue with training on an annual basis to keep abreast of new regulatory development and listing requirements and to enhance their knowledge in developments relevant to the Group.

During the financial year, Mdm. Tong Siew Choo (Independent Non-Executive Director) had attended the following trainings organized by Chartered Tax Institute of Malaysia:

(a) Property Development & Construction
(b) Cross Borders Transactions
(c) Essential Tax Planning for Companies
(d) Budget Talk 2011

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 (3) 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 the appointment to Board Committees and to assess the contributions 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.

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 are obtained from the Directors and that appointments to the Board are properly made in accordance with the regulatory requirements.

Remuneration Committee

The Remuneration Committee comprises one (1) Non-Independent Executive Director and two (2) 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)
Dato' Lim Kuang Sia	– (Non-Independent Executive)

The Remuneration Committee assists in the evaluation of the performance of the Directors and recommends to the Board rewards and benefits for all Directors, commensurate with their contributions to the Group's overall performance.

The Committee met on one (1) occasion in the financial year 2010.

Corporate Governance Statement

Audit Committee

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

The report of the Audit Committee for the year ended 31 December 2010 is set out on pages 23 to 25.

Five (5) meetings were held during the financial year under review.

Corporate Social Responsibility Committee ("CSR Committee")

The Group strongly recognizes its commitments to contribute positively to the community and society. The CSR Committee is tasked with responsibilities of reviewing the Company's management of corporate social responsibility.

The members of the CSR Committee as at 31 December 2010 are as follows:

Dato' Lim Kuang Sia – Chairman
Tong Siew Choo – Member

SHAREHOLDERS

Dialogue Between 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.

Dialogues are also held with investment analysts and fund managers to keep them abreast with corporate and financial developments within the Group.

Annual General Meeting

The Annual General Meeting provides a forum for communication with shareholders. At each Annual General Meeting, the Board presents the progress and performance of the business of the Group. The Company encourages shareholders to participate in the question and answer session. The Chairman, Board members and the external auditors are available to reply and provide explanation to any questions raised.

Shareholders can also obtain up-to-date information on the Group's activities by accessing its web site at www.kossan.com.my.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcement of results to shareholders, the Directors take responsibility 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 material misstatement, loss or fraud. Reviews are continuously on going to ensure the effectiveness, adequacy and integrity of the system of internal control in safeguarding the Company's assets.

The Group's Statement on Internal Control for the year ended 31 December 2010 as set out on pages 21 to 22 of this Annual Report provides an overview of the state of internal control within the Group and the Company. This statement has been approved by the Board.

Relationship with Auditors

The Board has established a formal and transparent relationship with the auditors. The Audit Committee recommends the appointment of the external auditors and their remuneration. The appointment of external auditors is subject to the approval of shareholders in general meeting whilst their remuneration is determined by the Board.

The role of the Audit Committee in relation to the auditors is described in the Audit Committee Report.

OTHER INFORMATION

During the financial year under review

(a) **Executive Share option Scheme (ESOS)**
The ESOS approved by shareholders in 2005 had not been implemented.

(b) **Utilization of proceeds**
The Company did not implement any fund raising exercise.

(c) **Share Buy-Back**
The shareholders of the Company approved the Share Buy-Back Scheme at the Extraordinary General Meeting held on 22 June 2010.

During the financial year ended 31 December 2010, the Company purchased a total of 969,400 ordinary shares of RM0.50 each of the issued share capital from the open market at an average price of RM3.13 per share. The total consideration of RM3,030,984 was financed from internally generated funds.

All the shares purchased during the financial year ended 31 December 2010 have been retained as treasury shares. None of the treasury shares held were resold or cancelled during the financial year. The number of shares retained as treasury shares as at 31 December 2010 was 969,400 ordinary shares of RM0.50 each.

Corporate Governance Statement

OTHER INFORMATION (CONT'D)

(c) **Share Buy-Back (Cont'd)**

Information on the share purchased by the Company during the financial year ended 31 December 2010 are as follows:

Monthly Breakdown	Shares Purchased And Retained As Treasury Shares	Purchase Price Per Share (RM) Lowest	Purchase Price Per Share (RM) Highest	Average Cost Per Shares (RM)	Total Consideration (RM)
October 2010	50,000	3.13	3.16	3.15	157,450
December 2010	919,400	3.03	3.17	3.13	2,873,534
Total	**969,400**			**3.13**	**3,030,984**

(d) **Options, Warrants or Convertible Securities exercised**
The Company did not issue any options, warrants or convertible securities.

(e) **American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")**
The Company did not sponsor any ADR or GDR program.

(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 or any personal interest in any business arrangements involving the Company.

(g) **Material Contracts**
The Company did 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**
Apart from the RM216,300 audit fees paid to the external auditors, the Company also paid RM10,500 in non audit fees for the year ended 31 December 2010.

(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 Corporate Governance Statement is made in accordance with a resolution of the Board of Directors dated 21 April 2011.

CORPORATE SOCIAL RESPONSIBILITY

The Group have long recognized and acknowledged the importance of a corporate culture that emphasizes good corporate social responsibility ("CSR") and corporate citizenship. While delivering sustainable and growing stakeholder value through the core business, the Group also contributes and works for the betterment of the employee welfare, market place and community.

Workplace

The Group believes that human capital development is very important to ensure that the Group has the right and relevant skill set and knowledge in ensuring business sustainability and growth. As such, the Group has conducted trainings with emphasis on quality for the staff to improve further their quality of work and workplace. Health and Safety at the workplace is also another area of importance to the Group.

All our employees are reasonably covered for any unforeseen mishaps through the various levels of insurance including coverage on medical, hospitalization benefits and critical illness besides the usual personal accident insurance. The Group has employed a significant number of foreign and out-stationed workers; as such the Group has constructed hostels within the vicinity of our factories to provide accommodation for this group of employees.

On occupational safety, the Group strives to comply with all the Department of Occupational Safety and Health Malaysia ("DOSH") standards on health and safety. The Group complies with the Occupational Safety and Health Act ("OSHA") strictly. The Group has set up a Work Safety Committee to develop policies and maintain a safe and healthy workplace for all its employees, contractors and visitors. Regular trainings, meetings, inspections and prevention programs are carried out to continuously alert the employees on the importance of the safety and hygiene conditions of the workplace.

Market place

As we consider CSR part of good corporate governance, we are fully supportive of our local suppliers and treasure our relationships with our key customers. We conduct annual satisfaction surveys as part of our efforts to improve our products, services and relationship.

Community

At the corporate level, the Group donates to various charitable bodies and private schools for their regular expenses as well as building funds.

Statement of Responsibility by Directors

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Group and of the Company and the results and cash flow of the Group and of the Company for each financial year. As required by the Act and the Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements have been prepared in accordance with applicable approved accounting standards in Malaysia and the provisions of the Act.

In preparing these financial statements, the Directors have:

(a) adopted suitable accounting policies and applied them consistently;

(b) made judgments and estimates that are reasonable and prudent; and

(c) ensured that all applicable approved accounting standards have been followed.

The Directors have overall responsibility for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to ensure these financial statements comply with the Act. The Directors are also responsible and shall take such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This Statement of Responsibility by Directors is made in accordance with the resolution of the Board of Directors dated 21 April 2011.

Statement on Internal Control

RESPONSIBILITY

The Board of Directors recognises that it is responsible for the Group's system of internal control and risk management, 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, loss or fraud.

RISK MANAGEMENT

The Board has always regarded risk management as an integral part of the Group's business operations. Hence, the Board has had engaged a professional firm for the provision of Enterprise Risk Management ("ERM") services in establishing a structured ERM framework for identifying, evaluating and managing the key business risks faced by the Group.

The Group's ERM framework contains the following key elements:

- A risk register containing risk profile of the business units within the Group which have been developed and will be communicated to the Board. The development of such risk profiles involved identification of key risks facing by the Group's core business unit, the potential impact and likelihood of those risks occurring, the control effectiveness and the action plans being taken to manage those risks to the desired level;

- A risk policies and procedures manual which is being developed and outline mainly the risk management strategies and policies and risk management structure in term of the lines of reporting and responsibility at the Board, Audit Committee, Risk Management Committee, and Management levels. This document is subject to review and improvement from time to time in order to enhance risk management process and framework; and

- A Risk Management Committee will be set-up with the responsibility, on a ongoing basis, to identify and communicate to the Board the present and potential critical risks the Group faces and formulate action plans with implementation timescales to address key risks and control issues in line with their risk profiles of the Group.

The Board believes that maintaining a sound system of internal controls is premised on a clear understanding and appreciation of the aforementioned key elements of the Group's enterprise risk management framework.

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 business development, management and corporate issues for discussion and deliberation.

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.

Statement on Internal Control

Key Features of the System of Internal Control (Cont'd)

The key features and roles of management on the system of internal controls are described as follows:-

- Clearly defined organisation structure defining the delegation of authority and responsibility of the management and reporting mechanism.
- Monthly review of the financial and manufacturing operational performance of business units including productivity, efficiency and effectiveness of the cost of production. This includes evaluation of factors such as business, operational and key management issues impacting on their performance.
- Regular visits to business and manufacturing units by MD, Executive Directors and senior management personnel.
- Review of quarterly financial results of the Group by the Audit Committee and the Board.
- Identify and review the risk element impact on the financial performance of the Group and establish mechanism to manage risk including and not limiting to foreign exchange rate and escalating cost of operations.
- Regular operations and various management meetings are held to discuss, manage and address operational and management issues and to ensure compliance and adherence to policies set by the Group.
- Quarterly review on the adequacy and integrity of the Group's internal control systems and to follow-up on action plans by Management on the recommendations proposed by the internal audit function.

The existing system of internal control has been in place for the year under review.

OTHER ASSURANCE MECHANISM

The Board has assigned the Audit Committee ('AC') with the duty of reviewing and monitoring the effectiveness of the Group's system of internal control. The Group has outsourced its internal audit function to an internal audit firm to assist the AC in discharging its duties with all aspects of internal control within the Group. The internal audit firm is independent of the day-to-day operations of the Group and provides support to the AC in discharging its duties with respect to the adequacy and integrity of the Group's internal control systems.

The internal audit reviews the Group's system of internal control on a systematic and cyclic basis and on selected functions, and tables the results of the review at the Audit Committee meetings on a quarterly basis. During the financial year, the internal audit covered the health and safety function, human resources function and accounts function of a glove subsidiary, sales and collection cycle, accounts and human resources functions of a technical rubber product subsidiary and accounts functions of another glove subsidiary and technical rubber product subsidiary. The Audit Committee reviewed the findings, recommendations and management response and action plans and presented the findings and recommendations to the Board of Directors.

The Board reviews the minutes of the AC's meetings. The Report of the AC is set out on pages 23 to 25 of the Annual Report.

Additionally, as part of the requirements of the ISO 9001, ISO 13485 and 1SO/TS 16949 certifications, scheduled audits are conducted internally as well as by SAI Global, BSI Management Systems, SGS Yarsley International and LLOYD'S Register auditors. Results of these audits are reported to the Quality Management Committee, which is chaired by the MD.

THE BOARD'S COMMITMENT

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. There were no material losses incurred during the current financial year as a result of weaknesses in internal control.

The Board and the Management, in striving for continuous improvement, have and will continue to put in place appropriate measures to further strengthen the Group's system of internal control.

This statement is signed in accordance with a resolution of the Board of Directors dated 19 May 2011.

Report of the Audit Committee

The Board of Directors have pleasure in submitting the report of the Audit Committee of the Board for the year ended 31 December 2010.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Composition

The Audit Committee shall consist of at least three Directors, all of whom are non executive and a majority of them are independent. The Chairman of the Audit Committee shall be an independent 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 have 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 approved 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;

Report of the Audit Committee

4. Functions (Cont'd)

(viii) To review the internal audit functions namely:

- the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- the internal audit program 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 legislations;

(ix) To consider any related party transactions and conflict of interest situations that may arise within the Company or Group;

(x) To consider the major findings of internal investigations and management's response; and

(xi) To consider other topics as defined by the Board.

5. Meeting and Minutes

(i) The Audit Committee shall meet regularly, with due notice of issues to be discussed and 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.

COMPOSITION AND ATTENDANCE AT MEETINGS

The Audit Committee comprises the following members and details of attendance of each member at committee meetings held during the year ended 31 December 2010 are as follows:-

Composition of the Committee	Attendance at Committee Meeting
Dato' Haji Mokhtar Bin Haji Samad (Chairman/ Independent Non-Executive Director)	4/5
Dato' Tai Chang Eng @ Teh Chang Ying (Member / Independent Non-Executive Director)	4/5
Tong Siew Choo (Member / Independent Non-Executive Director)	5/5

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

The Group's external auditors attended three (3) of the meetings.

Report of the Audit Committee

ACTIVITIES

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

(a) reviewed the annual audited financial statements of the Company/Group, semi annual returns and quarterly results of the Group prior to submission to the Board for approval;

(b) reviewed the Statement on Internal Control before submission to the Board for approval;

(c) reviewed and approval the Annual Report of the Audit Committee;

(d) reviewed the terms of the Shareholders' Mandate for Recurrent Related Party Transactions ("RRPT") of a revenue or trading nature and be satisfied the review procedures are sufficient to ensure RRPT will be at arm's length and in accordance with the Group's normal commercial terms and not prejudicial to the shareholders or disadvantageous to the Group;

(e) reviewed with external auditors their audit plan prior to commencement of audit;

(f) 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;

(g) reviewed and discussed with internal auditors their evaluation of the system of internal control of the Group;

(h) reviewed the credit policy and risk management framework of the Group.

(i) 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

(j) reviewed the audit fees and remuneration payable to external and internal auditors.

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

The Committee discharged its duties and responsibilities in accordance with its Terms of Reference.

Directors' Report

For the year ended 31 December 2010

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and manufacturing and sales of rubber products whilst the principal activities of the subsidiaries are as stated in Note 4 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the year attributable to:		
Shareholders of the Company	113,376,256	38,893,819
Minority interest	387,464	-
	113,763,720	38,893,819

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the year under review except as disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Company paid a final ordinary dividend, of 9.0 sen per ordinary share, tax-exempted, totalling RM14,388,028, in respect of the year ended 31 December 2009 on 17 July 2010.

The final ordinary dividend recommended by the Directors in respect of the year ended 31 December 2010 is 8 sen per ordinary share, tax exempted totalling RM25,578,716.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Dato' Lim Kuang Sia
Lim Kuang Yong
Heng Bak Tan
Lim Kuang Wang
Lim Kwan Hwa
Dato' Haji Mokhtar bin Haji Samad
Dato' Tai Chang Eng @ Teh Chang Ying
Tong Siew Choo
Lim Leng Bung (alternate to Lim Kuang Wang)

DIRECTORS' INTERESTS

The interest and deemed interest in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each				
	At 1.1.2010	Bought	Sold	Bonus issue	At 31.12.2010
Direct interest					
Dato' Lim Kuang Sia	190,944	-	-	190,944	381,888
Lim Kuang Wang	359,424	-	-	359,424	718,848
Dato' Tai Chang Eng @ Teh Chang Ying	149,760	-	(35,000)	114,760	229,520
Tong Siew Choo	14,976	-	-	14,976	29,952
Deemed interest					
Dato' Lim Kuang Sia					
- ultimate holding company	82,728,120	-	-	82,728,120	165,456,240
- spouse	359,424	-	(98,300)	261,124	522,248
Lim Kuang Yong					
- ultimate holding company	82,728,120	-	-	82,728,120	165,456,240
Heng Bak Tan					
- spouse	14,448	-	-	14,448	28,896
Lim Kuang Wang					
- ultimate holding company	82,728,120	-	-	82,728,120	165,456,240
Lim Kwan Hwa					
- ultimate holding company	82,728,120	-	-	82,728,120	165,456,240
Lim Leng Bung					
- ultimate holding company	82,728,120	-	-	82,728,120	165,456,240

By virtue of their interests in the shares of the Company, all Directors except for Dato' Tai Chang Eng @ Teh Chang Ying, Dato' Haji Mokhtar bin Haji Samad and Tong Siew Choo, are deemed interested in the shares of the subsidiaries during the financial year to the extent Kossan Rubber Industries Bhd. has an interest.

Directors' Report

For the year ended 31 December 2010

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of its subsidiaries) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain subsidiaries in the Group in the ordinary course of business as disclosed in Note 27.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES

During the financial year, at an Extraordinary General Meeting held on 22 June 2010, the Company increased its authorised share capital from RM150,000,000, consisting of 300,000,000 ordinary shares of RM0.50 each, to RM1,000,000,000 consisting 2,000,000,000 ordinary shares of RM0.50 each, by the creation of 1,700,000,000 new ordinary shares of RM0.50 each. At the same meeting, the Company also increased its issued and paid-up share capital from RM79,933,488, consisting of 159,866,976 ordinary shares of RM0.50 each, to RM159,866,976, consisting 319,733,952 ordinary shares of RM0.50 each, by the way of bonus issue of 159,866,976 new ordinary shares of RM0.50 each on the basis of one (1) bonus share for every one (1) existing ordinary share held by way of capitalisation of the Company's retained earnings.

Other than the abovementioned, there are no other changes in the authorised, issued and fully paid share capital of the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the year.

OTHER STATUTORY INFORMATION

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (cont'd)

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the Group's and in the Company's financial statements misleading, or

iii) 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, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group 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 substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for the effects arising from the change in accounting policies as disclosed in the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2010 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Dato' Lim Kuang Sia

Lim Kuang Yong

Klang, Selangor Darul Ehsan

Date: 21 April 2011

Statements of Financial Position

At 31 December 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Assets					
Property, plant and equipment	3	**409,514,776**	359,255,421	**32,712,713**	34,639,213
Investment in subsidiaries	4	**-**	-	**8,441,959**	8,241,963
Other investments	5	**116,000**	116,000	**116,000**	116,000
Deferred tax assets	6	**136,217**	433,604	**-**	-
Goodwill on consolidation	7	**864,456**	864,456	**-**	-
Total non-current assets		**410,631,449**	360,669,481	**41,270,672**	42,997,176
Inventories	8	**123,656,566**	109,917,464	**14,804,566**	15,198,402
Receivables, deposits and prepayments, including derivatives	9	**150,515,485**	193,401,246	**89,175,321**	145,464,737
Current tax assets		**1,030,278**	1,043,044	**762,967**	866,093
Cash and cash equivalents	10	**91,509,094**	23,515,518	**73,124,029**	468,853
Total current assets		**366,711,423**	327,877,272	**177,866,883**	161,998,085
Total assets		**777,342,872**	688,546,753	**219,137,555**	204,995,261
Equity					
Share capital		**159,866,976**	79,933,488	**159,866,976**	79,933,488
Share premium		**10,601**	10,601	**10,601**	10,601
Translation reserve		**(45,935)**	(45,935)	**-**	-
Treasury shares		**(3,030,984)**	-	**(3,030,984)**	-
Revaluation reserve		**1,183,147**	1,244,165	**584,905**	645,923
Retained earnings		**284,612,873**	276,226,556	**43,559,536**	98,926,215
Total equity attributable to shareholders of the Company		**442,596,678**	357,368,875	**200,991,034**	179,516,227
Minority interest		**2,018,302**	1,630,838	**-**	-
Total equity	11	**444,614,980**	358,999,713	**200,991,034**	179,516,227
Liabilities					
Loans and borrowings	12	**27,658,718**	47,352,880	**539,789**	-
Deferred tax liabilities	6	**32,301,989**	21,282,736	**4,459,476**	4,568,075
Total non-current liabilities		**59,960,707**	68,635,616	**4,999,265**	4,568,075
Loans and borrowings	12	**150,095,656**	159,447,259	**3,725,347**	12,422,970
Payables and accruals	13	**113,129,741**	97,482,807	**9,421,909**	8,487,989
Current tax liabilities		**9,541,788**	3,981,358	**-**	-
Total current liabilities		**272,767,185**	260,911,424	**13,147,256**	20,910,959
Total liabilities		**332,727,892**	329,547,040	**18,146,521**	25,479,034
Total equity and liabilities		**777,342,872**	688,546,753	**219,137,555**	204,995,261

The notes on pages 37 to 94 are an integral part of these financial statements.

Statements of Comprehensive Income

For the year ended 31 December 2010

		Group		Company	
		2010	2009	2010	2009
	Note	RM	RM	RM	RM
Revenue	14	**1,046,886,637**	842,135,011	**129,169,219**	153,155,361
Other income		**4,336,672**	2,481,031	**1,007,959**	238,474
Changes in inventories of finished goods and work-in-progress		**6,684,773**	27,096,479	**(1,076,431)**	(2,382,236)
Raw materials and consumables used		**(662,308,444)**	(523,092,820)	**(44,806,827)**	(31,058,068)
Goods purchased for resale		**(3,622,336)**	-	**(2,000,954)**	(1,068,373)
Staff cost		**(102,815,950)**	(90,642,736)	**(22,359,998)**	(17,069,959)
Depreciation	3	**(34,222,032)**	(33,652,040)	**(3,843,108)**	(3,897,615)
Other expenses		**(106,302,739)**	(129,334,561)	**(13,516,475)**	(10,663,552)
Results from operating activities		**148,636,581**	94,990,364	**42,573,385**	87,254,032
Finance costs	16	**(7,985,883)**	(9,162,313)	**(307,821)**	(344,783)
Profit before tax	15	**140,650,698**	85,828,051	**42,265,564**	86,909,249
Tax expense	18	**(26,886,978)**	(18,493,812)	**(3,371,745)**	(4,151,989)
Profit after tax		**113,763,720**	67,334,239	**38,893,819**	82,757,260
Other comprehensive income, net of tax					
Transfer (from)/to:					
- Revaluation reserve		**(61,018)**	(61,018)	**(61,018)**	(61,018)
- Retained profits		**61,018**	61,018	**61,018**	61,018
Other comprehensive income for the year, net of tax		**-**	-	**-**	-
Total comprehensive income for the year		**113,763,720**	67,334,239	**38,893,819**	82,757,260
Profit attributable to:					
Shareholders of the Company		**113,376,256**	66,679,295	**38,893,819**	82,757,260
Minority interest		**387,464**	654,944	**-**	-
Profit for the year		**113,763,720**	67,334,239	**38,893,819**	82,757,260
Total comprehensive income attributable to:					
Shareholders of the Company		**113,376,256**	66,679,295	**38,893,819**	82,757,260
Minority interest		**387,464**	654,944	**-**	-
Total comprehensive income for the year		**113,763,720**	67,334,239	**38,893,819**	82,757,260
Earnings per ordinary share (sen)					
- Basic	19	**35.46**	20.85		
- Diluted earnings	19	**35.46**	20.85		

The notes on pages 37 to 94 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

		Attributable to shareholders of the Company								
		Non-distributable					Distributable			
	Note	Share capital RM	Share premium RM	Translation reserve RM	Treasury shares RM	Revaluation reserve RM	Retained earnings RM	Total RM	Minority interest RM	Total equity RM
Group										
At 1 January 2009		79,933,488	10,601	(45,935)	-	1,305,183	217,679,426	298,882,763	975,894	299,858,657
Transfer from revaluation reserve to retained earnings		-	-	-	-	(61,018)	61,018	-	-	-
Total other comprehensive income for the year		-	-	-	-	(61,018)	61,018	-	-	-
Profit for the year		-	-	-	-	-	66,679,295	66,679,295	654,944	67,334,239
Total comprehensive income for the year		-	-	-	-	(61,018)	66,740,313	66,679,295	654,944	67,334,239
Dividends to shareholders	20	-	-	-	-	-	(8,193,183)	(8,193,183)	-	(8,193,183)
At 31 December 2009		79,933,488	10,601	(45,935)	-	1,244,165	276,226,556	357,368,875	1,630,838	358,999,713
At 1 January 2010										
As previously stated		**79,933,488**	**10,601**	**(45,935)**	**-**	**1,244,165**	**276,226,556**	**357,368,875**	**1,630,838**	**358,999,713**
- Effect of adopting FRS 139		**-**	**-**	**-**	**-**	**-**	**(10,729,441)**	**(10,729,441)**	**-**	**(10,729,441)**
At 1 January 2010, restated		**79,933,488**	**10,601**	**(45,935)**	**-**	**1,244,165**	**265,497,115**	**346,639,434**	**1,630,838**	**348,270,272**
Transfer from revaluation reserve to retained earnings		**-**	**-**	**-**	**-**	**(61,018)**	**61,018**	**-**	**-**	**-**
Total other comprehensive income for the year		**-**	**-**	**-**	**-**	**(61,018)**	**61,018**	**-**	**-**	**-**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**113,376,256**	**113,376,256**	**387,464**	**113,763,720**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**(61,018)**	**113,437,274**	**113,376,256**	**387,464**	**113,763,720**
Issue of bonus shares	11	**79,933,488**	**-**	**-**	**-**	**-**	**(79,933,488)**	**-**	**-**	**-**
Dividends to shareholders	20	**-**	**-**	**-**	**-**	**-**	**(14,388,028)**	**(14,388,028)**	**-**	**(14,388,028)**
Share buy-back	11	**-**	**-**	**-**	**(3,030,984)**	**-**	**-**	**(3,030,984)**	**-**	**(3,030,984)**
At 31 December 2010		**159,866,976**	**10,601**	**(45,935)**	**(3,030,984)**	**1,183,147**	**284,612,873**	**442,596,678**	**2,018,302**	**444,614,980**

Statement of Changes in Equity

For the year ended 31 December 2010

	Note	← Non-distributable			→	Distributable	
		Share capital RM	**Share premium RM**	**Treasury shares RM**	**Revaluation reserve RM**	**Retained earnings RM**	**Total equity RM**
Company							
At 1 January 2009		79,933,488	10,601		706,941	24,301,120	104,952,150
Transfer from revaluation reserves to retained earnings		-	-	-	(61,018)	61,018	-
Total other comprehensive income for the year		-	-	-	(61,018)	61,018	-
Profit for the year		-	-	-	-	82,757,260	82,757,260
Total comprehensive income for the year		-	-	-	(61,018)	82,818,278	82,757,260
Dividends to shareholders	20	-	-	-	-	(8,193,183)	(8,193,183)
At 31 December 2009 / 1 January 2010		79,933,488	10,601	-	645,923	98,926,215	179,516,227
Transfer from revaluation reserves to retained earnings		-	-	-	(61,018)	61,018	-
Total other comprehensive income for the year		-	-	-	(61,018)	61,018	-
Profit for the year		-	-	-	-	38,893,819	38,893,819
Total comprehensive income for the year		-	-	-	(61,018)	38,954,837	38,893,822
Dividends to shareholders	20	-	-	-	-	(14,388,028)	(14,388,028)
Issue of bonus shares	11	79,933,488	-	-	-	(79,933,488)	-
Share buy-back	11	-	-	(3,030,984)	-	-	(3,030,984)
At 31 December 2010		**159,866,976**	**10,601**	**(3,030,984)**	**584,905**	**43,559,536**	**200,991,034**

The notes on pages 37 to 94 are an integral part of these financial statements.

Statements of Cash Flows

For the year ended 31 December 2010

		Group		Company	
		2010	**2009**	**2010**	**2009**
	Note	**RM**	**RM**	**RM**	**RM**
Cash flows from operating activities					
Profit before tax		**140,650,698**	85,828,051	**42,265,564**	86,909,249
Adjustments for:					
Depreciation of property, plant and equipment	3	**34,222,032**	33,652,040	**3,843,108**	3,897,615
Dividend income	14	**-**	-	**(40,270,118)**	(82,996,573)
Finance costs	16	**7,985,883**	9,162,313	**307,821**	344,783
Allowance for impairment loss	15	**5,260,886**	744,544	**-**	-
Loss/(Gain) on disposal of property, plant and equipment	15	**189,078**	(240,770)	**(22,720)**	(169,979)
Finance income		**(1,116,751)**	(104,147)	**(424,683)**	(10,659)
Property, plant and equipment written off	15	**1,529,989**	18,121,291	**-**	169,388
Unrealised foreign exchange (gain)/loss	15	**(5,020,148)**	(1,484,192)	**-**	(26,984)
Operating profit before changes in working capital		**183,701,667**	145,679,130	**5,698,972**	8,116,840
Changes in working capital:					
Inventories		**(13,739,102)**	2,085,360	**393,836**	3,546,403
Receivables, deposits and prepayments		**(20,082,677)**	(35,740,182)	**56,289,416**	(69,631,446)
Payables and accruals		**15,646,934**	(17,456,883)	**933,920**	(12,979,589)
Cash generated from/(used in) operations		**165,526,822**	94,567,425	**63,316,144**	(70,947,792)
Dividends paid		**(14,388,028)**	(8,193,183)	**(14,388,028)**	(8,193,183)
Interest received		**1,116,751**	104,147	**424,683**	10,659
Interest paid		**(7,985,883)**	(9,162,313)	**(307,821)**	(344,783)
Tax paid		**(6,420,662)**	(3,976,425)	**(809,711)**	(1,079,782)
Net cash from/(used in) operating activities		**137,849,000**	73,339,651	**48,235,267**	(80,554,881)

Statements of Cash Flows

For the year ended 31 December 2010

		Group		Company	
		2010	2009	2010	2009
	Note	RM	RM	RM	RM
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		**230,050**	374,277	**40,000**	172,201
Purchase of property, plant and equipment	(ii)	**(85,152,104)**	(40,573,923)	**(984,888)**	(1,215,253)
Proceeds from insurance claim		**45,545,779**	4,000,000	**-**	-
Increase in investments in subsidiaries		**-**	-	**(199,996)**	-
Dividend received		**-**	-	**37,702,611**	80,063,905
Net cash (used in)/from investing activities		**(39,376,275)**	(36,199,646)	**36,557,727**	79,020,853
Cash flows from financing activities					
Repayment of hire purchase liabilities		**(20,747,387)**	(22,759,692)	**(492,856)**	(508,866)
Drawdown of borrowings		**13,546,011**	49,172,230	**-**	1,618,508
Repayment of borrowings		**(24,983,698)**	(57,983,484)	**(6,701,000)**	(2,007,864)
Repurchase of treasury share		**(3,030,984)**	-	**(3,030,984)**	-
Net cash used in financing activities		**(35,216,058)**	(31,570,946)	**(10,224,840)**	(898,222)
Net increase/(decrease) in cash and cash equivalents		**63,256,667**	5,569,059	**74,568,154**	(2,432,250)
Cash and cash equivalents at 1 January		**17,402,413**	11,833,354	**(3,298,370)**	(866,120)
Cash and cash equivalents at 31 December		**80,659,080**	17,402,413	**71,269,784**	(3,298,370)

Statements of Cash Flows

For the year ended 31 December 2010

i) *Cash and cash equivalents*

Cash and cash equivalents included in the cash flow statements comprise the following statement of financial position amounts:

		Group		Company	
		2010	2009	2010	2009
	Note	RM	RM	RM	RM
Cash and bank balances	10	**5,817,793**	4,824,217	**1,124,029**	468,853
Short term deposits with licensed banks	10	**85,691,301**	18,691,301	**72,000,000**	-
Bank overdrafts	12	**(10,158,713)**	(5,421,804)	**(1,854,245)**	(3,767,223)
		81,350,381	18,093,714	**71,269,784**	(3,298,370)
Less: Deposits pledged to licensed banks	10	**(691,301)**	(691,301)	**-**	-
		80,659,080	17,402,413	**71,269,784**	(3,298,370)

ii) *Acquisition of property, plant and equipment*

During the year, the Group and the Company acquired property, plant and equipment with aggregate cost of RM86,430,504 (2009 - RM49,875,881) and RM1,933,888 (2009 - RM1,215,253) respectively of which RM1,278,400 (2009 - RM9,301,958) and RM949,000 (2009 - Nil) respectively were acquired by means of hire purchase arrangements.

Kossan Rubber Industries Bhd. is a public limited liability company incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the Company's registered office/principal place of business is as follows:

Registered office/Principal place of business
Wisma Kossan
Lot 782, Jalan Sungai Putus
Off Batu 3 ¾, Jalan Kapar
42100 Klang
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates. The financial statements of the Company as at and for the year ended 31 December 2010 do not include other entities.

The Company is principally involved in investment holding and manufacturing and sales of rubber products whilst the principal activities of the subsidiaries are as stated in Note 4 to the financial statements.

The ultimate holding company during the financial year was Kossan Holdings (M) Sdn. Bhd. which was incorporated in Malaysia.

The financial statements were approved by the Board of Directors on 21 April 2011.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with Financial Reporting Standards (FRS), accounting principles generally accepted and the Companies Act, 1965 in Malaysia.

The Group and the Company have not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the Group and Company:

FRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, *Financial Instruments: Presentation – Classification of Rights Issues*

FRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 15, *Agreements for the Construction of Real Estate*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distribution of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

1. **BASIS OF PREPARATION (cont'd)**

(a) **Statement of compliance (cont'd)**

FRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
  - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
  - Additional Exemptions for First-time Adopters
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
- Amendments to FRS 2, *Group Cash-settled Share Based Payment*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers*
- Improvement to FRSs (2010)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS124, *Related Party Disclosures* (revised)
- IC Interpretation 15, *Agreements for the Construction of Real Estate*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations, where applicable:

- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011, and

- from the annual period beginning 1 January 2012 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2011 and 1 January 2012.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

1. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

The initial application of the other standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Group and the Company other than expected changes in accounting policies as discussed below:

FRS 3 (revised), *Business Combination*

FRS 3 (revised) incorporates the following changes that are likely to be relevant to the Group's operations:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
- Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.
- Transaction costs, other than share and debt issue costs, will be expensed as incurred.
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
- Any minority (will be known as non-controlling) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

FRS 3 *(revised)*, which becomes mandatory for the Group's consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2011 consolidated financial statements.

FRS 127 (2010), *Consolidated and Separate Financial Statements*

The amendments to FRS 127 require changes in group composition to be accounted for as equity transaction between the group and the minority (will be known as non–controlling) interest holders. Currently, changes in group composition are accounted for in accordance with the accounting policy as described in Note 2(a)(ii).

The amendments to FRS 127 require all losses attributable to minority interest to be absorbed by minority interest i.e., the excess and any further losses exceeding the minority interest in the equity of a subsidiary are no longer charged against the Group's interest. Currently, such losses are accounted for in accordance with the accounting policies as described in Note 2(a)(iii).

The above changes in accounting policies are not expected to have material impacts to the Group and the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

1. BASIS OF PREPARATION (cont'd)

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented in RM, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those described in Note 6 - recognition of unutilised tax losses, capital allowance and reinvestment allowance.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company, other than those disclosed in the following notes:

- Note 2(c) – Financial instruments
- Note 2(t) – Operating segments

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less impairment losses, unless the investment is classified as held for sale.

(ii) Changes in Group composition

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(iii) Minority interests

Minority interests at the end of the reporting period, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Minority interests in the results of the Group is presented on the face of the consolidated statement of comprehensive income as an allocation of the comprehensive income for the year between minority interest and the owners of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign gain or loss on monetary items is the difference between amortised costs in the functional currency and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at end of the reporting date except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial instruments

Arising from the adoption of FRS 139, *Financial Instruments: Recognition and Measurement*, with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 January 2010, different accounting policies were applied. Significant changes to the accounting policies are discussed in Note 29.

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

(c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss.

On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment as described in Note 2(i).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss, are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

(c) **Financial instruments (cont'd)**

(iii) **Regular way purchase or sale of financial assets**

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) The recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) Derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(iv) **Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(v) **Derecognition**

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost/valuation less accumulated depreciation and impairment losses.

Revalued property, plant and equipment where no revaluation policy is adopted

The Group has availed itself to the transitional provision when MASB first adopted IAS 16 Property, Plant and Equipment in 1998. Certain freehold land and buildings were revalued in 1995 and no later valuation has been recorded for these properties

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Property, plant and equipment (cont'd)

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings	50 years
• Plant and machinery	5 - 10 years
• Factory installation and renovation	10 years
• Factory furniture and fittings	10 years
• Office furniture, equipment and renovation	10 years
• Motor vehicles	5 years
• Electrical installation	10 years

Depreciation methods, useful lives and residual values are reassessed and adjusted if appropriate, at the end of each reporting period.

(e) Intangible assets

Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses, if any. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

For business acquisitions beginning from 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interests in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Goodwill with indefinite useful live is not amortised but tested for impairment annually and whenever there is an indication that it may be impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Receivables

Prior to 1 January 2010, receivables are initially recognised at their cost and subsequently, stated at cost less allowance for impairment loss.

Following the adoption of FRS 139, trade and other receivables are categorised and measured as loans and receivables in accordance with policy Note 2(c).

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy Note 2(c).

(i) Impairment of assets

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

2. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

(i) **Impairment of assets (cont'd)**

(i) **Financial assets (cont'd)**

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) **Other assets**

The carrying amounts of other assets (except for inventories and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Equity instruments

All equity instruments are stated at cost on initial recognition and are not re-measured subsequently.

(i) Issue expenses

Incremental costs directly attributable to issue of equity instruments are recognised as a deduction from equity.

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity and is not re-valued for subsequent changes in the fair value or market price of shares. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

Where treasury shares are reissued by re-sale in the open market, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(iii) Dividend to shareholders of the Company

Dividends on ordinary shares are recognised as liabilities when declared, before the end of the reporting period. A dividend declared after the end of the reporting period, but before the financial statements are authorised for issue, is not recognised as a liability at the end of the reporting period. Upon the dividend becoming payable, it will be accounted for as a liability.

(k) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit or loss over the period of the loans and borrowings using the effective interest method.

Accounting for hire purchase

Property, plant and equipment held under hire purchase are capitalised and depreciated over their estimated useful lives, and the corresponding obligation relating to the remaining capital payments are treated as liability.

(l) Payables

Prior to 1 January 2010, payables are measured initially and subsequently at cost.

Following the adoption of FRS 139, payables are categorised and measured as financial liabilities in accordance with policy Note 2(c).

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Employee benefits

Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contributions to the Employees Provident Funds are charged to the profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(n) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Revenue and other income

(i) Goods sold

Revenue from sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Interest income

Interest income is recognised as it accrues, using the effective interest method.

(iii) Dividend income

Dividend income is recognised in the profit or loss on the date that the Group's or the Company's right to receive payment is established.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Before 1 January 2010, all borrowing costs were recognised in profit or loss using the effective interest method in the period in which they are incurred.

Following the adoption of revised FRS 123, Borrowing Costs, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(q) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is proable that future taxable profits will be available against which the unutilised tax incentives can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(t) Operating segments

In the previous years, a segment was a distinguishable component of the Group that was engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which was subject to risks and rewards that were different from those of other segments.

Following the adoption of FRS 8, *Operating Segments*, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Group Managing Director, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Building RM	Plant and machinery RM	Motor vehicle RM	Factory renovation RM	Factory furniture and equipment RM	Electrical installation RM	Office furniture, equipment and renovation RM	Plant and machinery under construction RM	Building under construction RM	Total RM
Group											
Cost/valuation											
At 1 January 2009	49,772,725	97,580,677	339,238,362	8,653,922	4,606,592	4,298,365	2,295,016	7,301,029	2,131,554	-	515,878,242
Additions	957,796	6,925,072	36,202,931	586,151	746,027	710,431	512,203	1,033,073	1,829,079	373,118	49,875,881
Disposals	-	-	(227,590)	(1,213,040)	-	(19,500)	-	-	-	-	(1,460,130)
Write off	-	(8,934,583)	(25,449,919)	-	(1,587,895)	(160,222)	(151,768)	(946,398)	-	-	(37,230,785)
Reclassification	-	(564,162)	259,061	(101,410)	292,044	110,467	-	4,000	-	-	-
Transfer	-	-	1,078,667	-	-	-	-	-	(1,078,667)	-	-
At 31 December 2009 /1 January 2010	50,730,521	95,007,004	351,101,512	7,925,623	4,056,768	4,939,541	2,655,451	7,391,704	2,881,966	373,118	527,063,208
Additions	920,857	955,622	19,433,108	1,534,201	1,049,377	363,538	781,396	528,116	40,951,095	19,913,194	86,430,504
Disposals	-	-	(12,364,166)	(219,923)	-	-	-	(2,600)	-	-	(12,586,689)
Write-off	-	-	(9,413,861)	-	-	-	-	(1,350)	-	-	(9,415,211)
At 31 December 2010	**51,651,378**	**95,962,626**	**348,756,593**	**9,239,901**	**5,106,145**	**5,303,079**	**3,436,847**	**7,915,870**	**43,833,061**	**20,286,312**	**591,491,812**
Representing items:											
At cost	46,812,582	86,364,422	348,756,593	9,239,901	5,106,145	5,303,079	3,436,847	7,915,870	43,833,061	20,286,312	577,054,812
At valuation	4,838,796	9,598,204	-	-	-	-	-	-	-	-	14,437,000
At 31 December 2010	**51,651,378**	**95,962,626**	**348,756,593**	**9,239,901**	**5,106,145**	**5,303,079**	**3,436,847**	**7,915,870**	**43,833,061**	**20,286,312**	**591,491,812**
Accumulated depreciation											
At 1 January 2009	-	8,549,465	131,406,345	6,599,751	2,494,533	1,526,775	1,303,012	2,711,987	-	-	154,591,868
Charge for the year	-	2,174,150	28,844,614	993,592	397,620	363,791	168,927	709,346	-	-	33,652,040
Reclassification	-	(17,893)	(19,022)	(30,250)	27,044	39,574	-	547	-	-	-
Disposals	-	-	(147,190)	(1,172,490)	-	(6,500)	-	(447)	-	-	(1,326,627)
Write off	-	(738,801)	(16,505,529)	-	(1,077,504)	(63,420)	(92,128)	(632,112)	-	-	(19,109,494)
At 31 December 2009 /1 January 2010	-	9,966,921	143,579,218	6,390,603	1,841,693	1,860,220	1,379,811	2,789,321	-	-	167,807,787
Charge for the year	-	2,023,663	29,656,005	814,505	430,037	382,824	225,332	689,666	-	-	34,222,032
Disposals	-	-	(11,978,001)	(189,343)	-	-	-	(217)	-	-	(12,167,561)
Write off	-	-	(7,884,038)	-	-	-	-	(1,184)	-	-	(7,885,222)
At 31 December 2010	**-**	**11,990,584**	**153,373,184**	**7,015,765**	**2,271,730**	**2,243,044**	**1,605,143**	**3,477,586**	**-**	**-**	**181,977,036**
Carrying amounts											
At 1 January 2009	49,772,725	89,031,212	207,832,017	2,054,171	2,112,059	2,771,590	992,004	4,589,042	2,131,554	-	361,286,374
At 31 December 2009 /1 January 2010	50,730,521	85,040,083	207,522,294	1,535,020	2,215,075	3,079,321	1,275,640	4,602,383	2,881,966	373,118	359,255,421
At 31 December 2010	**51,651,378**	**83,972,042**	**195,383,409**	**2,224,136**	**2,834,415**	**3,060,035**	**1,831,704**	**4,438,284**	**43,833,061**	**20,286,312**	**409,514,776**

Notes to the Financial Statements

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land RM	Building RM	Plant and machinery RM	Motor vehicles RM	Factory renovation RM	Office furniture and equipment RM	Total RM
Company							
Cost/valuation							
At 1 January 2009	5,688,582	16,701,295	47,107,536	3,395,645	133,158	2,319,929	75,346,145
Additions	-	335,187	256,055	102,374	-	521,637	1,215,253
Disposals	-	-	(20,500)	(1,006,679)	-	-	(1,027,179)
Write off	-	-	-	-	-	(767,215)	(767,215)
At 31 December 2009/ 1 January 2010	5,688,582	17,036,482	47,343,091	2,491,340	133,158	2,074,351	74,767,004
Additions	-	-	757,042	1,132,254	-	44,592	1,933,888
Disposals	-	-	(10,000)	(148,923)	-	-	(158,923)
At 31 December 2010	**5,688,582**	**17,036,482**	**48,090,133**	**3,474,671**	**133,158**	**2,118,943**	**76,541,969**
Representing items:							
At Cost	849,786	7,438,278	48,090,133	3,474,671	133,158	2,118,943	62,104,969
At Valuation	4,838,796	9,598,204	-	-	-	-	14,437,000
At 31 December 2010	**5,688,582**	**17,036,482**	**48,090,133**	**3,474,671**	**133,158**	**2,118,943**	**76,541,969**
Accumulated depreciation							
At 1 January 2009	-	3,435,739	30,614,451	2,974,776	133,158	694,836	37,852,960
Charge for the year	-	338,288	3,046,385	249,115	-	263,827	3,897,615
Disposals	-	-	(18,279)	(1,006,678)	-	-	(1,024,957)
Write off	-	-	-	-	-	(597,827)	(597,827)
At 31 December 2009/ 1 January 2010	-	3,774,027	33,642,557	2,217,213	133,158	360,836	40,127,791
Charge for the year	-	341,055	2,966,868	324,954	-	210,231	3,843,108
Disposals	-	-	(10,000)	(131,643)	-	-	(141,643)
At 31 December 2010	**-**	**4,115,082**	**36,599,425**	**2,410,524**	**133,158**	**571,067**	**43,829,256**
Carrying amounts							
At 1 January 2009	5,688,582	13,265,556	16,493,085	420,869	-	1,625,093	37,493,185
At 31 December 2009/ 1 January 2010	5,688,582	13,262,455	13,700,534	274,127	-	1,713,515	34,639,213
At 31 December 2010	**5,688,582**	**12,921,400**	**11,490,708**	**1,064,147**	**-**	**1,547,876**	**32,712,713**

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

3.1 Property, plant and equipment acquired on hire purchase plans

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Plant and machinery	**65,848,730**	93,783,212	**123,589**	908,796
Motor vehicles	**1,212,581**	632,062	**859,371**	-
	67,061,311	94,415,274	**982,960**	908,796

3.2 Security

The net book value of the following property, plant and equipment have been pledged to the banks for borrowings granted to the Group and the Company as referred to in Note 12:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Freehold land and building	**82,803,009**	85,286,328	**8,290,469**	11,653,918

3.3 Property, plant and equipment under the revaluation model

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 valuer on the open market value basis at 24 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 and impairment, 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	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Freehold land and building	**8,024,343**	8,142,795	**6,220,483**	6,314,806

Notes to the Financial Statements

4. INVESTMENTS IN SUBSIDIARIES

	Company 2010 RM	Company 2009 RM
Unquoted shares, at cost	**8,441,959**	8,241,963

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2010 %	Effective ownership interest 2009 %
Kossan Latex Industries (M) Sdn. Bhd.	Malaysia	Manufacturing of latex examination gloves	**100**	100
Perusahaan Getah Asas Sdn. Bhd.	Malaysia	Manufacturing of latex examination gloves	**100**	100
Hibon Corporation Sdn. Bhd.	Malaysia	Manufacturing and marketing of rubber based parts and products	**100**	100
Doshin Rubber Products (M) Sdn. Bhd.	Malaysia	Manufacturing and dealing in rubber products	**70**	70
Ideal Quality Sdn. Bhd.	Malaysia	Investment holding	**100**	100
Kossan Engineering (M) Sdn. Bhd.	Malaysia	Fabrication and installation of machinery	**100**	100
Top Calibre Sdn. Bhd.	Malaysia	Investment holding	**100**	100
Kossan Sdn. Bhd.	Malaysia	Dormant	**100**	-
Subsidiary of Doshin Rubber Products (M) Sdn. Bhd.				
Quality Profile Sdn. Bhd.	Malaysia	Manufacturing and dealing in rubber products	**70**	70

4. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2010 %	2009 %
Subsidiary of Ideal Quality Sdn. Bhd.				
Normandin Pacific Holdings Corp. # *	United States of America	Trading of latex examination gloves	**51**	51
Subsidiary of Kossan Engineering (M) Sdn. Bhd.				
Envi-Care Sdn. Bhd.	Malaysia	Investment holding	**100**	100
Subsidiary of Envi-Care Sdn. Bhd.				
Wear Safe (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing of surgical, procedure and examination gloves	**100**	100

The financial statements of the sub-subsidiary are consolidated based on management account. This sub-subsidiary is not required to be audited in its country of incorporation and was liquidated subsequent to year end, on 7 January 2011.

* Not audited by KPMG.

During the year, the Company subscribed in full the additional shares of 99,998 new ordinary shares issued by its two (2) wholly-owned subsidiaries, Ideal Quality Sdn. Bhd. and Top Calibre Sdn. Bhd.

5. OTHER INVESTMENTS

	2010		2009	
	Group	**Company**	**Group**	**Company**
	RM	**RM**	**RM**	**RM**
Non-current				
Investment in club membership				
- Available-for-sale financial assets at amortised cost	**116,000**	**116,000**	-	-
Investment in club membership				
- At cost	**-**	**-**	116,000	116,000

The comparative figures as at 31 December 2009 have not been presented based on the new categorisation of financial assets resulting from the adoption of FRS 139 by virtue of the exemption given in FRS 7.44AA.

6. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**
Group						
Property, plant and equipment	**-**	-	**(33,953,000)**	(28,544,626)	**(33,953,000)**	(28,544,626)
Revaluation on properties	**-**	-	**(683,237)**	(703,577)	**(683,237)**	(703,577)
Unabsorbed capital allowance	**113,639**	171,901	**-**	-	**113,639**	171,901
Unutilised reinvestment allowance	**3,387,559**	8,504,592	**-**	-	**3,387,559**	8,504,592
Tax loss carry-forwards	**181,968**	-	**-**	-	**181,968**	-
Derivatives	**-**	-	**(896,598)**	-	**(896,598)**	-
Other item	**-**	-	**(316,103)**	(277,422)	**(316,103)**	(277,422)
Tax assets/(liabilities)	**3,683,166**	8,676,493	**(35,848,938)**	(29,525,625)	**(32,165,772)**	(20,849,132)
Set off	**(3,546,949)**	(8,242,889)	**3,546,949**	8,242,889	**-**	-
Net tax assets/(liabilities)	**136,217**	433,604	**(32,301,989)**	(21,282,736)	**(32,165,772)**	(20,849,132)

6. DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

Recognised deferred tax assets and liabilities (cont'd)

	Assets		Liabilities		Net	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**	**2010 RM**	**2009 RM**
Company						
Property, plant and equipment	**-**	-	**(3,851,661)**	(3,897,583)	**(3,851,661)**	(3,897,583)
Revaluation on properties	**-**	-	**(650,152)**	(670,492)	**(650,152)**	(670,492)
Others	**42,337**	-	**-**	-	**42,337**	-
Tax assets/(liabilities)	**42,337**	-	**(4,501,813)**	(4,568,075)	**(4,459,476)**	(4,568,075)
Set off	**(42,337)**	-	**42,337**	-	**-**	-
Net tax liabilities	**-**	-	**(4,459,476)**	(4,568,075)	**(4,459,476)**	(4,568,075)

Deferred tax assets and liabilities are offset where there is legally enforceable right to set off current tax assets against current tax liabilities and where the defined taxes relate to the same tax authority.

Unrecognised deferred tax assets

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

	Group	
	2010 RM	**2009 RM**
Taxable temporary differences	**-**	(2,793,590)
Unabsorbed capital allowance	**-**	1,690,071
Unutilised reinvestment allowance	**-**	2,164,433
Tax losses carry-forwards	**23,815**	748,780
	23,815	1,809,694

The unabsorbed capital allowance, unutilised reinvestment allowance and tax losses carry-forwards do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items in the end of the reporting period of certain subsidiaries 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.

In 2010, RM1,789,155 of previously unrecognised taxable temporary differences, unabsorbed capital allowances, unutilised reinvestment allowance and tax losses carry-forwards, of a subsidiary that was suffering losses in prior years, were recognised as management considered it probable that future taxable profits will be available against which they can be utilised.

6. DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

Movement in temporary differences during the year

	Property, plant and equipment RM	Revaluation on properties RM	Unabsorbed capital allowance RM	Unutilised reinvestment allowance RM	Tax loss carry-forwards RM	Derivatives RM	Other item RM	Total RM
Group								
At 1 January 2009	(25,626,163)	(723,915)	48,462	16,940,710	521,036	-	-	(8,839,870)
Recognised in profit or loss (Note 18)	(2,918,463)	20,338	123,439	(8,436,118)	(521,036)	-	(277,422)	(12,009,262)
At 31 December 2009/1 January 2010	(28,544,626)	(703,577)	171,901	8,504,592	-	-	(277,422)	(20,849,132)
Effect of adopting FRS 139	-	-	-	-	-	3,576,480	-	3,576,480
Recognised in profit or loss (Note 18)	(5,408,374)	20,340	(58,262)	(5,117,033)	181,968	(4,473,078)	(38,681)	(14,893,120)
At 31 December 2010	**(33,953,000)**	**(683,237)**	**113,639**	**3,387,559**	**181,968**	**(896,598)**	**(316,103)**	**(32,165,772)**

	Property, plant and equipment RM	Revaluation on properties RM	Others RM	Total RM
Company				
At 1 January 2009	(3,778,248)	(690,830)	-	(4,469,078)
Recognised in profit or loss	(119,335)	20,338	-	(98,997)
At 31 December 2009	(3,897,583)	(670,492)	-	(4,568,075)
Recognised in profit or loss	45,922	20,340	42,337	108,599
At 31 December 2010	**(3,851,661)**	**(650,152)**	**42,337**	**(4,459,476)**

7. GOODWILL ON CONSOLIDATION

	Group	
	2010	2009
	RM	RM
Acquisition of a subsidiary company	**864,456**	864,456

The aggregate carrying amount of goodwill allocated to the operating unit is for automotive rubber products.

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. The goodwill impairment test was based on value in use and was determined by the management.

8. INVENTORIES

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Raw material	**37,028,507**	29,974,178	**9,723,168**	9,040,573
Work-in-progress	**3,950,804**	5,208,044	**2,963,829**	2,863,137
Finished goods	**82,677,255**	74,735,242	**2,117,569**	3,294,692
	123,656,566	109,917,464	**14,804,566**	15,198,402

9. RECEIVABLES, DEPOSITS AND PREPAYMENTS, INCLUDING DERIVATIVES

		Group		Company	
	Note	2010	2009	2010	2009
		RM	RM	RM	RM
Trade					
Trade receivables		**145,857,771**	143,273,909	**13,698,154**	14,055,722
Less: Allowance for impairment loss		**(6,324,182)**	(1,227,900)	**(25,890)**	(190,494)
		139,553,589	142,046,009	**13,672,264**	13,865,228
Amount due from subsidiaries	9.1	**-**	-	**15,384,679**	16,156,187
Amount due from related parties	9.1	**270,154**	295,841	**158,528**	183,341
		139,803,743	142,341,850	**29,215,471**	30,204,756

9. RECEIVABLES, DEPOSITS AND PREPAYMENTS, INCLUDING DERIVATIVES (cont'd)

		Group		Company	
	Note	2010 RM	2009 RM	2010 RM	2009 RM
Non-trade					
Amount due from subsidiaries	9.1	**-**	-	**59,058,214**	114,389,422
Amount due from related parties	9.1	**860,477**	288,997	**-**	-
Other receivables		**2,441,975**	2,847,921	**10,271**	9,738
Insurance claim receivable	9.2	**-**	43,057,955	**-**	-
Refundable deposits		**1,686,552**	1,472,916	**793,123**	756,509
Prepayments		**2,136,346**	3,391,607	**98,242**	104,312
Financial asset at fair value through profit or loss					
- Forward foreign currency contracts	9.3	**3,586,392**	-	**-**	-
		10,711,742	51,059,396	**59,959,850**	115,259,981
		150,515,485	193,401,246	**89,175,321**	145,464,737

The credit term granted for trade debtors range from 30 to 60 days (2009 - 30 to 60 days)

9.1 Amount due from subsidiaries and related parties

The trade receivables due from subsidiaries and related parties are subject to normal trade terms.

The non-trade receivable due from subsidiaries and related parties are unsecured, interest free and repayable on demand.

9.2 Insurance claim receivable

Insurance claim in respect of the fire incidents in 2009 was received in the current financial year.

9.3 Financial asset at fair value through profit or loss

Following the adoption of FRS 139, the fair value of forward foreign currency contracts outstanding at the end of the reporting period (Note 22.5.1) have been recognised in the current financial year.

9. RECEIVABLES, DEPOSITS AND PREPAYMENTS, INCLUDING DERIVATIVES (cont'd)

9.4 Currency exposure profile of receivables, deposits and prepayments is as follows:

		Group		Company	
		2010	**2009**	**2010**	**2009**
		RM	**RM**	**RM**	**RM**
Functional currency	**Currency**				
RM	RM	**22,331,911**	72,380,439	**83,024,300**	140,533,030
RM	USD	**127,030,896**	120,157,909	**5,542,454**	4,461,731
RM	EUR	**738,252**	509,241	**490,331**	310,355
RM	AUD	**341,257**	335,968	**105,700**	141,932
RM	CHF	**73,169**	17,689	**12,536**	17,689
		150,515,485	193,401,246	**89,175,321**	145,464,737

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Cash and bank balances	**5,817,793**	4,824,217	**1,124,029**	468,853
Short term deposits with licensed banks	**85,691,301**	18,691,301	**72,000,000**	-
	91,509,094	23,515,518	**73,124,029**	468,853

Included in deposits with licensed banks of the Group are amounts of RM691,301 (2009 – RM691,301) pledged to the banks for banking facilities granted to the Group.

11. CAPITAL AND RESERVES

Share capital

	Group and Company			
	Amount 2010 RM	Number of shares 2010	Amount 2009 RM	Number of shares 2009
Authorised:				
Ordinary shares of RM0.50 each				
At beginning of year	**150,000,000**	**300,000,000**	150,000,000	300,000,000
Created during the year	**850,000,000**	**1,700,000,000**	-	-
At end of the year	**1,000,000,000**	**2,000,000,000**	150,000,000	300,000,000
Issued and fully paid:				
Ordinary shares of RM0.50 each				
On issue at 1 January	**79,933,488**	**159,866,976**	79,933,488	159,866,976
Issue of bonus shares	**79,933,488**	**159,866,976**	-	-
On issue at 31 December	**159,866,976**	**319,733,952**	79,933,488	159,866,976

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. In respect of the Company's treasury shares that are held by the Group (see below), all rights are suspended until those shares are reissued.

The movements in each category of reserves are disclosed in the statement of changes in equity.

Share premium

This reserve comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Revaluation reserve

The revaluation reserve relates to the revaluation of the Group's property, plant and equipment in 1995.

11. CAPITAL AND RESERVES (cont'd)

Treasury shares

The shareholders of the Company, by a special resolution passed in a general meeting held on 22 June 2010, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. During the year, the Company repurchased 416,900 of its issued share capital from the open market as summarised below:

	Average repurchase price RM	Highest repurchase price RM	Lowest repurchase price RM	Number of treasury shares repurchase	Total consideration paid RM
October	3.15	3.16	3.13	50,000	157,450
December	3.13	3.17	3.03	919,400	2,873,534
				969,400	3,030,984

The repurchase transactions were financed by internally generated funds. The shares repurchased were retained as treasury shares.

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its distributable reserves at 31 December 2010 if paid out as dividends.

The Finance Act 2007 introduced a single tier system for dividends with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

12. LOANS AND BORROWINGS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Non-current				
Term loans				
- secured	**24,534,007**	31,949,780	**-**	-
- unsecured	**-**	1,841,300	**-**	-
Hire purchase liabilities	**3,124,711**	13,561,800	**539,789**	-
	27,658,718	47,352,880	**539,789**	-

12. LOANS AND BORROWINGS (cont'd)

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Current				
Term loans				
- secured	**7,595,914**	7,691,744	**-**	-
- unsecured	**-**	2,191,045	**-**	-
Revolving credit (unsecured)	**25,563,680**	41,879,430	**-**	2,000,000
Bank overdraft (unsecured)	**10,158,713**	5,421,804	**1,854,245**	3,767,223
Trade finance (unsecured)	**94,356,409**	80,810,398	**1,619,000**	6,320,000
Hire purchase liabilities	**12,420,940**	21,452,838	**252,102**	335,747
	150,095,656	159,447,259	**3,725,347**	12,422,970
	177,754,374	206,800,139	**4,265,136**	12,422,970

12.1 Security

Secured borrowings are secured over certain property, plant and equipment of the Group (see Note 3) and corporate guarantee by the Company.

12.2 Terms and debt repayment schedule

	Year of maturity	Carrying amount RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
Group						
2010						
Term loans						
- secured	**2012 - 2018**	**32,129,921**	**7,595,914**	**6,135,314**	**11,159,765**	**7,238,928**
Bank overdraft						
- unsecured	**2011**	**10,158,713**	**10,158,713**	**-**	**-**	**-**
Revolving credit						
- unsecured	**2011**	**25,563,680**	**25,563,680**	**-**	**-**	**-**
Trade finance						
- unsecured	**2011**	**94,356,409**	**94,356,409**	**-**	**-**	**-**
		162,208,723	**137,674,716**	**6,135,314**	**11,159,765**	**7,238,928**

12. LOANS AND BORROWINGS (cont'd)

12.2 Terms and debt repayment schedule (cont'd)

	Year of maturity	Carrying amount RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
Group						
2009						
Term loans						
- secured	2012 - 2018	39,641,524	7,691,744	7,691,744	14,066,070	10,191,966
- unsecured	2010 - 2012	4,032,345	2,191,045	1,759,130	82,170	-
Bank overdraft						
- unsecured	2010	5,421,804	5,421,804	-	-	-
Revolving credit						
- unsecured	2010	41,879,430	41,879,430	-	-	-
Trade finance						
- unsecured	2010	80,810,398	80,810,398	-	-	-
		171,785,501	137,994,421	9,450,874	14,148,240	10,191,966
Company						
2010						
Bank overdraft						
- unsecured	**2011**	**1,854,245**	**1,854,245**	**-**	**-**	**-**
Trade finance						
- unsecured	**2011**	**1,619,000**	**1,619,000**	**-**	**-**	**-**
		3,473,245	**3,473,245**	**-**	**-**	**-**
2009						
Bank overdraft						
- unsecured	2010	3,767,223	3,767,223	-	-	-
Revolving credit						
- unsecured	2010	2,000,000	2,000,000	-	-	-
Trade finance						
- unsecured	2010	6,320,000	6,320,000	-	-	-
		12,087,223	12,087,223	-	-	-

12. LOANS AND BORROWINGS (cont'd)

12.3 Significant loans and borrowings covenants

The main covenants of certain term loan facilities of the Group and of the Company are as follows:

i) the Group shall submit its financial statements and/or audited financial statements within 6 months of the financial year end.

ii) the Group immediately notify the bank of any changes in its paid-up capital, in its substantial shareholdings and the nature and scope of the Group's business.

iii) the Group shall not without the written consent of the Bank (which consent shall not be unreasonably withheld) sell, transfer, assign or otherwise dispose of all or substantial portion of its assets, property, undertaking or its shareholding in any of its subsidiaries.

The main covenant of certain trade facilities of a subsidiary is the subsidiary's leverage position as measured by total liabilities/tangible net worth must not exceed 3.0 times at all times.

12.4 Hire purchase liabilities

Hire purchase liabilities are payable as follows:

	Minimum lease payments 2010 RM	Interest 2010 RM	Principal 2010 RM	Minimum lease payments 2009 RM	Interest 2009 RM	Principal 2009 RM
Group						
Less than one year	**12,878,387**	**(457,447)**	**12,420,940**	22,758,369	(1,305,531)	21,452,838
Between one and five years	**3,241,867**	**(117,156)**	**3,124,711**	13,990,963	(429,163)	13,561,800
	16,120,254	**(574,603)**	**15,545,651**	36,749,332	(1,734,694)	35,014,638
Company						
Less than one year	**287,638**	**(35,536)**	**252,102**	345,505	(9,758)	335,747
Between one and five years	**578,109**	**(38,320)**	**539,789**	-	-	-
	865,747	**(73,856)**	**791,891**	345,505	(9,758)	335,747

13. PAYABLES AND ACCRUALS

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Trade					
Trade payable		**66,218,250**	64,201,697	**4,031,797**	3,976,095
Amount due to related parties	13.1	**6,318**	52,217	**6,318**	420,272
		66,224,568	64,253,914	**4,038,115**	4,396,367
Non-trade					
Amount due to ultimate holding company	13.2	**8,543**	8,543	**-**	-
Amount due to a subsidiary	13.3	**-**	-	**419,960**	669,659
Amount due to related parties	13.1	**7,851,933**	4,813,956	**-**	-
Other payables		**16,097,853**	15,083,350	**1,205,367**	749,795
Accrued expenses		**22,946,844**	13,323,044	**3,758,467**	2,672,168
		46,905,173	33,228,893	**5,383,794**	4,091,622
		113,129,741	97,482,807	**9,421,909**	8,487,989

The credit term granted for trade payables range from 30 to 60 days (2009 - 30 to 60 days).

13.1 Amount due to related parties

The trade payables due to related parties are subject to normal trade terms.

The non-trade payables due to related parties are unsecured, interest free and repayable on demand.

13.2 Amount due to ultimate holding company

The non-trade payables due to ultimate holding company are unsecured, interest free and repayable on demand.

13.3 Amount due to a subsidiary

The non-trade payables due to a subsidiary are unsecured, interest free and repayable on demand.

13. PAYABLES AND ACCRUALS (cont'd)

13.4 Currency exposure profile of payables and accruals is as follows:

		Group		Company	
		2010	**2009**	**2010**	**2009**
		RM	**RM**	**RM**	**RM**
Functional currency	**Currency**				
RM	RM	**100,519,849**	82,458,990	**9,421,909**	8,487,989
RM	USD	**12,609,892**	15,023,817	**-**	-
		113,129,741	97,482,807	**9,421,909**	8,487,989

14. REVENUE

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Sales of goods	**1,046,886,637**	842,135,011	**88,899,101**	70,158,788
Dividend income	**-**	-	**40,270,118**	82,996,573
	1,046,886,637	842,135,011	**129,169,219**	153,155,361

15. PROFIT BEFORE TAX

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Profit before taxs is arrived at after charging:				
Allowance for impairment loss	**5,260,886**	744,544	**-**	-
Auditors' remuneration				
- statutory audit	**216,300**	187,500	**76,700**	63,900
- other services	**10,500**	8,000	**11,000**	8,000
Depreciation (Note 3)	**34,222,032**	33,652,040	**3,843,108**	3,897,615
Hire of equipment	**22,863**	46,971	**-**	-
Loss/(Gain) on disposal of property, plant and equipment	**189,078**	(240,770)	**(22,720)**	(169,979)
Personnel expenses (including key management personnel):				
- Contributions to Employees' Provident Funds	**3,787,425**	3,651,877	**1,298,264**	1,106,955
- Wages, salaries and others	**99,022,987**	86,035,216	**21,061,734**	15,963,004
Property, plant and equipment written off	**1,529,989**	941,318	**-**	169,388
Property, plant and equipment written off due to fire, net insurance claim of RM2,487,824 (2009: RM17,570,000)	**(2,487,824)**	(390,027)	**-**	-
Realised loss on foreign exchange	**2,702,709**	54,388,421	**169,347**	356,724
Rental of premises	**1,983,826**	1,671,090	**899,501**	813,490
and after crediting:				
Unrealised gain on:-				
- derivatives	**3,586,392**	-	**-**	-
- trade receivables and loans and borrowings	**1,433,756**	1,484,192	**-**	26,984
Interest on short term deposits received	**1,120,036**	104,147	**424,683**	10,659
Rental income	**120,000**	138,300	**204,000**	204,000
Reversal on allowance for impairment loss	**-**	22,621	**-**	22,621

16. FINANCE COSTS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Interest expense on:				
- Bank overdraft	**62,982**	119,056	**17,352**	43,451
- Hire purchase	**1,397,032**	2,292,870	**51,909**	32,323
- Term loans	**2,760,973**	3,125,364	**-**	-
- Trade finance	**3,024,013**	1,992,718	**238,560**	269,009
- Revolving credits	**740,883**	1,248,863	**-**	-
- Others	**-**	383,442	**-**	-
	7,985,883	9,162,313	**307,821**	344,783

17. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Directors				
- Fees	**120,000**	120,000	**120,000**	120,000
- Salaries and allowances	**7,355,191**	5,450,804	**2,850,915**	1,925,255
	7,475,191	5,570,804	**2,970,915**	2,045,255
Other key management personnel:				
- Salaries and allowances	**2,543,517**	2,127,342	**1,484,901**	1,297,873

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

18. TAX EXPENSE

Recognised in the profit or loss

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Current tax expense				
Current year	**14,426,057**	6,513,227	**3,560,318**	4,183,402
Over provision in prior year	**(2,432,199)**	(28,676)	**(79,974)**	(130,410)
	11,993,858	6,484,551	**3,480,344**	4,052,992
Deferred tax expense				
Origination and reversal of temporary differences	**17,678,013**	11,352,639	**(231,815)**	17,820
Under/(Over) provision in prior year	**(2,784,893)**	656,622	**123,216**	81,177
	14,893,120	12,009,261	**(108,599)**	98,997
Total tax expense	**26,886,978**	18,493,812	**3,371,745**	4,151,989

Reconciliation of effective tax expense

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Profit before tax	**140,650,698**	85,828,051	**42,265,564**	86,909,249
Tax at Malaysian tax rate of 25%	**35,162,676**	21,457,013	**10,566,391**	21,727,312
Non-deductible expenses	**1,603,393**	808,317	**290,370**	254,881
Tax incentives	**(4,224,859)**	(4,166,559)	**-**	-
Income not subject to tax	**-**	-	**(7,500,023)**	(17,816,476)
Deferred tax not recognized	**38,248**	-	**-**	-
Utilisation of previously unrecognised temporary difference	**(447,000)**	-	**-**	-
Others	**(28,388)**	(232,905)	**(28,235)**	35,505
	32,104,070	17,865,866	**3,328,503**	4,201,222
Under/(Over) provided in prior years				
- income tax expense	**(2,432,199)**	(28,676)	**(79,974)**	(130,410)
- deferred tax expense	**(2,784,893)**	656,622	**123,216**	81,177
	26,886,978	18,493,812	**3,371,745**	4,151,989

19. EARNINGS PER ORDINARY SHARE

Basic earnings per share

The calculation of basic earnings per share at 31 December 2010 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	2010 RM'000	2009 RM'000
Group		
Profit for the year attributable to shareholders	**113,376**	66,679

Weighted average number of ordinary shares

	Group	
	2010 '000	**2009 '000**
Issued ordinary shares at 1 January	**159,867**	159,867
Effect of bonus issue in July 2010	**159,867**	159,867
Effect of treasury shares	**(13)**	-
Weighted average number of ordinary shares at 31 December	**319,721**	319,734

	Group	
	2010 Sen	**2009 Sen**
Basic earnings per share	**35.46**	20.85

There is no dilution in earnings per share as there is no potential diluted ordinary share.

20. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM	Date of payment
2010			
First and final for financial year 2009, tax-exempt	**9.00**	**14,388,028**	**17.7.2010**
2009			
First and final for financial year 2008, less tax 25%	2.62	4,196,511	11.8.2009
First and final for financial year 2008, tax-exempt	2.50	3,996,672	11.8.2009
Total amount		8,193,183	

21. OPERATING SEGMENTS

The Group has three (3) reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group Managing Director (Group MD) reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- Technical rubber products
- Gloves
- Others

Other operations of the Group mainly comprise investment holding and engineering services which are not of sufficient size to be reported separately.

Performance is measured based on segment profit before tax and interest as included in the internal management reports that are reviewed by the Group MD. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total segment asset is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Group MD.

Segment liabilities

The total of segment liability is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Group MD.

21. OPERATING SEGMENTS (cont'd)

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment.

Geographical segments

There is no segmental revenue analysis by geographical location as the Group's operations are principally located in Malaysia and the customer base does not reflect the actual location of the shipments/deliveries. The exports are principally to the United States of America, Asia and European countries.

	Technical rubber products		Gloves		Others		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Business segments	RM	RM	RM	RM	RM	RM	RM	RM
Total external revenue	**110,108,836**	87,220,547	**936,524,562**	754,771,564	**253,239**	142,900	**1,046,886,637**	842,135,011
Segment result	**6,557,798**	6,510,176	**143,173,228**	88,758,165	**(1,094,445)**	(277,977)	**148,636,581**	94,990,364
Finance costs							**(7,985,883)**	(9,162,313)
Tax expense							**(26,886,978)**	(18,493,812)
Profit for the year							**113,763,720**	67,334,239
Segment assets	**168,487,021**	100,130,828	**604,036,769**	585,809,481	**3,652,587**	1,129,796	**776,176,377**	687,070,105
Unallocated assets							**1,166,495**	1,476,648
Total assets							**777,342,872**	688,546,753
Segment liabilities	**17,425,882**	26,608,477	**270,960,559**	277,002,540	**2,497,674**	671,929	**290,884,115**	304,282,946
Unallocated liabilities							**41,843,777**	25,264,094
Total liabilities							**332,727,892**	329,547,040
Capital expenditure	**4,101,631**	2,600,907	**82,328,873**	47,274,974	**-**	-	**86,430,504**	49,875,881
Depreciation	**6,543,049**	6,506,785	**27,678,983**	27,145,255	**-**	-	**34,222,032**	33,652,040
Non-cash expenses other than depreciation	**86,392**	574,565	**5,363,572**	(69,415)	**-**	-	**5,449,964**	505,150

22. FINANCIAL INSTRUMENTS

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7.

22.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables (L&R);

(b) Fair value through profit or loss (FVTPL):
- Held for trading (HFT);

(c) Available-for-sale financial assets (AFS); and

(d) Other liabilities (OL)

	Carrying amount RM	L&R/OL RM	Derivatives RM	AFS RM
Group				
31.12.2010				
Financial assets/(liabilities)				
Other investments	116,000	-	-	116,000
Receivables and deposits, including derivatives	148,379,139	144,792,747	3,586,392	-
Cash and cash equivalents	91,509,094	91,509,094	-	-
Loans and borrowings	(162,208,723)	(162,208,723)	-	-
Payables and accruals	(113,129,741)	(113,129,741)	-	-
	(35,334,231)	(39,036,623)	3,586,392	116,000
Company				
31.12.2010				
Financial assets/(liabilities)				
Other investments	116,000	-	-	116,000
Receivables and deposits, including derivatives	89,077,079	89,077,079	-	-
Cash and cash equivalents	73,124,029	73,124,029	-	-
Loans and borrowings	(3,473,245)	(3,473,245)	-	-
Payables and accruals	(9,421,909)	(9,421,909)	-	-
	149,421,954	149,305954	-	116,000

22. FINANCIAL INSTRUMENTS (cont'd)

22.2 Financial risk management

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

22.3 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers. It is the Group's policy that local customers who wish to trade on credit terms are subject to credit verification procedures, and hence there is no requirement for collateral. New overseas customers will be required either to trade in advance telegraphic transfer or letter of credits issued by reputable banks in countries where the customers are based. Once they become regular customers and proven to be creditworthy, these customers will be assigned a credit term approved by management and letter of credit will no longer be required.

Exposure to credit risk, credit quality and collateral

At the end of the reporting period, there were no significant concentrations of credit risk other than 42% (2009 - 48%) of the Group's trade debts owed by 8 (2009 – 8) trade customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables, especially for established subsidiaries, are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the collectability of the receivables.

22. FINANCIAL INSTRUMENTS (cont'd)

22.3 Credit risk (cont'd)

Receivables (cont'd)

Impairment losses

The ageing of receivables as at the end of the reporting period was:

	Gross RM	Individual impairment RM	Net RM
Group			
2010			
Not past due	**136,880,708**	**(1,098,757)***	**135,781,951**
Past due 0 – 30 days	**1,657,290**	**(500,651)***	**1,156,639**
Past due 31 – 120 days	**5,015,303**	**(3,599,590)***	**1,415,713**
Past due more than 120 days	**2,304,470**	**(1,125,184)**	**1,179,286#**
	145,857,771	**(6,324,182)**	**139,553,589**
Company			
2010			
Not past due	**11,961,344**	**-**	**11,961,344**
Past due 0 – 30 days	**899,652**	**-**	**899,652**
Past due 31 - 120 days	**698,916**	**-**	**698,916**
Past due more than 120 days	**138,242**	**(25,890)**	**112,352**
	13,698,154	**(25,890)**	**13,672,264**

* Allowance for impairment loss, totalling RM5.1million, is made in respect of a corporate customer whose debts are doubtful due to its financial difficulties and default in payments.

No allowance for impairment loss has been made for debts past due more than 120 days as the debts are recoverable and there are receipts subsequent to the year-end.

22. FINANCIAL INSTRUMENTS (cont'd)

22.3 Credit risk (cont'd)

The movements in the allowance for impairment losses during the financial year were:

	Group RM	Company RM
At 1 January 2010	**1,227,900**	**190,494**
Impairment loss recognised	**5,260,886**	**-**
Impairment loss written off	**(164,604)**	**(164,604)**
At 31 December 2010	**6,324,182**	**25,890**

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries.

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM157,943,587 (2009: RM159,241,069) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

22. FINANCIAL INSTRUMENTS (cont'd)

22.3 Credit risk (cont'd)

Intercompany balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable.

22.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various trade and other payables, loans and borrowings and derivative financial instruments.

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met.

The Group strives to maintain flexibility in funding by keeping its credit lines available at a reasonable level. As far as possible, the Group raises funding from financial institutions and prudently balances its portfolio with some short and long term funding so as to achieve overall cost effectiveness.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

22. FINANCIAL INSTRUMENTS (cont'd)

22.4 Liquidity risk (cont'd)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM	Contractual interest rate/coupon	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 – 5 years RM	More than 5 years RM
Group							
2010							
Non-derivative financial liabilities							
Secured term loan	**32,129,921**	**7.29 – 7.44**	**38,842,038**	**9,650,145**	**7,665,844**	**13,820,285**	**7,705,764**
Bank overdraft (unsecured)	**10,158,713**	**7.30 – 7.38**	**10,158,713**	**10,158,713**	**-**	**-**	**-**
Revolving credit (unsecured)	**25,563,680**	**4.80 -5.10**	**25,563,680**	**25,563,680**	**-**	**-**	**-**
Trade finance (unsecured)	**94,356,409**	**3.14 – 3.27**	**94,356,409**	**94,356,409**	**-**	**-**	**-**
Hire purchase liabilities	**15,545,651**	**2.50 – 3.50**	**16,120,254**	**12,878,387**	**2,697,953**	**543,914**	**-**
Payables and accruals	**113,129,741**	**-**	**113,129,741**	**113,129,741**	**-**	**-**	**-**
	290,884,115		**298,170,835**	**265,737,075**	**10,363,797**	**14,364,199**	**7,705,764**
Derivative financial liabilities							
Foreign currency contracts (gross settled):							
Inflow	**(3,586,392)**	**-**	**(269,314,776)**	**(269,314,776)**	**-**	**-**	**-**
Outflow	**-**	**-**	**265,728,384**	**265,728,384**	**-**	**-**	**-**
	287,297,723		**294,584,443**	**262,150,683**	**10,363,797**	**14,364,199**	**7,705,764**
Company							
2010							
Non-derivative financial liabilities							
Bank overdraft (unsecured)	**1,854,245**	**7.30 – 7.38**	**1,854,245**	**1,854,245**	**-**	**-**	**-**
Trade finance (unsecured)	**1,619,000**	**3.14 – 3.27**	**1,619,000**	**1,619,000**	**-**	**-**	**-**
Hire purchase liabilities	**791,891**	**3.30 – 3.50**	**865,747**	**287,638**	**263,705**	**314,404**	**-**
Trade and other payables	**9,421,909**	**-**	**9,421,909**	**9,421,909**	**-**	**-**	**-**
	13,687,045		**13,760,901**	**13,182,792**	**263,705**	**314,404**	**-**

22. FINANCIAL INSTRUMENTS (cont'd)

22.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

22.5.1 Currency risk

The Group is exposed to foreign currency risk on sales that are denominated in a currency other than the Group's functional currency. The currency giving rise to this risk is primarily USD.

Risk management objectives, policies and processes for managing the risk

The Group uses forward foreign currency contracts to hedge its foreign currency risk. Most of the forward foreign currency contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward foreign currency contracts are rolled over at maturity.

In respect of other monetary assets and liabilities held in currencies other than RM, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

As at the end of reporting date, foreign currency contracts entered into with the following amounts:

Forward foreign currency contracts used to hedge receivables

Hedged item	**Currency**	**Amount to be received**	**Average contract rate**	**Equivalent RM**
2010				
Trade receivables	USD	**86,220,413**	**3.1236**	**269,314,776**
2009				
Trade receivables	USD	38,006,862	3.2114	122,056,898

22. FINANCIAL INSTRUMENTS (cont'd)

22.5.1 Currency risk (cont'd)

Foreign currency option contracts

2010

There are no foreign currency option contracts outstanding at end of the reporting period.

2009

The notional amount of foreign currency option contracts entered into at the end of the reporting period, are as follows:

Currency	Notional amount USD	Average contract rate	Equivalent RM	Expiration date
USD	**25,600,000**	**3.2045**	**82,035,000**	January 2010
USD	**19,000,000**	**3.1950**	**60,705,000**	February 2010
USD	**12,460,000**	**3.1873**	**39,714,500**	March 2010
	57,060,000		**182,454,500**	

Exposure to foreign currency risk

The Group's significant exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Group Denominated in		Company Denominated in	
	USD RM	Euro RM	USD RM	Euro RM
As at 31.12.2010				
Receivables, deposits and prepayments, including derivatives	**127,030,896**	**738,252**	**5,542,454**	**490,331**
Payables and accruals	**(12,609,892)**	**-**	**-**	**-**
Loans and borrowings	**(24,563,433)**	**-**	**-**	**-**
Exposure in the statements of financial position	**89,857,571**	**738,252**	**5,542,454**	**490,331**

22. FINANCIAL INSTRUMENTS (cont'd)

22.5.1 Currency risk (cont'd)

Currency risk sensitivity analysis

A 5% strengthening of Ringgit Malaysia against USD at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant.

	Equity RM'000	Profit or loss RM'000
Group		
2010		
USD	**-**	**13,145**

A 5% weakening of Ringgit Malaysia against USD at the end of the reporting period would have equal but opposite effect on equity and post-tax profit or loss respectively.

The exposure to currency risk of Group entities which do not have a Euro functional currency is not material and hence, sensitivity analysis is not presented.

22.5.2 Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. It is not the Group's policy to hedge cash flow and interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

22. FINANCIAL INSTRUMENTS (cont'd)

22.5.2 Interest rate risk (cont'd)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

		Group		Company	
		2010	**2009**	**2010**	**2009**
	Note	**RM**	**RM**	**RM**	**RM**
Fixed rate instruments					
Deposits with licensed banks		**85,691,301**	18,691,301	**72,000,000**	-
Hire purchase liabilities	12	**(15,545,651)**	(35,014,638)	**(791,891)**	(335,747)
Revolving credits					
- unsecured	12	**(25,563,680)**	(41,879,430)	**-**	(2,000,000)
Trade finance		**(94,356,409)**	(80,810,398)	**(1,619,000)**	(6,320,000)
Fixed rate instruments		**(49,774,439)**	(139,013,165)	**69,589,109**	(8,655,747)
Floating rate instruments					
Term loans					
- secured	12	**(32,129,921)**	(39,641,524)	**-**	-
- unsecured	12	**-**	(4,032,345)	**-**	-
Bank overdraft					
- unsecured	12	**(10,158,713)**	(5,421,804)	**(1,854,245)**	(3,767,223)
Floating rate instruments		**(42,288,634)**	(49,095,673)	**(1,854,245)**	(3,767,223)

22. FINANCIAL INSTRUMENTS (cont'd)

22.5.2 Interest rate risk (cont'd)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedge instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or Loss	
	50 bp increase RM	**50 bp decrease RM**
Group		
2010		
Floating rate instruments	**(158,582)**	**158,582**
Company		
2010		
Floating rate instruments	**(6,953)**	**6,953**

22. FINANCIAL INSTRUMENTS (cont'd)

22.6 Fair values

The carrying amounts of cash and cash equivalents, receivables, deposits and prepayments, payables and accruals, and short term borrowings, approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in club membership due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

The carrying amount of floating rate term loans approximate fair values as their effective interest rates change accordingly to movements in the market interest rate.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the end of reporting date, are as follows:

	2010		2009	
Group	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial asset				
Other investments	**116,000**	**116,000**	116,000	116,000
Forward foreign currency contracts	**3,586,392**	**3,586,392**	- #	(6,482,619)
Foreign currency option contracts	**-**	**-**	- #	(7,823,300)
Financial liability				
Hire purchase liabilities	**15,545,651**	**15,544,126**	35,014,638	33,498,232

\# Prior to adoption of FRS 139, the fair values of forward foreign currency contracts and foreign currency option contracts outstanding at 31 December 2009 are not recognized in the financial statements for the year ended 31 December 2009. These fair values were adjusted against the Group's retained earnings at 1 January 2010 as explained in Note 29.1.

23. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Property, plant and equipment				
Within one year:				
Contracted but not provided for	**9,000,000**	2,143,750	**-**	-

24. CONTINGENT LIABILITIES

In February 2011, the Company announced that Ms. Seow Yin Lee (the "Plaintiff") has instituted legal proceedings against its wholly-owned subsidiary, Perusahaan Getah Asas Sdn. Bhd. ("PGA"), by way of a writ of summons and a statement of claim in the High Court of Malaya at Shah Alam (the "Action").

The Plaintiff claimed for alleged breach of a non-disclosure agreement by PGA in late 2009 and/or early 2010. The non-disclosure agreement was entered in April 2006 whereby the Plaintiff shall introduce the Plaintiff's customers and/or contacts to PGA for certain of PGA's products of which PGA shall pay the Plaintiff a commission based on agreed rates with PGA for units sold.

The Plaintiff is seeking an injunction against, amongst others, PGA, the Company and its subsidiaries, for alleged breach of the non-disclosure agreement for damages in the sum of RM24 million and interest at 8% per annum over the said sum from the date of filing of the writ in February 2011.

The Directors of the Company and PGA, in consultation with their solicitors, are of the view that the Action is lacking in merit and that the prospects of successfully defending the Action are good and accordingly, no provision for damages need to be made in the accounts as the probability of adverse adjudication against the Company is remote.

25. SIGNIFICANT EVENT

In July 2010, the Company issued 159,866,976 new ordinary shares of RM0.50 each as bonus issue on the basis of one (1) bonus share for every one (1) existing ordinary share held.

26. SUBSEQUENT EVENT

On 23 March 2011, the Company announced that it has entered into a Share Sale Agreement with Inout Enterprise Pte. Ltd. and Soode Optik Pte. Ltd., both companies incorporated in Singapore, for the acquisition of 51% equity interest in Cleanera HK Limited, a company incorporated in Hong Kong, for a total cash consideration of USD 3,060,000.

The proposed acquisition is expected to be completed by June 2011.

27. RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

The significant related party transactions of the Group and the Company, other than key management personnel compensation, are as follows:

	Transactions amount for the year ended 31 December Group		Transactions amount for the year ended 31 December Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Transactions with Kossan Holdings (M) Sdn. Bhd. and its subsidiaries				
Kossan Chemical Industries (M) Sdn. Bhd.				
Rental payable	**(1,077,600)**	(1,077,600)	**(574,560)**	(574,560)
Kossan Japan Rollers Sdn. Bhd.				
Sales*	**-**	2,824	**-**	2,824
Pleasure Latex Products Sdn. Bhd.				
Sales*	**220**	1,040	**220**	1,040
Rental receivable*	**96,000**	100,160	**96,000**	100,160
Kossan Paint (M) Sdn. Bhd.				
Sales*	**373,770**	411,030	**373,770**	302,130
Purchase of consumables	**(991,869)**	(552,174)	**(604,509)**	(10,445)
Purchase of raw materials	**(947,956)**	-	**-**	-
Purchase of property, plant and equipment	**(715,523)**	**(215,915)**	**-**	**-**
Pan Asian Corporation Sdn. Bhd.				
Rental payable	**(535,080)**	(535,080)	**(297,960)**	(297,960)

27. RELATED PARTIES (cont'd)

	Transactions amount for the year ended 31 December Group		Transactions amount for the year ended 31 December Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Transaction with corporation in which Directors have financial interest				
HT Ceramics (M) Sdn. Bhd.				
Purchase of property, plant and equipment	**(9,319,086)**	(7,229,490)	**-**	-
Sales*	**-**	25,200	**4,813**	-
Kossan F.R.P. Industries (M) Sdn. Bhd.				
Purchase of consumables	**(761,551)**	(219,186)	**-**	(600)
Sales*	**-**	10,717	**1,300**	10,717
Purchase of property, plant and equipment	**(1,236,971)**	(1,166,130)	**-**	-

* There are no allowances for impairment loss being provided in respect of the related balances outstanding at year end and no impairment loss made during the year.

Balances with ultimate holding company and related parties at the end of reporting period are disclosed in Note 9 and Note 13 to the financial statements.

The terms and conditions for the above transactions are based on normal trade terms. All the amounts outstanding are interest-free, unsecured and expected to be settled with cash.

28. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at 31 December 2010 and at 31 December 2009 were as follows:

	Group	
	2010	**2009**
	RM'000	**RM'000**
Total borrowings (Note 12)	**177,754,374**	206,800,139
Less: Cash and cash equivalents (Note 10)	**(91,511,115)**	(23,515,518)
Net debt	**86,243,259**	183,284,621
Total equity	**450,572,815**	358,999,713
Debt-to-equity ratios	**0.19**	0.51

There were no changes in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM 40 million. The Company has complied with this requirement.

29. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

29.1 FRS 139, Financial Instruments: Recognition and Measurement

The adoption of FRS 139 has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Significant changes in accounting policies are as follows:

Derivatives

Prior to the adoption of FRS 139, derivative contracts were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are now categorised as fair value through profit or loss and measured at their fair values with the gain or loss recognised in profit or loss other than derivatives designated as hedging instrument which are accounted for in accordance with the hedge accounting requirements as described in the hedge accounting policy.

29. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (cont'd)

29.1 FRS 139, Financial Instruments: Recognition and Measurement (cont'd)

Inter-company loans

Prior to the adoption of FRS 139, inter-company loans were recorded at cost. With the adoption of FRS 139, inter-company loans are now recognised initially at their fair values, which are estimated by discounting the expected cash flows using the current market interest rate of a loan with similar risk and tenure. Finance income and costs are recognised in profit or loss using the effective interest method.

Impairment of trade and other receivables

Prior to the adoption of FRS 139, an allowance for impairment losses was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognised for trade and other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

These changes in accounting policies have been made in accordance with the transitional provisions of FRS 139. In accordance to the transitional provisions of FRS 139 for first-time adoption, adjustments arising from remeasuring the financial instruments at the beginning of the financial year were recognised as adjustments of the opening balance of retained earnings or another appropriate reserve. In this connection, the Group's retained earnings at 1 January 2010 have been adjusted by a net amount of RM10.7 million arising from recognition of forward foreign currency contracts and foreign currency option contracts existed as at 1 January 2010. Comparatives at 31 December 2009 are not adjusted.

Consequently, the adoption of FRS 139 does not affect the basic and diluted earnings per ordinary share for prior periods. It is not practicable to estimate the impact arising from the adoption of FRS 139 to the current year's basic and diluted earnings per share.

29.2 FRS 123 (revised), *Borrowing Costs*

Before 1 January 2010, borrowing costs were all expensed to profit or loss as and when they were incurred. With the adoption of FRS 123, the Group capitalises borrowing costs that are directly attributable to the acquisition, construction and production of a qualifying asset as part of the cost of the asset for which the commencement date of capitalisation is on or after 1 January 2010.

The change in accounting policy has been applied prospectively in accordance with the transitional provisions of the revised FRS 123.

Hence, the adoption of the revised FRS 123 does not affect the basic and diluted earnings per ordinary share for prior periods and has no material impact to current year's basic and diluted earnings per ordinary share.

29. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (cont'd)

29.3 FRS 8, *Operating Segments*

As of 1 January 2010, the Group determines and presents operating segments based on the information that internally is provided to the Group Managing Director, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of FRS 8. Previously operating segments were determined and presented in accordance with FRS 1142004, Segment Reporting.

Comparative segment information has been re-presented. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

29.4 FRS 101 (revised), *Presentation of Financial Statements*

The Group applies FRS 101 (revised) which became effective as of 1 January 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per share.

30. COMPARATIVE FIGURE

FRS 101 (revised), *Presentation of Financial Statements*

Arising from the adoption of FRS 101 (revised), income statements for the year ended 31 December 2009 have been re-presented as statements of comprehensive income. All non-owner changes in equity that were presented in the statements of changes in equity are now included in the statements of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statements of changes in equity.

31. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS AND LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings of the Group of the Company as at 31 December 2010, into realised and unrealised profits, pursuant to the directive, is as follows:

	2010	
	Group RM'000	**Company RM'000**
Total retained earnings of the Company and its subsidiaries:		
- realised	**311,758,497**	**48,019,012**
- unrealised	**(27,145,624)**	**(4,459,476)**
Total retained earnings	**284,612,873**	**43,559,536**

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 30 to 94 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as of 31 December 2010 and of their financial performances and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 31 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Dato' Lim Kuang Sia

Lim Kuang Yong

Klang, Selangor Darul Ehsan

Date: 21 April 2011

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, **Lee Hon Chee**, the officer primarily responsible for the financial management of Kossan Rubber Industries Bhd., do solemnly and sincerely declare that the financial statements set out on pages 30 to 95 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 above named in Klang, Selangor Darul Ehsan on 21 April 2011.

Lee Hon Chee

Before me:

Independent Auditors' Report

To the members of Kossan Rubber Industries Bhd.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Kossan Rubber Industries Bhd, which comprise the statements of financial positions as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flow of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 94.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of these financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as of 31 December 2010 and of their financial performances and cash flows for the year then ended.

Independent Auditors' Report

To the members of Kossan Rubber Industries Bhd.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) The subsidiary in respect of those consolidated using management accounts is identified in Note 4 to the financial statements and we have considered their management financial statements.

c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 31 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Lee Yee Keng
Approval Number: 2880/04/13(J)
Chartered Accountant

Petaling Jaya,

Date: 21 April 2011

List of Properties

As at 31 December 2010

Location	Description	Date of Acqusition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2010 RM
No 14 Lrg Sg Puloh Tmn Klang Utama 42100 Klang	1 unit double storey link house	3/24/1995*	17 yrs	990 sq.ft	Freehold	Staff quarters	73,962
No 16 Lrg Sg Puloh Tmn Klang Utama 42100 Klang	1 unit double storey link house	3/24/1995*	17 yrs	990 sq.ft	Freehold	Staff quarters	73,962
Lot 754 Jalan Hj Sirat 42100 Klang	Factory	3/24/1995*	16 yrs	246,550 sq.ft	Freehold	Factory	9,592,707
Lot 782 Jalan Hj Sirat 42100 Klang	Factory and office	3/24/1995*	Factory-23 yrs Office-16 yrs	47,480 sq.ft	Freehold	Factory and office	2,443,663
	5 storey office		3 yrs			For Office	3,383,442
Lot 16632 Batu 5 1/4 Jalan Meru 41050 Klang	Single storey detached factory	3/24/1995*	21 yrs	65,175 sq.ft	Freehold	Factory and office	2,457,728
Lot 2401 Batu 17 Jln Sungai Sembilang 45800 Jeram	Factory	1/31/1995	12 yrs	106,177 sq.ft	Freehold	Factory	2,820,814
GM 554 Lot 2796 Mukim of Jeram District of Kuala Selangor	Factory	1/31/1995	8 yrs	213,916 sq.ft	Freehold	Factory	4,384,102
Lot 1365 Batu 17 Jln Sungai Sembilang 45800 Jeram	Factory	1/3/1995	12 yrs	217,800 sq.ft	Freehold	Factory and office	5,729,915
			3 yrs			For factory	3,615,924
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	17 yrs	174 sq.mtr	Freehold	Store	221,433
HS (M) 1168 PT 476 Batu 15 1/4 Jalan Kapar Mukim Jeram	Staff quarters	2/27/2003	7 yrs	5,527 sq.mtr	Freehold	Staff quarters	999,690

List of Properties

As at 31 December 2010

Location	Description	Date of Acqusition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2010 RM
Lot 6134 and 6135 Batu 16 Jalan Klang Jalan Kapar Mukim Jeram	Factory	8/28/2003	Under construction	152,460 sq.ft	Freehold	Vacant	9,433,697
Geran 40417, Lot 4761 Mukim Jeram Kuala Selangor	Factory	5/19/2004	6 yrs	7 acres 1 rood 14.67 poles	Freehold	Factory	4,356,597
Lot 6129, 5 1/4 Miles Jln Hj Abdul Manan Jln Meru 41050 Klang	Factory	28/01/2005	4 yrs	434,145 sq.ft	Freehold	Factory and office	26,975,173
HS (D) 116842 PT 54925 Mukim Kapar Daerah Klang	Vacant land	5/30/2005	Nil	10.77 acres	Freehold	Vacant	4,979,176
HS (D) 116841 PT 54924 Mukim Kapar Daerah Klang	Factory	5/30/2005	Under construction	11.25 acres	Freehold	Factory and office	19,706,861
Lot PT 13726 Jln Hj Abdul Manan Jln Meru 41050 Klang	Factory	9/26/2005	3 yrs	5.392 acres	Freehold	Factory and office	14,845,369
GM 1724 & 1725 Lot 5068 & 5069 Batu 5 1/4 Jalan Meru 41050 Klang	Vacant land 10% deposit	11/9/2010	Nil	6 acres	Freehold	Vacant	1,000,000
Lot 6130, 5 1/4 Miles Jln Hj Abdul Manan Jln Meru 41050 Klang	Factory	3/21/2008	2 yrs	10.0 acres	Freehold	Factory	37,969,301
Lot 1367 Batu 17 Jalan Kapar Mukim Jeram	Vacant land	7/21/2009	Nil	1.9875 acres	Freehold	Vacant	846,216
							155,909,732

Statistics of Shareholdings

As at 30 April 2011

Authorised Share Capital	:	RM1,000,000,000
Issued and Fully Paid-Up	:	RM159,866,976
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One vote per ordinary share

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	107	1.88	7,138	0.00
100 - 1,000	1,088	19.11	904,334	0.28
1,001 - 10,000	3,368	59.15	14,520,270	4.56
10,001 - 100,000	985	17.30	27,903,510	8.76
100,001 to less than 5% of issued shares	140	2.51	90,540,660	28.42
5% and above of issued shares	2	0.05	184,743,640	57.98
Total	5,690	100.00	318,619,552	100.00

Note: Based on adjusted issued shares capital of 318,619,552 ordinary shares of RM0.50 each after deducting 1,114,400 treasury shares retained by the Company as per Record of Depositors.

DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	No. of Shares			
		Direct Interest	%	Indirect Interest	%
1	Dato' Haji Mokhtar Bin Hj. Samad	-	-	-	-
2	Dato' Lim Kuang Sia - Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Lim Kuang Sia (PB)	381,888	0.12	165,978,488	51.91
3	Lim Kuang Yong	-	-	165,456,240	51.75
4	Lim Kuang Wang	718,848	0.23	165,456,240	51.75
5	Lim Kwan Hwa	-	-	165,456,240	51.75
6	Heng Bak Tan	-	-	28,896	*
7	Dato' Tai Chang Eng @ Teh Chang Ying	229,520	0.07	-	-
8	Tong Siew Choo	29,952	0.01	-	-
9	Lim Leng Bung	-	-	165,456,240	51.75

* Non-meaningful

Statistics of Shareholdings

As at 30 April 2011

SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders	No. of Shares	%
1	Kossan Holdings (M) Sdn Bhd - 135,504,240 shares held through own name - 15,552,000 shares held through Malaysia Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kossan Holdings (M) Sdn Bhd (05-00042-000) - 14,400,000 shares held through EB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kossan Holdings (M) Sdn Bhd (PKG)	165,456,240	51.93
2	Kumpulan Wang Persaraan (Diperbadankan)	19,287,400	6.05

30 LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	KOSSAN HOLDINGS (M) SDN BHD	113,993,568	35.78
2	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	19,287,400	6.05
3	KOSSAN HOLDINGS (M) SDN BHD	17,077,472	5.36
4	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR KOSSAN HOLDINGS (M) SDN BHD (05-00042-000)	15,552,000	4.88
5	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR KOSSAN HOLDINGS (M) SDN BHD (PKG)	14,400,000	4.52
6	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND KG33 FOR AIM ASIA PACIFIC GROWTH FUND	13,962,600	4.38
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	13,341,000	4.19
8	KOSSAN HOLDINGS (M) SDN BHD	4,433,200	1.39
9	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	4,126,000	1.29
10	RUBY TECHNIQUE SDN BHD	4,000,000	1.26
11	YEO WHA	3,072,000	0.96
12	RUBY TECHNIQUE SDN BHD	3,013,800	0.95

Statistics of Shareholdings

As at 30 April 2011

30 LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
13	LIM HUI GUAN	1,620,000	0.51
14	TAN SWEE KWONG	1,584,500	0.50
15	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SUSY DING (CEB)	1,500,000	0.47
16	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND	1,400,000	0.44
17	HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (UNITLINKED GF)	1,372,400	0.43
18	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AMERICAN INTERNATIONAL ASSURANCE BERHAD	1,136,700	0.36
19	YEE CHEK MUN	1,090,000	0.34
20	CHIA BAK LANG	1,030,000	0.32
21	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR MORGAN STANLEY & CO. INCORPORATED (CLIENT)	1,020,200	0.32
22	HSBC NOMINEES (ASING) SDN BHD DZ PRIVATBANK FOR UNIASIA TREUHANDKONTO, LUXEMBOURG	1,000,000	0.31
23	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (AIM 6939-405)	1,000,000	0.31
24	RUBY TECHNIQUE SDN BHD	986,200	0.31
25	MAYBAN NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (LIFE PAR FUND)	896,800	0.28
26	CH'NG CHAN SENG	841,800	0.26
27	OSK INVESTMENT BANK BERHAD IVT "SW BOOK 1"	770,000	0.24
28	LIM KUANG WANG	718,848	0.23
29	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG GOON KHING (E-BTR)	706,000	0.22
30	MAYBAN NOMINEES (TEMPATAN) SDN BHD MALAYSIAN TRUSTEES BERHAD FOR AMB SMALLCAP TRUST FUND (240165)	697,840	0.22
	Total	**245,630,328**	**77.09**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty First (31st) 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 Tuesday, 21 June 2011 at 10.30 a.m. for the following purposes:

AGENDA

1. To receive the audited financial statements for the year ended 31 December 2010 and the Reports of the Directors' and the Auditors thereon.

2. To approve payment of a 1st and final tax exempt dividend of 8 sen per ordinary share of RM0.50 each for the financial year ended 31 December 2010. **(Ordinary Resolution 1)**

3. To approve the payment of directors' fees of RM 120,000 for the financial year ended 31 December 2010. (2009 : RM120,000) **(Ordinary Resolution 2)**

4. To re-elect the following Directors retiring by rotation pursuant to Article 108 of the Articles of Association, and being eligible, have offered themselves for re-election:

   (i) Mr. Lim Kuang Yong **(Ordinary Resolution 3)**

   (ii) Mr. Lim Kwan Hwa **(Ordinary Resolution 4)**

   (iii) Madam Tong Siew Choo **(Ordinary Resolution 5)**

5. To re-appoint KPMG as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 6)**

6. SPECIAL BUSINESS

   To consider and, if thought fit, to pass the following as Ordinary Resolutions:

   (A) Authority for Directors to allot and issue shares in general pursuant to Section 132D of the Companies Act. 1965-General allotment. **(Ordinary Resolution 7)**

   "That, subject always to the Companies Act, 1965 ("Act"), 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 Act, 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 share 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 Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued."

6. SPECIAL BUSINESS (cont'd)

(B) Proposed renewal of RRPT Mandate for recurrent related party transactions of a revenue or trading nature ("Proposed RRPT Mandate")

"That, subject always to the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), 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 27 May 2011 with the following related parties:-

(1) Kossan Holdings (M) Sdn. Bhd. and its subsidiaries **(Ordinary Resolution 8)**

(2) Kossan FRP Industries (M) Sdn. Bhd. **(Ordinary Resolution 9)**

(3) HT Ceramics (M) Sdn. Bhd. **(Ordinary Resolution 10)**

Subject further to the following:

i) the transactions are in the ordinary course of business and are on terms which are not more favorable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company;

ii) the Proposed RRPT Mandate will take effect from the date of the passing of the Ordinary Resolutions proposed at the Annual General Meeting ("AGM") and shall apply in respect of the recurrent related party transactions to be entered into from the date of the forthcoming AGM until the conclusion of the next AGM of the Company. The proposed RRPT 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 next AGM of the Company, following the AGM of the Company at which such resolution was passed, at which time the said authority would lapse unless renewed by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting,

whichever is earlier;

Notice of Annual General Meeting

6. SPECIAL BUSINESS (cont'd)

iii) disclosure is made in the annual report of the breakdown of aggregate value of transactions conducted pursuant to the RRPT Mandate during the financial year and in the annual report for the subsequent financial year during which the RRPT 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 favorable 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 are on 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 documents as may be required) to give effect to the transactions contemplated and/or authorised by these Ordinary Resolutions."

(C) Proposed Renewal of Authority For Share Buy-back **(Ordinary Resolution 11)**

(a) "That, subject to the provisions under the Act, the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Securities and any other relevant authorities, and other relevant approvals (if any), the Directors of the Company be and are hereby authorised to purchase such number of ordinary shares of RM0.50 each of the Company ("Shares") from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of Shares purchased pursuant to this resolution shall not exceed ten per cent (10%) of the total issued and paid up share capital of the Company;

(b) That the maximum amount of funds to be utilised for the purpose of the Proposed Share Buy-back shall not exceed the aggregate retained profits and/or share premium account of the Company;

(c) That authority be and is hereby given to the Directors of the Company to decide at their discretion, as may be permitted and prescribed by the Act and/or any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities for the time being in force to deal with any Shares so purchased by the Company in the following manner:

(i) the Shares so purchased could be cancelled; or

(ii) the Shares so purchased could be retained as treasury shares for distribution as share dividends to the shareholders of the Company and/or be resold through Bursa Securities in accordance with the relevant rules of Bursa Securities and/or be cancelled subsequently; or

(iii) combination of (i) and (ii) above

6. SPECIAL BUSINESS (cont'd)

(d) That the authority conferred by this resolution shall only continue to be effective until:

(i) the conclusion of the next AGM of the Company, following the AGM of the Company at which such resolution was passed, at which time the said authority would lapse unless renewed by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM of the Company after That date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or

(iii) revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting,

whichever is earlier;

(e) And that the Directors of the Company be and are hereby authorised to take such steps as to give full effect to the Proposed Share Buy-back with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and/or to do all such acts and things as the Directors may deem fit and expedient in the best interest of the Company."

7. To transact any other business of which due notice shall have been given in accordance with the Act.

Notice of Annual General Meeting

NOTICE OF DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that the first and final tax exempt dividend of 8 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2010, if approved by members at the Annual General Meeting to be held on Tuesday, 21 June 2011, will be paid on 19 July 2011. The entitlement date for the dividend will be 28 June 2011.

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 28 June 2011 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
Klang
Date: 27 May 2011

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, Selangor not less than forty-eight hours (48) before the time for holding the meeting.

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

4. Explanatory notes on special business

   (a) Ordinary Resolution 7

   This is renewal of the mandate obtained from members at the last Annual General Meeting ("the previous mandate"). The previous mandate was not utilised and accordingly no proceeds were raised. The Ordinary Resolution 7 proposed, if passed, will give the directors the authority to issue shares up to an aggregate amount of not exceeding ten per cent (10%) of the issued and paid up share capital of the Company for the time being for such purposes as the directors would consider in the best interest of the Company. This authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of next Annual General Meeting of the Company.

   The renewal of this mandate will provide flexibility to the Company for any possible fund-raising activities including but not limited to any placing of shares for purpose of funding future investment projects, working capital and/or acquisitions.

   (b) Ordinary Resolutions 8, 9 and 10 (Proposed Shareholders' Mandate for RRPT)

   These proposed resolutions, if passed, will allow the Group to enter into Recurrent Transactions pursuant to Paragraph 10.09 of the Listing Requirements of Bursa Securities. Further information on this Mandate is set out in the Circular to Shareholders dated 27 May 2011, which is dispatched together with the Company's 2010 Annual Report.

   (c) Ordinary Resolution 11 (Proposed Renewal of Authority for Share Buy-back)

   The proposed resolution, if passed, will empower the Directors to purchase the Company's Shares of up to a maximum of ten per cent (10%) of the issued and paid up share capital of the Company by utilising funds allocated out of retained profits and share premium accounts of the Company. Further information on the Proposed Renewal of Authority for Share Buy-back is set out in the Statement to Shareholders dated 27 May 2011, which is dispatched together with the Company's 2010 Annual Report.

KOSSAN
KOSSAN RUBBER INDUSTRIES BHD
(Company No. 48166-W)

Proxy Form

I/We ______________________________

of ______________________________

being a member of KOSSAN RUBBER INDUSTRIES BHD, hereby appoint ______________________________

____

of ______________________________ or

failing him, ______________________________

of ______________________________
as my/our proxy to vote for me/us and on my/our behalf at the Thirty First (31st) 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 Tuesday, 21 June 2011 at 10.30 a.m. and at any adjournment thereof.

ORDINARY BUSINESS		FOR	AGAINST
Receive Audited Financial Statements and Reports Final			
Approve Dividend	- Ordinary Resolution 1		
Approve Directors' Fees	- Ordinary Resolution 2		
Re-elect directors under Article 108 (i) Mr. Lim Kuang Yong (ii) Mr. Lim Kwan Hwa (iii) Madam Tong Siew Choo	 - Ordinary Resolution 3 - Ordinary Resolution 4 - Ordinary Resolution 5		
Re-appoint Messrs KPMG as the Company's Auditors for the ensuing year.	- Ordinary Resolution 6		
SPECIAL BUSINESS			
Authorise Directors to allot and issue shares pursuant to Section 132D of the Companies Act. 1965-General allotment	- Ordinary Resolution 7		
Approve Mandate for renewal of RRPT with:- (i) Kossan Holdings (M) Sdn. Bhd. and its subsidiaries (ii) Kossan FRP Industries (M) Sdn. Bhd. (iii) HT Ceramics (M) Sdn. Bhd.	 - Ordinary Resolution 8 - Ordinary Resolution 9 - Ordinary Resolution 10		
Approve Renewal of Share Buy-back Authority	- Ordinary Resolution 11		

As witness my hand this ____________ day of ____________ 2011

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.

NAME OF PROXY	NO. OF SHARES ALLOCATED
TOTAL	

____
Signature(s) of Shareholders(s)

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company, a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies in a particular case. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
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3. If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

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Stamp

The Secretary
KOSSAN RUBBER INDUSTRIES BHD (48166-W)

Wisma Kossan
Lot 782, Jalan Sg. Putus
Off Batu 3 ¾, Jalan Kapar
42100 Klang, Selangor Darul Ehsan
Malaysia

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