STRETCHING LIMITS • SINCE 1979

KOSSAN RUBBER INDUSTRIES BHD
Company No.: 197901003918 (48166-W)

ANNUAL REPORT 2019

ACCREDITED LABORATORY

MS ISO/IEC 17025
TESTING
SAMM NO. 464

International Laboratory
Accreditation Cooperation

KOSSAN LABORATORY
KOSSAN INDUSTRIES SDN BHD

MS ISO/IEC 17025
TESTING
SAMM NO. 372

International Laboratory
Accreditation Cooperation

E-LAB TESTING AND RESEARCH CENTER
DOSHIN RUBBER PRODUCTS (M) SDN BHD

ENVIRONMENTAL MANAGEMENT SYSTEM

ISO 14001
Lloyd's Register Quality Assurance Limited
KOSSAN INDUSTRIES SDN BHD
HIBON CORPORATION SDN BHD

QUALITY MANAGEMENT SYSTEM

IATF 16949
AUTOMOTIVE
Lloyd's Register Quality Assurance Limited
HIBON CORPORATION SDN BHD

IATF 16949
SAI Global Certification Services Pty Ltd.
KOSSAN INDUSTRIES SDN BHD

AS/NZS ISO 9001
SAI Global Certification Services Pty Ltd.
KOSSAN INDUSTRIES SDN BHD
DOSHIN RUBBER PRODUCTS (M) SDN BHD
QUALITY PROFILE SDN BHD

BS EN 681: Pt.1
IKRAM QA Service Sdn Bhd
KOSSAN INDUSTRIES SDN BHD

ISO 9001
Lloyd's Register Quality Assurance Ltd.
HIBON CORPORATION SDN BHD

ISO 13485 & EN ISO 13485
BSI Assurance UK Limited
KOSSAN INTERNATIONAL SDN BHD
KOSSAN LATEX INDUSTRIES (M) SDN BHD
WEAR SAFE (MALAYSIA) SDN BHD
PERUSAHAAN GETAH ASAS SDN BHD
IDEAL QUALITY SDN BHD

ISO 9001
BSI Assurance UK Limited
KOSSAN INTERNATIONAL SDN BHD
KOSSAN LATEX INDUSTRIES (M) SDN BHD
WEAR SAFE (MALAYSIA) SDN BHD
PERUSAHAAN GETAH ASAS SDN BHD
IDEAL QUALITY SDN BHD

MS 2200-1
Jabatan Kemajuan Islam Malaysia (JAKIM)
KOSSAN INTERNATIONAL SDN BHD
WEAR SAFE (MALAYSIA) SDN BHD
PERUSAHAAN GETAH ASAS SDN BHD

HAS 23000
Majelis Ulama Indonesia (MUI)
KOSSAN INTERNATIONAL SDN BHD
WEAR SAFE (MALAYSIA) SDN BHD
PERUSAHAAN GETAH ASAS SDN BHD

EN 15129
Certificate of Constancy of Performance
SRAC Cert

EN 15129
Certificate of Constancy of Performance
TZUS Cert

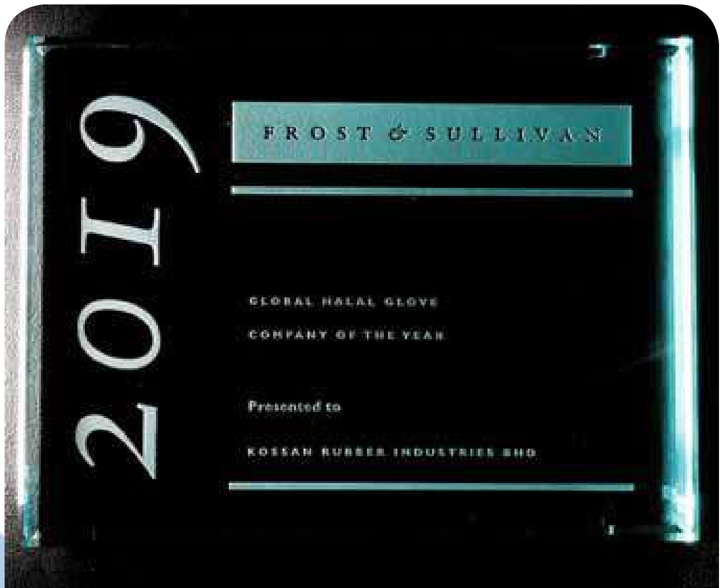
DOSHIN RUBBER PRODUCTS (M) SDN BHD

EC Certificate
BSI Group The Netherlands B.V.
Sterile Surgeons Natural Rubber and Polyisoprene Gloves
KOSSAN INTERNATIONAL SDN BHD
WEAR SAFE (MALAYSIA) SDN BHD

AWARDS LIST **2019**

Sin Chew Business Excellence Awards 2019:
Lifetime Excellence Achievement Award 2019

Asia's Best Employer Brand Awards 2019:
Best Employer Brand



2019 Frost & Sullivan Asia Pacific Best Practices
Awards: Global Halal Glove Company of the Year

CORPORATE VISION

To be the most respected global leader in the latex glove manufacturing industry.

CORPORATE MISSION

To be the most respected global leader, we need to be:

Operational and financial excellence through continuous technological advancement and innovation.

People-centric with focus on peoples' competencies development, team work, professionalism and welfare.

A good and responsible corporate citizen with effective policies to protect the earth and promote sustainability.

CORPORATE CORE VALUES


Inspired


Innovative


Caring


Honorable


Committed

40th

ANNUAL GENERAL MEETING OF KOSSAN RUBBER INDUSTRIES BERHAD

Broadcast Venue:
Training Centre Ownership Room,
2nd Floor, Kossan R&D Centre, PT 7836,
Jalan Haji Abdul Manan/ KU8,
Kawasan Perindustrian Meru Selatan,
41050 Klang, Selangor Darul Ehsan

Day and Date:
Friday, 10 July 2020

Time:
10.30 a.m.

TABLE OF CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

MOHAMED SHAFEII BIN ABDUL GAFFOOR
(Chairman / Independent Non-Executive Director)

TAN SRI DATO' LIM KUANG SIA
(Managing Director and Chief Executive Officer)

LIM LENG BUNG
(Executive Director)

TAN KONG CHANG
(Executive Director)

LIM SIAU TIAN
(Executive Director)

LIM SIAU HING
(Executive Director)

LIM OOI CHOW
(Executive Director)

LEE CHOO HOCK
(Independent Non-Executive Director)

HOH KIM HYAN
(Independent Non-Executive Director)

COMPANY SECRETARIES

Chia Ong Leong
(SSM P.C. No. 201908000832, MIA 4797)
Chia Yew Ngo
(SSM P.C. No. 202008000487, 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 PLT
Chartered Accountants
Level 10, KPMG Tower,
8, First Avenue, Bandar Utama,
47800 Petaling Jaya,
Selangor Darul Ehsan.

PRINCIPAL BANKERS

Ambank (M) Berhad
Bank Muamalat (Malaysia) Berhad
Cooperatieve Centrale Raiffeisen – Boerenleenbank B.A (Labuan Branch)
Hong Leong Bank Berhad
OCBC Bank (Malaysia) Berhad
Sumitomo Mitsui Banking Corporation Malaysia Berhad

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
11th Floor Menara Symphony,
No. 5, Jalan Prof. Khoo Kay Kim,
Seksyen 13,
46200 Petaling Jaya,
Selangor Darul Ehsan, Malaysia.
Tel : 03-7890 4700
Fax : 03-7890 4671

Website : www.boardroomlimited.com

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

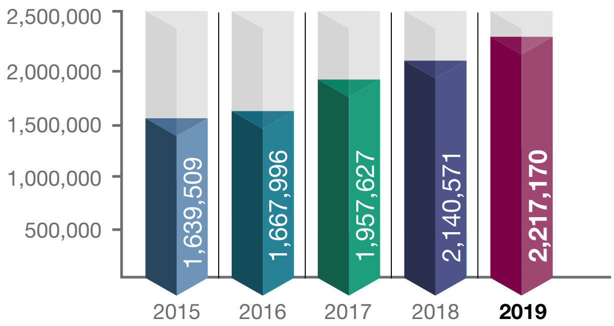
INVESTOR RELATIONS

Benjamin Wynn Lim
Tel : 03-3291 2657
Fax : 03-3291 2903
Email : bhlim@kossan.com.my

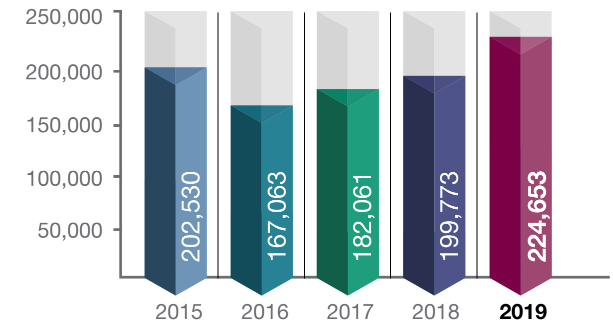
FINANCIAL HIGHLIGHTS

YEAR ENDED	31 DEC 19	31 DEC 18	31 DEC 17	31 DEC 16	31 DEC 15
FINANCIAL RESULTS (RM'000)					
Revenue	**2,217,170**	2,140,571	1,957,627	1,667,996	1,639,509
Profit before taxation	**276,372**	249,264	228,313	210,008	268,567
Profit attributable to equity holders of the Company	**224,653**	199,773	182,061	167,063	202,530
FINANCIAL POSITION (RM'000)					
Total borrowings	**565,234**	508,680	396,746	177,486	223,292
Total assets	**2,377,245**	2,148,227	1,865,064	1,551,904	1,476,295
Total cash and bank balances	**162,250**	146,315	210,382	109,847	168,383
Total net tangible assets	**1,419,364**	1,308,299	1,148,457	1,038,702	945,995
Share capital	**323,885**	323,885	323,885	319,734	319,734
Equity attributable to equity holders of the Company	**1,424,290**	1,314,864	1,155,022	1,045,267	950,921
FINANCIAL RATIOS					
Basic earnings per share (sen)	**17.57**	15.62	14.24	13.06	15.84
Net assets per share (RM)	**1.11**	1.03	0.90	0.82	0.74
Net gearing ratio (%)	**28.29**	27.56	16.14	6.47	5.77
Return on equity (%)	**15.77**	15.19	15.76	15.98	21.30
Return on assets (%)	**9.59**	9.52	9.88	11.02	13.98
Dividend per share (sen)	**6.00**	6.00	5.50	5.50	6.00

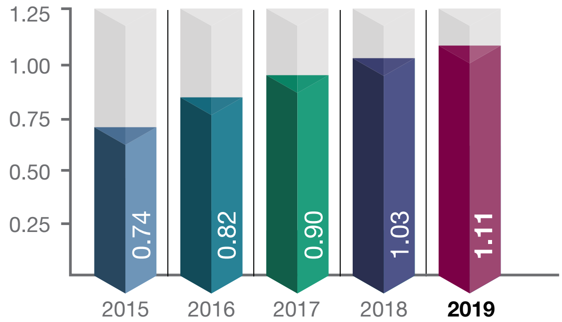
REVENUE (RM'MILLION)



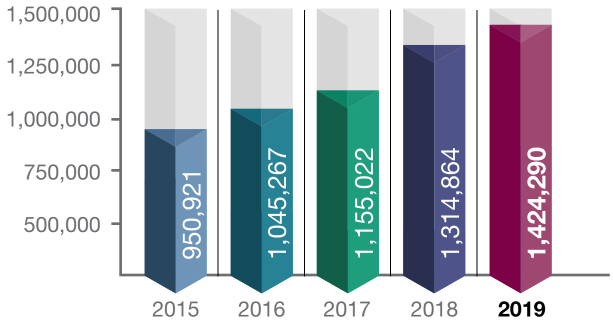
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS (RM MILLION)



NET ASSETS PER SHARE (RM)



EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS (RM'MILLION)



CHAIRMAN'S STATEMENT

Dear Valued Stakeholders,

On behalf of the Board of Directors, it is my pleasure to present to you the annual report and audited financial statements of Kossan Rubber Industries Bhd ("KOSSAN" or "Group") for the financial year ended 31 December 2019 ("FY2019").

MOHAMED SHAFEII BIN ABDUL GAFFOOR
CHAIRMAN

DOUBLE-DIGIT GROWTH DESPITE INDUSTRY-WIDE HEADWINDS

KOSSAN continues to grow from strength to strength. FY2019 was another year of achievement for the Group, delivering double-digit growth in profit before taxation. With this performance, the Group has delivered a record 24 years of unbroken profits since its listing.

As the glove industry continues to develop, I have witnessed first-hand the Group's transformation where structural changes have been implemented throughout the organisation, even as we balance our short-term priorities with our long-term goals. These initiatives have started to pay off, with marked improvements in our efficiency as well as performance, allowing us to be even more resilient in the face of rising costs and heightened competition.

BEYOND SUSTAINABILITY

Sustainability has always been central to KOSSAN's continued growth and success. The welfare of our people remains a foremost priority and we continue to focus our efforts in ensuring that employees are well taken care of. We are committed to comply with local and international labour standards and practices. With regards to CSR activities, Yayasan Kossan and Project Smile continue to carry out local communities' development which are focused on educational and social welfare. Though it is a work in progress, I am proud that we have made progress on all three economic, environmental and social ("EES") fronts. We will continue to strengthen our sustainability performance by monitoring our performance indicators, fostering close relationships with our stakeholders as well as incorporating sustainability principles across the Group. Updates on our on-going initiatives are further detailed in this year's Sustainability Report.

Chairman's Statement
(Cont'd)

TECHNOLOGY IN A RAPIDLY EVOLVING INDUSTRY

In an increasingly industrialised world, cutting-edge technology will play a key role in advanced manufacturing. The glove industry has seen rapid progress from being labour intensive in the past to adopting automation and robotics today. The fourth industrial revolution or Industry 4.0, the Internet of Things ("IoT"), Artificial Intelligence ("AI") and Industrial Automation will all be central to this development. To this end, KOSSAN has embraced automation and robotics in its manufacturing process. Furthermore, adoption of value-added processes such as digitalisation and integrated manufacturing technologies will allow for enhanced quality, efficiency and reduced dependence on manual labour, paving the way for increased productivity, creation of high-skilled talent pools, and increased innovation capabilities.

APPRECIATION

I would like to take this opportunity to extend my gratitude to the KOSSAN Board and management as well as all employees, for their determination and commitment that has resulted in an exceptional performance for the Group. Under their guidance and efforts, I am confident that we will continue to deliver sustainable shareholder value moving forward.

To all our valued shareholders, clients, partners, vendors and business associates, thank you for the continued support, trust and loyalty that you have given KOSSAN. I am grateful to our many stakeholders who have supported us over the years and we look forward to further strengthening our relationship with you in the future.

Mohamed Shafeii Bin Abdul Gaffoor
Chairman

MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

Dear Valued Shareholders,

For the financial year ended 31 December 2019 ("FY2019"), I am pleased to report that KOSSAN Rubber Industries Bhd ("KOSSAN" or "Group") has delivered another year of growth despite operating under challenging market conditions. The Group's profit before tax ("PBT") grew by 10.9% to a record of RM276.4 million on revenue of RM2.22 billion in FY2019. Shareholders' Funds increased to RM1.42 billion with a Return on Shareholders' Equity of 15.8% in FY2019.

TAN SRI DATO' LIM KUANG SIA
MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER

The improved performance is a result of our commitment to long-term, sustainable growth where we continued to invest for the future - accelerating the transformation within our organisation, empowering our people and reengineering our processes. With this performance, the Group has for the 24th consecutive year made good on its commitment to deliver enhanced shareholder value since its listing in 1996.

OPERATING ENVIRONMENT

Impacted by rising costs and heightened competition, Malaysia's glove export value decreased to RM17.4 billion in 2019 (2018: RM17.7 billion), even as shipments increased to an estimated 170 billion pieces (2018: 168 billion pieces) according to the Malaysian Rubber Glove Manufacturers Association ("MARGMA").

OPERATIONAL HIGHLIGHTS

Established in 1979, KOSSAN is today one of the largest manufacturers of natural rubber and nitrile gloves in the world. The Group continued to deliver on its objectives for the 2019 year, the highlights of which are as follows: -

- Completion of Plant 18 in November 2019. Plant 18, which has an annual capacity of 2.5 billion pieces, will focus on the production of nitrile gloves. This plant incorporates high-speed lines with a high-degree of automation to reduce the dependence on manual labour.

- Implementation of a new and enhanced Enterprise Resource Planning ("ERP") system with a planned roll out on a Group basis that will integrate and centralise administrative functions and increase management efficiency and control.

Managing Director's Management Discussion & Analysis *(Cont'd)*

FINANCIAL PERFORMANCE OVERVIEW

RM'000	FY2019	FY2018	Change	(%)
Revenue	2,217,170	2,140,571	76,599	3.58%
Operating Profit	287,690	264,351	23,339	8.83%
Profit Before Taxation	276,372	249,264	27,108	10.88%
Profit After Taxation	227,861	204,599	23,262	11.37%
Earnings Per Share (sen)	17.57	15.62	1.95	12.48%
PBT Margin	12.47%	11.64%	0.83%	7.13%
PAT Margin	10.28%	9.56%	0.72%	7.53%

For the financial year ended 31 December 2019, revenue increased to RM2.22 billion as compared with RM2.14 billion in 2018. Profit before tax increased to RM276.4 million as compared with RM249.3 million in the previous year mainly attributable to the improved performance in the Gloves division. Despite operating under higher raw material, energy and labour costs, PBT margins expanded to 12.5% from 11.6% as a result of efficiency gains and effective cost controls.

RM'000	FY2019	FY2018	Change	(%)
Cash and Bank Balances	162,250	146,315	15,935	10.89%
Total Assets	2,377,245	2,148,227	229,018	10.66%
Total Liabilities	926,234	805,853	120,381	14.94%
Total Bank Borrowings	565,234	508,680	56,554	11.12%
Shareholders' Fund	1,424,290	1,314,864	109,426	8.32%
Issued and Fully Paid Capital	323,885	323,885	-	0.00%
Return on Equity (%)	15.77	15.19	0.58	3.82%
Net Gearing Ratio (%)	28.29	27.56	0.73	2.65%
Net Asset per Share (sen)	111	103	8.00	7.77%

As a result of the Group's further investments to pursue its capacity expansion, total assets increased by 10.7% to RM2.38 billion from RM2.15 billion in 2018. Despite these capital expenditures, balance sheet remained robust and net gearing remaining manageable at 28.3%, with cash and bank balances of RM162.3 million as at 31 December 2019. Return on equity, which measures the ability to generate profits on shareholders' funds, increased to 15.8% from 15.2% in 2018, underscoring the Group's ability to further improve and maximise returns on its equity capital.

Managing Director's Management Discussion & Analysis *(Cont'd)*

REVIEW OF SEGMENTAL PERFORMANCE

KOSSAN's business segments are divided into Technical Rubber Products ("TRPs"), Gloves and Cleanroom Products. We have a total of twenty-two (22) plants: seventeen (17) for the production of gloves, four (4) for TRPs and one (1) for cleanroom products. With the exception of the plant for cleanroom products which is located in Dongguan, China, all our plants are located in Malaysia.

				Segmental Contribution %	
RM'000	**FY2019**	**FY2018**	**Change (%)**	**FY2019**	**FY2018**
REVENUE	2,217,170	2,140,571	3.58%		
- TRP	180,740	184,386	-1.98%	8.15%	8.61%
- Gloves	1,962,389	1,874,919	4.67%	88.51%	87.59%
- Cleanroom	74,041	80,975	-8.56%	3.34%	3.78%
- Others	-	291	-100.00%	0.00%	0.01%
OPERATING PROFIT	287,690	264,351	8.83%		
- TRP	27,372	27,896	-1.88%	9.51%	10.55%
- Gloves	266,078	240,551	10.61%	92.49%	91.00%
- Cleanroom	2,634	3,628	-27.40%	0.92%	1.37%
- Others	-8,394	-7,724	8.67%	-2.92%	-2.92%

Gloves Division

The Gloves division is the largest contributor to revenue and profitability. The revenue derived from the Gloves division for FY2019 was up 4.7% to RM1.96 billion from RM1.87 billion in 2018. Operating profit also grew to RM266.1 million, up 10.6% from RM240.6 million recorded in the previous year. The improved performance was mainly attributable to the growth in demand for the Group's glove products, with higher volume sold of 7.8% as compared with FY2018, as well as increased manufacturing efficiency and effective cost controls. The full year performance was achieved despite the decrease in average selling price of 5.4% as a result of heightened competition across the industry, the increase in average natural gas tariff rates of 3.3%, natural rubber prices of 5.1% and increase in wages compared to the previous year. In the period under review, nitrile prices declined by 10.5% while the US dollar appreciated by 2.7% against the Malaysian ringgit.

Our glove products are mainly exported to the developed markets of the US, Eurozone, and Asia Pacific. With the completion of the Group's latest Plant 18 in November 2019, KOSSAN's current installed capacity stands at 29 billion pieces per annum. The nitrile to natural rubber (NBR:NR) volume split is 79:21 for FY2019.

Technical Rubber Products ("TRPs") Division

The TRPs division is involved in the manufacturing and distribution of high technical-input rubber products, which are used in a wide array of industries, including infrastructure, automotive and industrial applications. The majority of the division's products are exported to the US, Eurozone and ASEAN countries.

The TRPs division is the second largest contributor to revenue and profitability. The revenue derived from the TRPs division for FY2019 decreased marginally by 2.0% to RM180.7 million from RM184.4 million in FY2018. Its operating profit was RM27.4 million, a marginal decrease of 1.9% from RM27.9 million recorded in the previous year.

Managing Director's Management Discussion & Analysis *(Cont'd)*

Cleanroom Products Division

The Cleanroom division is involved in the production of gloves, face-masks and wipes that are mainly used in the electrical and electronic industries. The Dongguan plant in China is not involved in glove manufacturing but undertakes secondary and value-added processes on the gloves produced in Malaysia by our Gloves Division.

The revenue derived from the Cleanroom division for FY2019 decreased to RM74.0 million from RM81.0 miilion last year, while operating profit decreased to RM2.6 million from RM3.6 million in FY2018.

REWARDING SHAREHOLDERS

KOSSAN is dedicated to delivering value to our shareholders through consistent dividend distributions. In line with our earnings performance, the Group has paid an interim dividend of 3.0 sen to date. The Board has declared second interim dividend of 3.0 sen for FY2019. This will bring total dividend per share to 6.0 sen which amounts to a total payout of RM76.7 million, representing a payout ratio of 34.2% for FY2019.

MOVING FORWARD

Operating Environment

The global economy, already showing signs of slowing as a result of the ongoing trade protectionism and geopolitical risks, has been further compounded by the devastating outbreak of the coronavirus disease 2019 ("COVID-19") that has brought the world to a standstill. The International Monetary Fund ("IMF") now forecasts a global recession in 2020, one that could be worse than the 2008-2009 global financial crisis, with a recovery only expected in 2021. The COVID-19 pandemic which is expected to have a significant impact on the world economy including markets where the Group operates, will have to be actively monitored and managed to minimise any potential impact to our operations.

Under such circumstances, however, the demand for protective gloves is expected to remain robust, with the Malaysian Rubber Glove Manufacturers Association ("MARGMA") projecting global glove demand to grow to 345 billion pieces in 2020 of which 65% is expected to come from Malaysia, with Thailand and China at 18% and 9% respectively. Malaysia is expected to export 225 billion pieces of gloves valued at RM 20 billion in 2020 compared with 170 billion pieces worth RM17.4 billion in the previous year.

Given the rising demand for personal protective equipment such as gloves as a result of improved healthcare services, production of rubber gloves has been on a steady rise over the years. Rubber gloves, whether made from natural rubber or nitrile, have become an indispensable part of the healthcare industry as the contamination and infection control device of choice. Increased healthcare standards in emerging economies, growing government expenditure on healthcare reform, increasing awareness of health-related issues and an aging population in the developed and emerging economies of Asia, Middle East, Africa and Russia will continue to drive the industry's expansion.

Rubber gloves' functional barrier properties and low absolute unit price has lent itself to a broad range of applications across industries and end-uses. Unsurprisingly, demand from the non-medical sector, such as for food and beverage, industrial applications, beauty as well as the household sector has also contributed to the rise in global glove consumption in recent years. Given KOSSAN's expansion plans and geographic reach, the Group is well prepared to capitalise from this sector's growing potential.

For the Technical Rubber Products division, the Group views this division as stable despite the cyclicality of infrastructure projects as well as the challenging environment for the automotive segment.

Managing Director's Management Discussion & Analysis *(Cont'd)*

Growth Pillars

a) Expansion Programme

As part of the Group's expansion programme, Plant 18 which has an installed capacity of 2.5 billion pieces was fully commissioned in November 2019. With the completion of the plant, the Group's production capacity stands at 29 billion pieces of gloves per annum.

To meet the continued growth in demand for our glove products, the Group has embarked on the construction for Plant 19 which will have an installed capacity of 3 billion pieces. With the progressive commissioning of Plant 19 and expected full completion by the 1st half of 2020, the Group's total installed capacity will then rise to 32 billion pieces of gloves per annum.

Thereafter, the next phase of the Group's expansion programme will be focused in Bidor, Perak. The Group expects the expansion, which is currently in the planning stage, to commence in 2020 and to take eight to ten years to complete. The expansion in Bidor is intended to accommodate the Group's expansion in a centralised location (i.e. an integrated glove manufacturing facility) over the medium and longer term.

b) R&D and Innovation

At KOSSAN, we have long recognised the importance of R&D and innovation to the Group's growth and evolution over the years. Along the way, the Group has achieved many world-firsts, including anti-Fentanyl permeation gloves (U.S. FDA 510 (k) approved), halal-certified Confidenz™ gloves and Low Derma™ Technology gloves (U.S. FDA low dermatitis potential claim), in-line with the Group's expanding investments into our innovation and R&D activities to bring cutting-edge, innovative features to our stakeholders. These innovations join a growing list of intellectual properties already held by KOSSAN to protect its products in the marketplace, reinforce brand presence and maintain market position.

c) Automation and Optimisation

Technology is a key enabler to our business growth in the long run. To remain relevant in the ever-evolving glove industry, KOSSAN is focused on embracing cutting-edge technology such as robotics, Industry 4.0 and the Internet of Things. Implementation of automation and robotics in our plants will allow us to improve quality consistency and productivity.

d) Market Expansion

Geographical reach and market expansion are critical to our growth strategy. As a leading manufacturer of disposable gloves, KOSSAN is the valued supplier to many of the pharmaceutical and healthcare multinationals in the developed countries in North America, Europe and Asia Pacific. In addition to the uncompromising quality of our products, the Group is focused on building strong customer relationships, reinforced by an excellent track record, competitive pricing, timely delivery and flexibility to meet our customers' specific requirements. The Group constantly explores new areas of application for our products, widening our product range and opening new markets. The ability to come up with innovative products as needed by the market has further strengthened our brand.

In Asia, China and ASEAN countries provide opportunities where the per capita consumption of gloves is still low compared to the US and Eurozone. Through government-mandated reforms and healthcare awareness, KOSSAN is well positioned to develop its competitive edge in these select markets.

Managing Director's Management Discussion & Analysis *(Cont'd)*

e) Human Capital Development

KOSSAN recognises the importance of human capital. As a progressive employer, our people's performance, commitment and loyalty to the job are critical in achieving the company's goals and objectives. Our focus is on cultivating an engaged and dedicated workforce by providing them with the right training and skills development, coupled with the right incentives, working environment and career advancement prospects. We have a dedicated Training Centre and continue to invest in employee training, developing in-house training and e-learning programmes to help keep our staff abreast of the latest industry trends and acquire the necessary skills to perform effectively. By building a strong human capital foundation, the Group believes that not only will it be able to attract the right talent, but more importantly to retain and develop its people for future success.

AWARDS & RECOGNITION

During the year, we have been recognised by many industry awards and accolades. These awards help set us apart from the competition and are a testament to our strengths and capabilities. The awards we received in 2019 are as follows: -

Date	Awards
15 August 2019	Asia's Best Employer Brand Awards 2019: Best Employer Brand
14 November 2019	2019 Frost & Sullivan Asia Pacific Best Practices Awards: Global Halal Glove Company of the Year

ACKNOWLEDGEMENTS

To the directors, management team and staff – thank you for your continued commitment that has led to the Group's record performance. With your dedication and contributions over the years, we have grown from a four-man operation in 1979, into a world-class manufacturer of disposable gloves and technical rubber products.

To our customers, associates, suppliers, bankers and shareholders, my appreciation for your unwavering support and trust, many of whom have been journeying with us since our founding.

As we look forward to a new financial year, we know that we have our work cut out for us. Nevertheless, with the support of all our stakeholders, I am confident KOSSAN will continue to deliver sustainable growth now, and far into the future.

Tan Sri Dato' Lim Kuang Sia
Managing Director and Chief Executive Officer

DIRECTORS' **PROFILE**

FRONT ROW (LEFT TO RIGHT);
Mohamed Shafeii Bin Abdul Gaffoor, Tan Sri Dato' Lim Kuang Sia and Hoh Kim Hyan

BACK ROW (LEFT TO RIGHT):
Lee Choo Hock, Lim Ooi Chow, Lim Leng Bung, Lim Siau Tian, Tan Kong Chang and Lim Siau Hing

DIRECTORS' PROFILE

TAN SRI DATO' LIM KUANG SIA

Aged 68, Malaysian, Male,
Non-Independent Executive Director

Tan Sri Dato' Lim Kuang Sia ("Tan Sri Lim"), was appointed as the Managing Director and Chief Executive Officer of Kossan on 22 February 2002. Tan Sri Lim, a founder director of Kossan, graduated with a Bachelor of Science (Chemistry) degree from Nanyang University in Singapore, a post-graduate Diploma in Chemical Engineering from University College, University of London and a Master in Chemical Engineering from Imperial College, University of London.Tan Sri Lim is a member of the Remuneration Committee.

Tan Sri Lim is the President of the Klang Chinese Chamber of Commerce and Industry ("KCCCI"), President of the Associated Chinese Chambers of Commerce of Industry of Coastal Selangor ("ACCCICS"), Deputy President of The Associated Chinese Chambers of Commerce and Industry of Malaysia ("ACCCIM"), Deputy President of the Malaysia Teochew Chamber of Commerce ("MTCC"), Honorary Life President of the Teochew Association Klang and Coast, and the Honorary Advisor to the Lim Association Klang and Coast. Tan Sri Lim is also the Deputy Chairman of Pin Hwa High School, Vice Chairman of both Kwang Hua Private High School and Hin Hua High School and the Chairman of Pulau Ketam Art Association.

Besides Kossan, Tan Sri Lim is the founder and a Trustee in Yayasan Kossan, a public company limited by guarantee.

Directors' Profile
(Cont'd)

LIM LENG BUNG

Aged 57, Malaysian, Male,
Non-Independent Executive Director

Mr. Lim Leng Bung ("LB Lim"), was appointed to the Board on 20 August 2014. He has more than 30 years of experience in Technical Rubber Products. He joined Kossan Rubber Industries Bhd in November 1983 as a trainee in the production shop floor and acquired extensive skills and experiences in the production of technical rubber products over the years. He was promoted to be the Production Planning and Control Manager in 1989. Currently, he is in overall charge of Kossan's Technical Rubber Products division.

Other than KOSSAN, Mr. LB Lim has no other directorship in any other public company. He sits on the boards of several private companies, including certain subsidiaries of Kossan.

TAN KONG CHANG

Aged 53, Malaysian, Male,
Non-Independent Executive Director

Mr. Tan Kong Chang, was appointed to the Board on 26 August 2013. Mr. Tan graduated with a Bachelor of Architecture degree from the University of Southwestern Louisiana, USA in 1992.

He was a Project Architect with DEG Akitek Sdn. Bhd. from 1992 to 1995 and Project Manager with KYM Holdings Berhad from 1996 to 1997. Since 1998 he was with Perusahaan Getah Asas Sdn. Bhd., a wholly owned subsidiary of Kossan, where he gained experiences in administration, human resource, research & development, costing, plant operations and quality control.

Other than KOSSAN, Mr. Tan has no other directorship in any other public company. He sits on the boards of several private companies including certain subsidiaries of Kossan.

Directors' Profile
(Cont'd)

LIM SIAU TIAN

Aged 47, Malaysian, Male,
Non-Independent Executive Director

Mr. Lim Siau Tian ("ST Lim"), was appointed to the Board on 26 August 2013. Mr. ST Lim graduated with a Bachelor of Marketing degree from the University of Central Oklahoma, USA in 1998.

After his graduation, he was involved in the trading of medical disposables in the USA from 1998 to 2003, culminating in his appointment as the Operation and Marketing Manager. He joined Kossan's Glove division in 2003 and was promoted to marketing general manager in 2008. He is currently the Senior General Manager of marketing of the gloves division.

Besides Kossan, Mr. ST Lim is a Trustee and also president of Yayasan Kossan, a public company limited by guarantee. He sits on the boards of several private companies, including certain subsidiaries of Kossan.

Mr. Lim Siau Hing ("SH Lim"), was appointed to the Board on 26 August 2013. Mr. SH Lim graduated with a Bachelor of Business Administration degree from the University of Central Oklahoma, USA in 1998.

Since his graduation, he has been with Kossan overseeing quality control, process engineering, marketing (local and export) and operations. Currently he oversees the Technical Rubber Products Division which includes Kossan Industries Sdn. Bhd., Doshin Rubber Products (M) Sdn. Bhd., Quality Profile Sdn. Bhd. and Hibon Corporation Sdn. Bhd..

Other than KOSSAN, Mr. SH Lim has no directorship in any other public company. He sits on the boards of certain subsidiaries of Kossan.

LIM SIAU HING

Aged 47, Malaysian, Male,
Non-Independent Executive Director

Directors' Profile
(Cont'd)

LIM OOI CHOW

Aged 37, Malaysian, Male,
Non-Independent Executive Director

Mr. Lim Ooi Chow ("OC Lim") was appointed to the Board on 26 August 2013. Mr. OC Lim graduated with a Bachelor of Computer Science degree from Monash University, Australia in 2005. He obtained his Master of International Business, also from Monash University in 2006. He is a member of the Risk Management Committee.

After his graduation, he gained working experience as a Computer Engineer in Australia. In 2007 he joined Kossan where he was involved in cost accounting, project management, information technology, production management and engineering processes.

Other than KOSSAN, Mr. OC Lim has no directorship in any other public company. He sits on the boards of certain subsidiaries of Kossan.

LEE CHOO HOCK

Aged 67, Malaysian, Male,
Independent Non-Executive Director

Mr. Lee Choo Hock, joined the Board on 26 August 2013 and is currently the Chairman of the Audit and Risk Management Committee and a member of the Nominating Committee. He is a Chartered Accountant with membership in the Malaysian Institute of Accountants and the Institute of Chartered Accountants in England and Wales.

Besides Kossan, Mr. Lee is an independent non-executive director of HSBC Bank (Malaysia) Berhad, a non-independent non-executive director of HSBC Amanah Berhad and a Trustee of Yayasan Kossan, a public company limited by guarantees. Mr. Lee also chairs the Audit Committee of HSBC Bank and is additionally a member of the Nomination Committee of HSBC Bank and a member of the Audit, Risk and Nomination Committee of HSBC Amanah.

Mr. Lee qualified as an accountant in 1980 and has experience in accounting and tax. He worked at Malayan Banking Berhad from 1983 until his retirement in 2008. His experience with Malayan Banking includes internal audit, information technology, branch supervision, retail banking, products development and market research, as well as treasury operations. He was the Head of Finance in Malayan Banking Berhad from 1997 until his retirement in 2008.

Directors' Profile
(Cont'd)

Madam Hoh Kim Hyan, joined the Board on 23 January 2017 and is currently a member of the Audit, Risk, Nominating and Remuneration Committees. She is a Chartered Accountant with membership in the Institute of Chartered Accountants in England and Wales.

Madam Hoh graduated with a Bachelor of Commerce from the University of Melbourne, Australia in 1978 and was admitted as a member of The Institute of Chartered Accountants in England and Wales in 1983.

She has experience in accounting, auditing, internal audit, administration, education and training. She was with KPMG Malaysia (1984-2000) and (2008-2010) and headed one of its audit departments. Her last position in KPMG was technical director. During her second stint at KPMG, she was a Director in the Professional Practice Department. From May 2000 to March 2002, she was the senior technical consultant at the Malaysian Accounting Standards Board where she assisted in the formulation of accounting standards for application in Malaysia.

Between July 2004 and June 2008, she taught at the University of Tunku Abdul Rahman and the University of Malaya.

She was the Operations Director at the Institute of Internal Auditors Malaysia between April 2011 to August 2012.

Madam Hoh was with The Malaysian Institute of Certified Public Accountants as its Senior Technical Manager from August 2012 to December 2019. Her main scope of work was to provide technical support to two of the Institute's Committees – the Accounting & Audit Technical Committee and the Financial Statements Review Committee.

Other than KOSSAN, Madam Hoh has no directorship in any other public company.

Directors' Profile
(Cont'd)

MOHAMED SHAFEII BIN ABDUL GAFFOOR

Aged 57, Malaysian, Male,
Independent Non-Executive Director

En. Mohamed Shafeii Bin Abdul Gaffoor ("En. Shafeii"), joined the Board on 23 January 2017 and is currently the Chairman of the Board, Nominating and Remuneration Committees as well as a member of the Audit Committee. He graduated with a Bachelor of Arts (Hons) degree from the University of Waterloo, Canada in 1986 and obtained the Master of Business Administration (Oil & Gas Management) from University of Dundee, United Kingdom in 1994.

En. Shafeii has experience in auditing, administration and consulting. He was an economist with Bank Negara Malaysia in 1986, an auditor with Ernst & Young between 1987 to 1990 and was with Shapadu Corporation Sdn. Bhd., a company involved in transportation, toll concession, oil and gas and investment, between 1991 to 1994. He joined Desa Pachi Consultancy Sdn. Bhd., a company that provides management and technical consulting services in 1995 as its Managing Director. While at the consulting company, he was seconded to Westmont Industries Bhd./Sabah Shipyard Sdn. Bhd. (1997 - 1999) and Ipco International Ltd (2000 - 2002) as their Managing Director and to Xian Leng Holdings Bhd. (1998 to 2008) as its Independent Director.

Besides Kossan, En. Shafeii is the Chief Executive Officer / Executive Director of Perak Corporation Bhd., a public listed company and a Trustee of the Nature Foundation, a public company limited by guarantee.

Notes:

The details of Directors' attendance at Board Meetings are set out in the Corporate Governance Overview Statement on page 42 of this Annual Report.

None of the Directors of the Company has family relationships with any Director and/or substantial shareholder with the exception of: -

- *Tan Sri Dato' Lim Kuang Sia and Mr. Lim Leng Bung are siblings.*
- *Mr. Lim Ooi Chow is the son of Tan Sri Dato' Lim Kuang Sia.*
- *Messrs Lim Siau Tian, Lim Siau Hing and Lim Ooi Chow are cousins.*
- *Messrs Lim Siau Tian and Lim Siau Hing are nephews of Tan Sri Dato' Lim Kuang Sia and Lim Leng Bung.*

Save as disclosed, none of the Directors have any conflict of interest with the Company and have any conviction for any offence within the past 5 years other than traffic offences, if any, nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

KEY SENIOR MANAGEMENT

Tan Sri Dato' Lim Kuang Sia
Managing Director and Group Chief Executive Officer

Please refer to Directors' Profile page 15.

Tan Kong Chang
Executive Director and Chief Operations Officer (Glove Division)

Please refer to Directors' Profile page 16.

Lim Siau Tian
Executive Director, Marketing

Please refer to Directors' Profile page 17.

Lim Siau Hing
Executive Director, Technical Rubber Products

Please refer to Directors' Profile page 17.

Dr. Or Tan Teng
Chief Operations Officer (TRP Division – Infrastructure)

Dr. Or (Malaysian, Aged 71, Male), holds a PhD in Seismic Engineering from University of Southampton (UK), Master of Science Degree in Mechanical and Design Engineering and Degree in Rubber Technology. He is a Fellow of the Plastic and Rubber Institute of Malaysia, Fellow of the Institute of Materials (UK) and Fellow and President of the Malaysian Earthquake Engineering and Technology Society ("MEETS").

Dr. Or is also an Industrial Engineering Consultant for University Tuanku Abdul Rahman (UTAR), University Technology Mara (UiTM), University Pertanian Malaysia (UPM), and First College University, Kuala Lumpur. He is the founding director of Doshin Rubber Products (M) Sdn Bhd, incorporated in 1984 and appointed director of Quality Profile Sdn Bhd in 2001, both subsidiaries of Kossan. He was designated in his present position in February 2017.

He does not hold any directorship in public companies or listed issuers.

Puan Sri Datin Chow Cheng Moey
Chief Financial Controller

Puan Sri Datin Chow (Malaysian, Aged 67, Female), holds a Bachelor of Science (Engineering) Degree. She joined Kossan in 1980 and has served in various capacities in the Group prior to her appointment in her present position in February 2017. She does not hold any directorship in public companies or listed issuers.

Puan Sri Datin Chow is the spouse of Tan Sri Dato' Lim Kuang Sia.

Teoh Hock Hean
Senior General Manager, Compliance and Governance

Mr. Teoh (Malaysia, Aged 62, Male), holds a Master in Business Administration Degree. He joined Kossan in 1989 and has held various positions in the Group prior to his appointment in his present position in February 2017. He does not hold any directorship in public companies or listed issuers.

Lee Hon Chee
Senior Group Accountant

Mr. Lee (Malaysian, Aged 58, Male), holds a Bachelor of Business Accounting Degree and is a Chartered Accountant with membership in the Malaysian Institute of Accountants. He joined Kossan in 1994 and has served in various capacities in the Group prior to his appointment in his present position in 2009. He does not hold any directorship in public companies or listed issuers.

Hans Peter Rohr
Senior Group Project Manager

Mr. Hans Peter (Swiss, Aged 67, Male) holds a Diploma in Precision Mechanic. He joined Kossan in 1997 and has served in various capacities in the Group. He was appointed in his present position in February 2017. He does not hold any directorship in public companies or listed issuers.

Key Senior Management *(Cont'd)*

Tan Eng Teck
General Manager, Business Development (TRP Division)

Mr. Tan (Malaysian, Aged 60, Male), holds an Honours Degree in Polymer Science. He joined Kossan in 1994 and has held various positions in Kossan prior to his appointment in his present position in 2003. He does not hold any directorship in public companies or listed issuers.

Lisa Wong Hoi Ping
Head, Corporate Human Resources

Ms. Lisa (Malaysian, Aged 46, Female), holds a Bachelor of Human Resource Management Degree, Bachelor of Science (Hons) in Biochemistry and Certificate in Human Resource Management. She joined Kossan on 14 January, 2020 in her present position. She does not hold any directorship in public companies or listed issuers.

Chan Yee Chong
General Manager, Group Legal Affairs

Mr. Chan (Malaysian, Aged 40, Male), holds a LLB (Hons) Malaya Degree and is a member of the Malaysian Bar. He joined Kossan in 2014 and was appointed in his present position on 1 February, 2018. He does not hold any directorship in public companies or listed issuers.

Tung Yong Fong
General Manager, Group Information Technology

Mr. Tung (Malaysian, Aged 44, Male), holds a Bachelor of Computer and Information Science Degree. He joined Kossan in 2015 as Head, Group Information Technology and was appointed in his present position on 1 August, 2019. He does not hold any directorship in public companies or listed issuers.

Heng Bong Kin
General Manager, ERP Lead (Manufacturing Division)

Mr. Heng (Malaysian, Aged 53, Male), holds a Bachelor of Engineering (Electrical / Electronic) (Hons) Degree. He joined Kossan in 2015 as General Manager, Operations and was appointed in his present position on 1 October, 2019. He does not hold any directorship in public companies or listed issuers.

Save as disclosed, the above key senior management members have no family relationship with any Director and/or major shareholder of Kossan, have no conflict of interests with Kossan, have not being convicted of any offences within the past five years and have no public sanction or penalty imposed by any relevant regulatory bodies during the financial year 2019.

The disclosure on the particulars of the key senior management is made in compliance pursuant to Appendix 9C of Bursa Malaysia Securities Main Market Listing Requirements.

SUSTAINABILITY STATEMENT

Sustainability has always been central to KOSSAN's development in its quest to achieve **Business Stability with Long Term Sustainable Growth**. Recognising the ever-changing landscape and the importance of sustainability on our business, our strategic approach is centred on the Economic, Environmental and Social ("EES") pillars. The three key EES themes within these pillars in which the Group is positioned to add value are: -

We believe that stakeholder engagement is crucial in addressing and managing sustainability matters. As such, we regularly engaged and considered the responses from various internal and external stakeholders and performed a thorough internal review and assessment on key sustainability matters, its risks and opportunities which represent significant focus areas of our Group's business and operations.

As part of our sustainability process, we will continue to strengthen our performance by monitoring our specific targets and key performance indicators, fostering close relationships with our stakeholders as well as embedding material sustainability principles across the Group.

The scope of this Statement covers the core business operations of the Group's Gloves and Technical Rubber Products ("TRP") business divisions domiciled in Malaysia. There is no change to the scope of our Sustainability Statement since the last reporting period.

I. SUSTAINABILITY GOVERNANCE STRUCTURE

The responsibility to promote and embed sustainability in KOSSAN's business strategy and operations rests on the Board of Directors. In reinforcing the governance structure, the Board had established a Sustainability Working Group ("SWG") Committee at the management level to oversee the incorporation of sustainability in the Group's businesses.

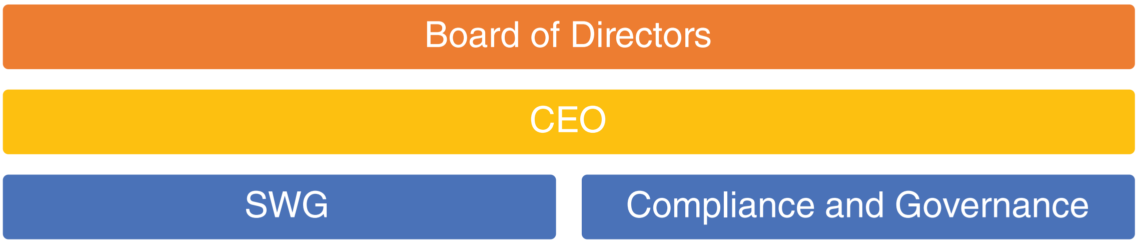
The SWG is represented by members from the Board and senior management from the Group's functional units as well as from the strategic business units.

The main roles and responsibilities of the SWG includes overseeing the following: -

- Stakeholder engagement process (e.g. identification of key stakeholders and engagement with stakeholders);
- Materiality assessment process (e.g. identification of sustainability risks relevant to the Group's business, risk/opportunity assessment on sustainability risks, and identification of material sustainability risks);
- Management of material sustainability matters identified; and
- Preparation of sustainability disclosures.

Sustainability Statement
(Cont'd)

The governance structure is illustrated as below:



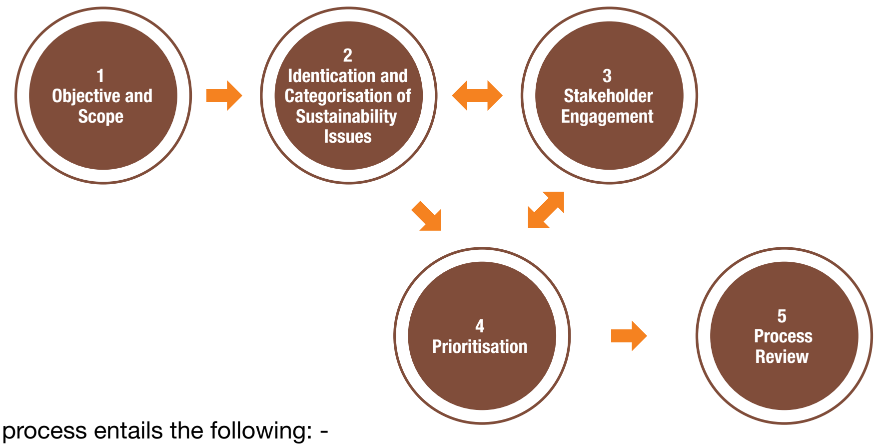
KOSSAN's aim is to ensure continuity of sustainability processes and practices throughout the organisation i.e. a governance structure that will enable the incorporation of responsibilities over sustainability in the day-to-day operations of the Group over the long-term.

In this regard, the SWG will continue to harness the Group's synergies and efficiencies of the current governance process that is already in place, taking into consideration the existing operations and risk management processes adopted by the Group. The Company may consider seeking external assurance in the future.

II. MATERIALITY ASSESSMENT PROCESS

The key to meeting our sustainability objectives is the focus on sustainability matters that are the most material to the Group. To this end, KOSSAN has adopted a materiality assessment process, which is guided by Bursa Malaysia's Sustainability Reporting Guide and Toolkits to identify what is deemed material to the Group's business.

Our materiality assessment process involves the five (5) phases as outlined below: -



This process entails the following: -

a. Key Sustainability Issues
b. Stakeholder Prioritisation
c. Stakeholder Engagement
d. Materiality Assessment

Sustainability Statement
(Cont'd)

The materiality assessment process employs a prioritisation approach, taking into consideration important sustainability issues from both internal and external perspectives i.e. those of KOSSAN as well as its key stakeholders. KOSSAN has therefore undertaken to engage with stakeholders to determine the important sustainability matters and to solicit their views and inputs. At the same time, the SWG has conducted an assessment on the importance of sustainability matters to the Group which: -

- Reflect the business' significant EES impacts; or
- Substantively influence the assessments and decisions of stakeholders.

Key Sustainability Issues

Before engaging with stakeholders to conduct an assessment, Kossan had identified a list of sustainability matters relating to EES factors that are deemed relevant to the Group's business. This process of streamlining the list of factors allows us to focus on the most material issues. In identifying the sustainability issues, Kossan has considered amongst others, the following:-

- The nature of KOSSAN's business;
- International and local laws and regulations;
- KOSSAN's understanding of its stakeholders' needs;
- Global and industrial trends;
- International sustainability reporting standards e.g. GRI Standards; and
- Peer reviews.

Stakeholder Prioritisation

To better understand the dynamics between KOSSAN and its stakeholder's, these stakeholders are categorised and assessed based on their influence on, and dependence on KOSSAN. Amongst others, these are assessed based on the financial, operational and reputational impacts. Stakeholder's which have significant influence over the impact on our business, as well as significant dependence on our business, are then engaged through various methods. The key stakeholder groups are outlined below:-

Stakeholder Groups	Stakeholders' Influence	Stakeholders' Dependence	Overall stakeholder priority rating	Ranking	Weightage assigned
Employees	2.8	2.7	5.5	3	37.50%
Suppliers/Business Partners	2.4	3.0	5.4	2	25.00%
Society/Local Communities	1.8	2.3	4.1	1	12.50%
Authorities/Government/ Regulators	2.8	1.3	4.1	1	12.50%
Customers	2.4	1.7	4.1	1	12.50%

Stakeholder Engagement

KOSSAN recognises the importance of its key stakeholders' views on sustainability matters, especially in the process of identifying what is deemed to be material to the Group. By gathering stakeholders' feedback, we are able to better understand their views and gain insights into the EES issues that matter most to them. Therefore, KOSSAN has undertaken to engage with some of its key stakeholders to solicit their views.

Sustainability Statement
(Cont'd)

The following table summarises some of Kossan's key stakeholders and how it has engaged with them:-

Key Stakeholder Groups	Engagement Method
Employees	Workshop discussions and survey forms
Suppliers/Business Partners	Survey forms
Authorities/Government/Regulators	Survey forms
Society/Local Community	Survey forms
Customers	Survey forms
Shareholders	Annual General Meetings, Roadshows/Conferences, Briefings

Materiality Assessment

From the Group's stakeholder engagement activities and materiality assessment, the following nine (9) main material sustainability matters were identified: -

1) Environmental Compliance
2) Human rights and equal opportunities
3) Technological innovation, automation and Intellectual Property ("IP") development
4) Ethical business and transparency
5) Occupational health and safety management
6) Business expansion
7) Human capital development and labour practices
8) Development of local communities
9) Stakeholder engagement

The material sustainability matters are grouped into the three (3) key EES themes which form the foundation of our approach to sustainability and discussed in the following manner:-

Key EES Themes	Sustainability Issues	Page
Sustainable Business Growth	Technological innovation, automation and IP development	27
	Ethical business and transparency	28
	Business expansion	28
Environmental Stewardship	Environmental compliance	29
Social Responsibility	Human rights and equal opportunities	30
	Occupational health and safety management	31
	Human capital development	32
	Local communities development	33
	Stakeholder engagement	37

As part of the materiality process, a process review is conducted to ensure the integrity and credibility of our materiality assessment. This ensures that the sustainability matters that are managed and reported remain material to the business and are aligned to stakeholders' needs. As far as possible, we have provided quantitative data to detail the performance of our sustainability narrative.

Sustainability Statement
(Cont'd)

III. MANAGING SUSTAINABILITY MATTERS

i) Sustainable Business Growth

As one of the largest manufacturers of disposable gloves in the world and one of the largest manufacturer of TRP in Malaysia, KOSSAN believes in long-term sustainable growth through the inclusion of EES factors into our business. This focus has led to steady growth over the years with KOSSAN playing a crucial role towards Malaysia's position as the world's leading producer of medical gloves with a projected 65% global market share in 2020 according to the Malaysian Rubber Glove Manufacturers Association ("MARGMA").

Technological Innovation, Automation and Intellectual Property ("IP") Development

To remain relevant in the ever-evolving glove industry, KOSSAN is focused on embracing cutting-edge technology such as robotics, Industry 4.0 and the Internet of Things. The Group recognises that automation in its plants are imperative to remain cost competitive and efficient and along with robotic implementations, the Group hopes to further mechanise the production processes to improve efficiency and product quality as well as reduce manual labour. With SCADA systems, data from the production floor can be gathered and tracked in real-time which allows the plants to act precisely to preserve productivity and quality conformity and optimise energy consumption throughout the glove production process. Recognising the importance of enhancing our manufacturing operation and process efficiencies, the Group is employing an Enterprise Resource Planning ("ERP") program which was introduced in 2018. Being that ERP solution has been awarded in the 3rd Quarter of 2019 subsequent to the achievement of internal Business Process Review's ("BPR") objectives, our internal and external professions are working restlessly towards the implementation of the system and targeting to complete stage one of the implementation in 2021.

Innovation and Research and Development ("R&D") have been central to KOSSAN's growth. In 2018, we launched the world's first U.S. FDA 510 (k) approved nitrile gloves with protection against accidental Fentanyl (a synthetic opioid drug) poisoning. Tested against injectable fentanyl solutions at the highest purchasable concentration allowed by US Drugs Enforcement Administration with no breakthrough up to 240 minutes per ASTM D6978, these gloves are in extra length to provide better protection during handling especially by first responders, paramedics, forensic pathologists and others who may have a high chance of contact exposure to these drugs. Coming in a dark color (Berryblack), these gloves provide high contrast for immediate visual detection upon contact with possibly deadly drugs. This achievement places KOSSAN at the forefront of a solution to meet the evolving needs of not just first-responders but also the entire ecosystem where fentanyl drug abuse has become a major concern, especially in the US.

This follows the launch in 2017 of the world's first Halal certified gloves certified by Jabatan Kemajuan Islam Malaysia ("JAKIM") under the brand name, Confidenz™, again demonstrating our innovativeness in meeting the stringent demands of the Halal industry. This was preceded by the launch of our patented Low Derma Technology gloves which were the first gloves in the world to be granted the U.S. Food and Drug Administration's low-dermatitis potential claim in 2016. The Intellectual Property ("IP") of the Low Derma gloves has been registered in numerous countries including the US, Japan and China, which are amongst the largest consumers of nitrile gloves in the world.

In-line with the expanding investments into our innovation and R&D activities to continuously bring cutting-edge features and technology benefitting our stakeholders, KOSSAN protects the fruits of technological break-through and brand development as well as any other intellectual properties of the company through patent, design, trademark, copyright and trade dress protection. We engage with professional IP agencies to work within well guided procedures in the process of acquiring, retaining, releasing and strategizing our IP portfolio to be in-line with our business strategy. Pre-searches and IP watch are part of the activities undertaken within our profiling and protection strategy against violation and infringement. Over time, the Group has obtained over 30 patents in relation to the glove manufacturing process and unique features. These innovations play an important role in the branding and differentiation of our products where names such as Confidenz™, iNtouch®, Low Derma™, Shirudo are recognised throughout the industry.

Sustainability Statement
(Cont'd)

Ethical Business and Transparency

Our commitment towards a culture of high ethics, integrity and transparency is upheld through the Kossan Code of Ethics and Conduct ("KCEC"). The KCEC outlines the general ethical standards that are applicable to all employees including directors which are in line with good corporate governance practices.

The Group has in place an Anti-Corruption Policy with a strict zero-tolerance policy towards corrupt practices. The Policy which prohibits any acts, either directly or indirectly, of inducing, soliciting, seeking, offering and receiving any and all sorts of benefits, incentives, commissions, gifts and advantages, either in cash or kind, in all business dealings with KOSSAN. For FY2019, the Group has had zero incidents of corruption reported across its reporting channels, including its whistle-blowing channel. We continue to increase efforts to ensure all staffs have received communication on the Group's anti-corruption practices and reporting channel through orientation, e-learning system and internal portal.

The Group's Whistle-Blowing Policy and Procedures along with the relevant safeguard mechanisms that have been established, provides an avenue for employees and the public to lodge complaints of corrupt practices or wrong-doings in confidence, and that employees or other persons making such reports will be treated fairly and protected from reprisals. For FY2019, the Group did not receive any formal complaints through the whistleblowing platform.

The KCEC, Anti-Corruption Policy and Whistle-Blowing Policy and Procedures can be found on our website at http://www.kossan.com.my/about-us/corp-governance.html. Additionally, in 2019, the Group's Legal department had conducted five workshops on the Group's Anti-Corruption Policy and Whistleblowing Policy and Procedures for 122 employees.

The supply chain which consists of both customers and suppliers are an equally important avenue for sustainability initiatives where we work collaboratively with our vendors and suppliers to conduct our businesses ethically in line with our corporate core values of integrity, respect and professionalism. Due diligence on business partners is conducted to ensure adherence to anti-corruption practices, which prohibits amongst others bribery and kickbacks. KOSSAN believes in equal opportunities and a level playing field in dealings with third-party contractors and suppliers, ensuring that our growth is inclusive.

Business Expansion

In 2019, the Group completed the construction of Plant 18, which has an installed capacity of 2.5 billion pieces of gloves per annum. This plant, which will focus on the production of nitrile gloves, incorporates high-speed dipping technology with a high-degree of automation to reduce the dependence on manpower.

Construction for Plant 19 which has an installed capacity of 3 billion pieces of nitrile gloves per annum, is well-underway and expected to be completed in 2020. Upon completion, KOSSAN's glove manufacturing capacity will increase to 32 billion pieces by FY2020, underpinning our near-term earnings and growth.

Thereafter, the next phase of the Group's expansion programme will be focused on Bidor, Perak. This expansion, which is currently in the planning stage, will take eight to ten years to complete, underpinning our growth in the medium to long-term.

Sustainability Statement
(Cont'd)

ii) Environmental Stewardship

KOSSAN recognizes that its actions have a significant impact on the environment and supports pollution prevention and environmental protection in all its business operations. The Group has long taken environmental stewardship in its stride as an integral part of its strategy towards sustainability.

Environmental Compliance

Environmental protection measures and considerations have long been embedded in our Company's manufacturing processes and day-to-day operations. We apply an Environmental Management System Framework across all our plants to ensure standardised and systematic workflows. Under the TRP division, two of our plants are ISO 14001:2015 certified, the core set of internationally recognised standards that provides practical tools for companies and organizations of all kinds looking to manage their environmental responsibilities.

At KOSSAN, we strive to reduce the environmental impact from our operations. We have established an Environmental Working Group ("EWG") in 2019 with the involvement of competent persons from all plants and key management personnel. The EWG ensures environmental risks and opportunities are considered at the highest level of KOSSAN and has the responsibility to explore strategic initiatives and policies related to eco-efficiency. The gloves and technical rubber manufacturing processes involve the generation of both liquid (effluent) and solid wastes. The EWG looks into matters including the impact from the resources consumed, waste water treatment and disposal of scheduled waste in order to provide environmental management advice. Under the guidance of our Environmental Policy, competent persons from each respective plant strictly monitors the plants' environmental indicators and ensures standards are followed.

We comply with the Malaysian Department of Environment's ("DOE") requirements and have maintained a Standard B rating for effluent discharge through our wastewater treatment plants. We employ an online monitoring system which enables us to keep track of effluent discharge parameters, with weekly sampling of the discharge by external accredited laboratories and monthly performance submissions to the DOE. We also employ an online scheduled waste information system that is updated after every scheduled waste disposal by licensed waste collectors for either proper disposal or recycling. We regularly conduct trainings and retain competent persons to handle the treatment systems and scheduled wastes.

Energy management is vital not just in increasing operational efficiency but also in reducing carbon and GHG emissions. In terms of natural gas, we undertake various initiatives and constantly look for potential energy-saving measures such as optimal manufacturing line operations and temperature, heat recovery and recycling, heat loss reduction and heat conservation. As part of our energy saving project, we have installed solar panels in Plant 19 foreseeing it to generate 315.58 kWh per million gloves and the installation was completed in December 2019. Moving forward, more solar panels will be installed in other glove manufacturing plants.

Installation of solar panels in Plant 19 focusing on sustainable, clean and renewable energy.

iii) Social Responsibility

At KOSSAN, we believe that being socially responsible is the hallmark of an enduring company and that profitability is not the only measure of performance. We have long realised that our success is closely linked to the well-being of the communities in which we operate and we strive to strike a balance between financial performance and fulfilling our social responsibilities.

Human Rights and Equal Opportunities

(a) Minimum Wages

KOSSAN has always been complying with the statutory monthly minimum wages as provided by the National Labour Regulation.

(b) Child Labour

KOSSAN prohibits the employment of child labour under any circumstances. The Children and Young Persons (Employment) (Amendment) Act 2010 defines a "child" as any person who has not completed his 15th year of age; and "Young Person" as any person who, not being a child, has not completed his 18th year of age. Our employees meet the minimum age requirement as stipulated under this Act. The minimum age for employment at KOSSAN is 18-year-old.

(c) Labour Practices

Our focus is on ensuring fair, safe and healthy working conditions for all our workers. KOSSAN is committed to thorough compliance with employment laws and regulation, best practices and stakeholder requirements. In meeting our workforce requirements, we identify, perform due diligence, qualify and monitor all labour recruiters who are required to sign and adhere to our Recruitment Agency Code of Conduct.

Our migrant workers freely hold their own passports, have unrestricted freedom of movement, during working or non-working hours and are free to resign at any time without any penalty.

We have implemented a Zero-Cost Recruitment Policy to ensure that our foreign workers pay none of the costs associated with their recruitment process. All recruitment fees and costs associated with, passports, documentation, approvals, medical check-ups, and travelling are fully borne by KOSSAN. Prospective workers are briefed about our zero-cost recruitment policy and social compliance practices during recruitment interviews in the source country and informed directly that they do not have to pay any recruitment fees to join KOSSAN. At multiple checkpoints including recruitment interviews, pre-departure, post arrival and 6-month post arrival at KOSSAN, workers are interviewed to determine if they have paid any fees to ensure that they are not charged by recruitment agents. If workers are found to have paid any fees after investigations, we will remediate the workers accordingly and follow our recruitment qualification system to review and revoke, as required, the recruiter's qualification. We do not condone unethical recruitment practices in meeting our manpower needs, and will not hesitate to sever ties with unscrupulous agencies that exploit our workers.

Even though our zero-cost recruitment policy is a significant step towards upholding the rights of our foreign workers, we are mindful that this is a continuous process that requires collaboration and support from various stakeholders, including governments and NGOs. To this end, KOSSAN maintains a Supplier (B) membership in SEDEX and we have undergone, and will continue to undergo, social compliance audits in our manufacturing plants to meet our environmental, social, ethical and governance obligations, per their SEDEX Member Ethical Trade Audit ("SMETA") program.

We have put in place a grievance mechanism to provide avenues for reporting of any misconduct or non-compliance, issues with employment conditions or job responsibilities and other matters related to their work environment with the guarantee of confidentiality. With easy access to grievance channels, we are able to investigate and take appropriate action quickly in cases of alleged abuses.

Sustainability Statement
(Cont'd)

(d) Promoting Workplace Diversity and Non-Discrimination

KOSSAN is committed to providing Equal Employment Opportunity ("EEO") and fair terms of employment mutually agreed between the company and employee, through fair compensation, development and advancement opportunities for all qualified individuals, and prohibiting any form of discrimination based on race, religion, gender, age, sexual orientation, disabilities, and nationality. The policy of non-discrimination is embedded in our KCEC and it is accessible by all employees. In our effort to create a culture of inclusiveness, we believe that a diverse workplace also goes a long way towards improving employee satisfaction and retention. The tables below outline the diversity of our workforce:-

Domestic worker's by gender: -

	2018	2019
Female	741	1,151
Male	1,151	1,810
Total	**1,892**	**2,961**

Domestic worker's by age: -

	2018	2019
18-30	798	1,674
31-40	573	711
41-50	359	423
51-60	129	126
Above 60	33	27
Total	**1,892**	**2,961**

Occupational Health and Safety Management

KOSSAN's operations have always taken into account the welfare and safety of our people. The Group takes a proactive approach towards mitigating occupational hazards and risks, ensuring employees operate in a secure environment at all times. We are committed to comply with the relevant laws and regulations prescribed by the Department of Occupational Safety and Health ("DOSH") in our manufacturing plants and seek to continuously improve the occupational safety and health of our employees.

KOSSAN has a dedicated Safety Department reporting directly to the respective Executive Director to ensure compliance and a safe working environment. Our Safety Department continually reviews the system that is in place, and if necessary, new measures are introduced to improve safe and hygienic working conditions and minimise workplace accidents. KOSSAN has also established a Work Safety Committee that has been tasked to improve safety and hygiene conditions on the production floor and premises. We have stationed volunteer Emergency Response Teams ("ERT") on-site in our factories and facilities.

KOSSAN conducts a yearly "Safety & Health Month" campaign in November 2019, aimed at cultivating a safer and healthier working culture amongst workers. Additionally, we conducted emergency and fire drills, first aid, firefighting, HAZMAT, chemical, forklift and reach and ERT trainings to instil a safety-first working environment.

In 2019, KOSSAN maintained its zero fatality record across its entire operations.

Sustainability Statement
(Cont'd)

Human Capital Development

The heart of KOSSAN is its people. Our employees' performance, commitment and loyalty to the job are critical in achieving the company's long-term vision and objectives. By providing the right incentives, working environment and career development prospects, we cultivate an engaged and dedicated workforce. By building a strong human capital foundation, we believe that not only will we be able to attract the right people, but more importantly to retain and develop exceptional talent.

KOSSAN's corporate culture and values are built upon the foundation of our business philosophy. We believe in building long-term business relationships that always result in a win-win outcome among colleagues, customers, suppliers and partners. To instil KOSSAN's 5 Core Values of Caring, Inspired, Committed, Innovative and Honourable amongst employees, the Group's Learning and Development department had conducted briefings on a Group-wide basis to 1,439 employees since the inception of the programme in November 2018.

As recognition of our human capital achievements and development, KOSSAN was once again awarded with the **Asia's Best Employer Brand Awards 2019: Best Employer Brand** by the Employer Branding Institute.

- **Training and Development**

  Kossan's training and development initiatives are designed to build employees' knowledge, skillsets and competencies, allowing them to excel in their work and meet challenges head-on. In addition to upskilling our employees in their respective technical, functional and soft skills, we strengthen our leadership by developing talents for key management positions moving forward.

  In 2019, total training hours has increased to 42,471 hours from 18,825 hours in 2018, an increase of 126%. Average training hours per employee was 16.5 hours in 2019 compared with 9.95 hours in 2018.

- **Technical and vocational education and training ("TVET")**

  Recognising the country's focus on TVET to drive the nation's economy, KOSSAN has been actively recruiting TVET talents who have contributed positively to our organisation, filling the gap for skilled workers, while providing them a platform for growth and learning opportunities. Our vision is for these TVET talents to fill the void for high-value skilled workers in our Malaysian factories who will be instrumental in advancing our expansion plans.

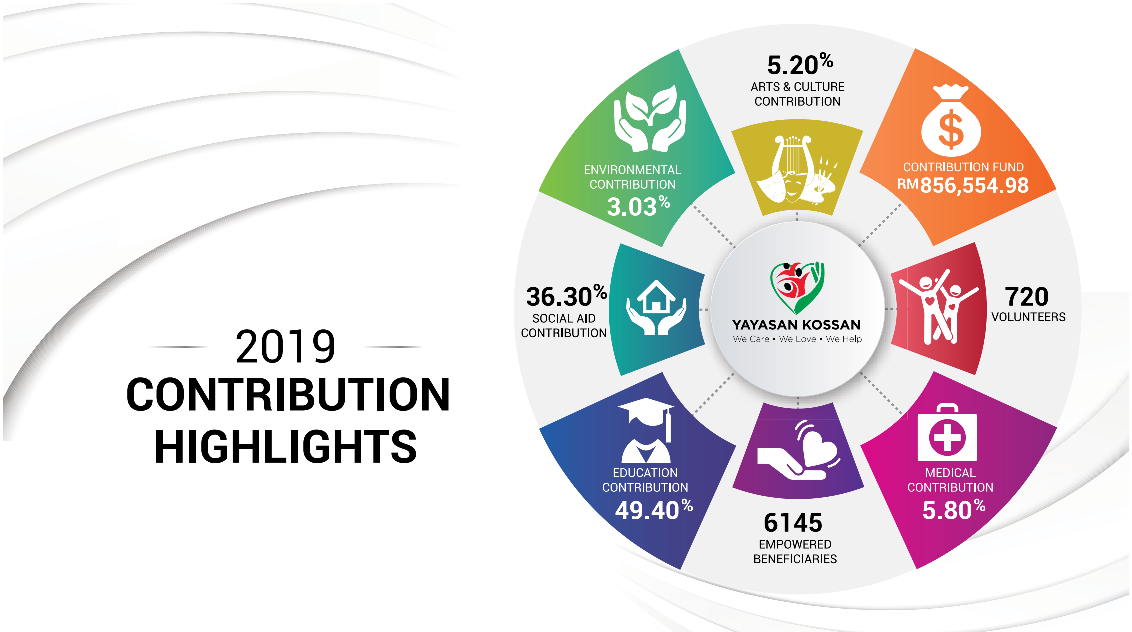
Sustainability Statement
(Cont'd)

Local Communities Development

(a) Yayasan Kossan ("YK")

YK was established in December 2015 to create a foundation for those in need. YK's objective is to fund and support activities for education and social welfare covering medical and health, environment, arts and culture in Malaysia. The priority is to provide direct aid to the needy or the underprivileged within our community.

In 2019, 6145 individuals benefited directly through these social initiatives, with total expenditure for YK's activities amounting to RM860,000.00.



Some of the highlights in 2019 include "YK Health & Safety Carnival 2019", "School Sponsorship Program", "YK Deepavali Giveaway 2019", "YK Hari Raya Giveaway 2019", "YK Kids Get Ready to School", and "Jom Breakfast!" to benefit local schools and underprivileged school-going children around Klang, Selangor.

Jom Breakfast! Free breakfasts to the students of SK Rantau Panjang, SK Sungai Binjai and SK Taman Klang Utama.

Sustainability Statement
(Cont'd)

Free health checks, including eye screening, BMI measurement and overall medical assessment during the Health and Safety Carnival 2019.

Blood donation campaign with free health talks on dengue fever during the Health and Safety Carnival 2019.

Giveaway of new clothing and cookies for children of SJKT Ladang North Hummock as part of the Festival of Lights celebration.

Kids Get Ready to School! Donation of school essentials to children of SK Sungai Binjai

Sustainability Statement
(Cont'd)

(b) Project Smile

Project Smile is initiated with the aim to develop and maintain good relationships between our internal and external community, particularly with the younger generation and to develop future leaders. Like many of our social activities, participation from KOSSAN's employees continue to be overwhelmingly positive. The theme for 2019 was **"Nature Warriors"** and details of the activities are as follows: -

i) ***Green Warriors*** to the Rescue!

In April 2019, Kossan volunteers conducted a site visit at Tzu-Chi Meru Recycling and Education Centre. The event was to cultivate the value of recycling, learning to segregate recyclable items. Items that are in good condition or reusable will be sold at low prices to the public and by doing so, the centre can support the poor community while reducing the amount of solid waste to the environment.

Tzu-Chi volunteers educating our volunteers on how to segregate recyclable items properly.

ii) ***Water Warriors***, Protecting the Ocean!

In July 2019, a trip to Tioman Island was held to help clean the beach as well as fund coral replanting activities to preserve life in the ocean. Further, Kossan donated a total of five coral plates, which were used to rescue and replant corals, to the coral sanctuary. The event had reflected our volunteers' passion for the environment, particularly, in restoring the beauty of the Tioman ocean.

A collaboration with Berjaya Tioman Resort to clean the beach at Tioman Island.

Sustainability Statement
(Cont'd)

iii) ***Tree Warriors***, Contributing Towards Free Trees

In November 2019, Kossan volunteers went to Taman Tugu for tree planting for the Free Tree Society ("FTS") at Kuala Lumpur. FTS is an environmental organisation that spreads the environmental stewardship message through giving away trees for free. The event was centred around raising awareness as well as empowering people to preserve, conserve and save the environment.

Tree planting workshop on plant propagation techniques was provided to our volunteers.

iv) The Gift of ***Love, Peace and Happiness***

In December 2019, Kossan volunteers visited SJK (C) Peng Ming to celebrate Christmas with the children. As part of our Green Warrior campaign, our volunteers took the opportunity to share some recycling awareness with the students. Colouring and handcraft competitions were prepared for the students and our volunteers guided and educated the students to work together as a team to complete the challenge. Everyone contributed their best ideas and efforts to create the most outstanding Christmas village by using recycled items, such as paper rolls and cardboards.

Spreading Christmas joy to the children of SJK (C) Peng Ming.

Sustainability Statement
(Cont'd)

(c) Internship and Scholarship Programmes

KOSSAN's internship programme was established to allow students from diploma to post-graduate levels in both technical and non-technical disciplines to receive on-the-job training. Upon completion of the programme, exceptional and deserving candidates were offered job opportunities within the Group. These interns were placed in the Group's different business units across various verticals. In 2019, there were 58 internships as compared with 47 in 2018.

Yayasan Kossan provided a funding of RM100,000 for the education scholarship for University of Malaya students

KOSSAN also offers scholarships and educational support to eligible students in need of financial assistance to enable them to continue with their studies. Under YK's scholarship programme, education aid of between RM15,000 to RM25,000 per year are given to deserving individuals to pursue their education in public or private universities.

Stakeholder Engagement

Guided by the Investor Relations Framework ("IR Framework") which was established in 2017, KOSSAN actively engages stakeholders in a structured manner through regular updates to the investment community on its business and operations, adhering to principles of transparency and accountability. In this regard, the Group MD/CEO serves as the primary spokesperson for the dissemination of business and financial related information, assisted by an Investor Relations officer.

Shareholders including institutional funds get the opportunity to meet the Group MD/CEO at the company's annual general meetings and through dialogues at investment conferences held locally and overseas. Interviews and briefings are also organised regularly to keep the media and investment analysts abreast of developments at KOSSAN. In 2019, KOSSAN hosted two investor briefings in July and December, led by the Group MD/CEO with directors and the senior management team present.

Other stakeholder engagements were also conducted in 2019, including industry associations such as Malaysian Rubber Export Promotion Council ("MREPC"), MARGMA, Fire and Police departments, local authorities and agencies.

Our corporate website, www.kossan.com.my, provides up-to-date information on our business activities, Bursa announcements, financial information, financial calendar as well as our annual and quarterly reports. This serves as part of our commitment to provide current and accurate information to all our stakeholders as well as the public at large. education aid of between RM15,000 to RM25,000 per year are given to deserving individuals to pursue their education in public or private universities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Kossan Rubber Industries Bhd ("Kossan" or "the Company") is committed and will continue to endeavor to comply with the principles and practices set out in the Malaysian Code on Corporate Governance 2017 ("MCCG"). The Board will regularly review and maintain all identifiable means to ensure the Company's corporate governance standards meet the high standards including accountability and transparency of the MCCG. This practice will assure continuous and sustainable growth of the Group for the interest of shareholders and other stakeholders.

The Board is pleased to present this statement, prepared in compliance with Bursa Malaysia Securities Main Market Listing Requirement ("MMLR") which outlined how the Company and its subsidiaries ("Group") had applied the principles and best practices of the MCCG, that were in place throughout the financial year ended 31 December 2019. The detailed application for each practice as set out in the MCCG is disclosed in the Corporate Governance Report ("CG Report") which is available on Kossan's website: www.kossan.com.my.

PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS

I – BOARD RESPONSIBILITIES

1. Board Leadership

1.1 Roles and Responsibilities of the Board

All Directors should objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Group. Every Director is required to keep abreast of his responsibilities as a Director and of the conduct, business activities and development of the Group.

The key responsibilities of the Board, as stated in the Board Charter, include among others:

(a) Promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behavior;

(b) Review, challenge and decide on management's proposals for the Group, and monitor its implementation by management;

(c) Review and approve strategic initiatives of the Group supporting long-term value creation including strategies on economic, environmental and social considerations underpinning sustainability;

(d) Supervise and assess management performance to ensure the business is being properly managed;

(e) Understand the principal risks of the Company's businesses and recognize that business decisions involve the taking of appropriate risks;

(f) Set the risk appetite within which the Board expects management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;

(g) Ensure that senior management has the necessary skills, expertise and experience, and that measures are in place to provide for the orderly succession and replacement of senior management;

(h) Ensure that the Company has in place procedures to enable effective communication with stakeholders; and

(i) Review the adequacy and integrity of the Group's financial and non-financial reporting.

Corporate Governance Overview Statement
(Cont'd)

1.2 Chairman

The Chairman, Mohamed Shafeii Bin Abdul Gaffoor, an independent non-executive director, is primarily responsible for matters pertaining to the Board and the overall conduct of the Group. The Chairman is committed to good corporate governance practice and has been leading the Board towards high performing culture.

1.3 Chairman and Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer are held by two (2) different individuals with distinct and separate roles and clear division of responsibilities. This will ensure balance of power and authority and that no one individual has unfettered powers on decision making.

1.4 Qualified and competent Company Secretary

The Board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

The Company Secretary through the Chairman plays an important role in good governance by helping the Board and its Committees to function effectively and in accordance with their terms of reference and best practices.

The roles and responsibilities of the Company Secretary include, but are not limited to the following:

(a) Manage all Board and Committee meeting logistics, attend and record minutes of all Board and Committee meetings and facilitate Board communications;

(b) Advise the Board on its roles and responsibilities;

(c) Facilitate the orientation of new Directors and assist in Director training and development;

(d) Advise the Board on corporate disclosures and compliance with company and securities regulations and listing requirements;

(e) Manage processes pertaining to the annual shareholders' meeting;

(f) Monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectation; and

(g) Serve as a focal point for stakeholders' communication and engagement on corporate governance issues.

The Qualified Company Secretary possesses the knowledge and experience to carry out his functions. These include knowledge in company and securities law, finance, governance, company secretaryship and other areas of compliance such as the listing requirements. The Company Secretary undertakes continuous professional development.

1.5 Supply of Information

All Directors have unrestricted and timely access to all information concerning the Company and the Group's business for the discharge of their responsibilities. The Board papers and reports are distributed to the Directors in sufficient time prior to meetings to enable them to seek clarification and/or explanation, where necessary, to expedite the decision making process.

All Directors have access to the advice and services of the Company Secretary and senior management staff in the Group.

Corporate Governance Overview Statement
(Cont'd)

2. Demarcation of Responsibilities

2.1 Board Charter

The Board Charter clearly establish the functions, governance structure authority and terms of reference of the Board, Board Committees and Management. It provides a reference to the Board and Management on the functions of the Board.

The Charter adopted in 2014 was last reviewed in 2019 to ensure consistency with the Board's objectives and prevailing legislations and practices.

3. Business Conduct and Corporate Culture

3.1 Kossan Code of Ethics and Conduct ("KCEC")

The Board adopted the Code of Ethics and Conducts for Directors to enhance corporate governance and promote ethical conduct. This KCEC also covers all employees to ensure professional and ethical conduct are maintained at all time in the discharge of their duties and responsibilities.

The KCEC's key areas include: compliance with national laws and regulations, conflict of interest, anti-corruption policy, employment policy and guidelines (discrimination and harassment, compliance with employment laws and regulations, non-compete policy, work place violence, illegal drugs and alcohols policy, intellectual property, occupational health, safety and environment, dress code and public communications), business record accuracy and integrity, financial reporting, maintenance of records, relationships with auditors and use of Company resources.

The KCEC is extensive but not exhaustive and the Group expects its employees to exercise good judgement in their decision making in order to adhere to the highest ethical standards. The KCEC is reviewed periodically.

The KCEC is published on Kossan's website: www.kossan.com.my.

3.2 Whistleblowing

The Board established a Whistleblowing Policy and Procedures that provides an avenue for its employees and the general public to raise concern about malpractice or improper conduct and explains how the Company responds to it.

The policy provides assurance that employees and third parties' identities will be kept confidential and that whistleblowers will not risk retaliation, harassment or victimization provided that they act in good faith in their reporting.

II - BOARD COMPOSITION

4. Board's objectivity

4.1 Composition of the Board

The Board currently has nine (9) members, comprising six (6) executive directors and three (3) independent non-executive directors.

The Directors, with their different backgrounds, specialisations, qualifications and experiences, bring with them a wide range of knowledge and expertise, for the effective management of the Group's diversified businesses. Their qualifications and experiences are set out in the Directors' Profile on pages 14 to 20 of the 2019 Annual Report.

Corporate Governance Overview Statement
(Cont'd)

4.2 Independent Directors

The Board recognises the importance and contributions of its Independent Non-Executive Directors ("INED"). They provide objectivity, impartiality and independent judgement to the Board and ensure adequate check and balance in Board's decisions. Their presence provides unbiased and independent views, advice and opinion to safeguard the interest of minority shareholders.

4.3 Policy on Tenure of Independent Non-Executive Directors

The Board limits the tenure of independent non-executive directors to nine (9) years. None of the INEDs' tenure exceeded nine (9) years. Any extension of an INED's tenure to twelve (12) years requires the approval of shareholders in general meeting while an extension beyond the twelfth (12th) year requires a 2 tier voting by shareholders at general meeting.

4.4 Board and Senior Management

The appointment of the Board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender. For further information, please refer to Directors' Profile and Key Senior Management in the 2019 Annual Report.

4.5 Gender Diversity

Currently the Board has a single woman representation. The Board acknowledges the importance of having more women representation on the Board and through the Nominating Committee will strive to meet the objective of the practice of the MCCG.

4.6 Appointment of New Directors

The appointment of candidates as directors of the Company will be sourced from unrelated third parties. The shortlisted candidates, unknown to existing Board members, will be interviewed by the Nominating Committee prior to presentation to the Board for endorsement.

4.7 Nominating Committee

The Nominating Committee ("NC") of the Company as at 31 December 2019 comprises exclusively of Independent Non-Executive Directors as follows:

Mohamed Shafeii Bin Abdul Gaffoor	- Chairman
Lee Choo Hock	- Member
Hoh Kim Hyan	- Member

The NC meets as and when required but at least once a year. The NC met once in the financial year ended 31 December 2019. The terms of reference of the NC is set out in Kossan's website: www.kossan.com.my.

The NC's responsibilities include, amongst others, reviewing the Board composition and making recommendations to the Board for appointment of new directors (including gender consideration) by evaluating and assessing the suitability of candidate for Board/ Committee membership. Factors taken into consideration will include age, the required mix of skills, knowledge, independence, expertise, experience, professionalism, capabilities, integrity and time commitments. Suitable candidates were not solely through the recommendations of the existing board members, management and major shareholders.

Corporate Governance Overview Statement *(Cont'd)*

The NC also assesses on an annual basis the effectiveness of the Board as a whole, the Board Committees and the individual contributions and independence of each Independent Director. All assessments and evaluations carried out are properly documented. Activities carried out in 2019 include:

- reviewed the performance of Board and individual director;
- discussed succession planning; and
- recommended re-election of retiring directors.

5. Overall Board Effectiveness

5.1 Annual evaluation

For the financial year ended 31 December 2019, the Board was satisfied that the Board and the Board Committees had discharged their duties and responsibilities effectively. The Board was also satisfied that the Board composition, in term of size, mix of executive, non-executive and independent directors, and mix of skills and experience, were adequate.

The Board meets at least five (5) times a year at quarterly intervals with additional meetings convened as necessary. During the financial year ended 31 December 2019, six (6) Board Meetings were held and the attendance of the Directors at the Board Meetings were as follows:

Director	No. of meeting attended
Mohamed Shafeii Bin Abdul Gaffoor	6/6
Tan Sri Dato' Lim Kuang Sia	6/6
Lim Leng Bung	6/6
Tan Kong Chang	6/6
Lim Siau Tian	5/6
Lim Siau Hing	6/6
Lim Ooi Chow	6/6
Lee Choo Hock	6/6
Hoh Kim Hyan	6/6

All the meetings were held at Wisma Kossan, Lot 782, Jalan Sungai Putus, Off Batu 3 ¾, Jalan Kapar, 42100 Klang, Selangor Darul Ehsan.

In the intervals between Board meetings, routine Board decisions were carried out through circular resolutions, supported with all relevant information and explanations for an informed decision.

To facilitate Directors' attendance at meetings, an annual meeting calendar is given to Directors before the beginning of each new financial year. The Board is satisfied with the commitments given by the Directors.

Each director is required to notify the Chairman of the Board prior to his acceptance of directorship outside the Group. The notification should include an approximate indication of time to be spent on the new directorship.

Corporate Governance Overview Statement
(Cont'd)

III - REMUNERATION

6. Level and Composition of Remuneration

6.1 Remuneration Policy

The objective of the Group's remuneration policy is to attract and retain the Directors and Senior Management required to lead and manage the Group effectively. For executive directors and senior management, their remuneration packages are linked to corporate and individual performance. For non-executive directors, the level of remuneration is reflective of their experience and level of responsibilities.

6.2 Remuneration Committee

The Remuneration Committee ("RC") of the Company comprises a majority of independent non-executive Directors. The RC has written terms of reference which deals with its authority and duties. This can be viewed at the Company's website: www.kossan.com.my. The composition of the RC as at 31 December 2019 were as follows:

Mohamed Shafeii Bin Abdul Gaffoor	-	Chairman/Independent Non-Executive
Hoh Kim Hyan	-	Independent Non-Executive
Tan Sri Dato' Lim Kuang Sia	-	Chief Executive Officer/ Managing Director /Executive

The RC meets as and where required but at least once a year. The RC met twice in the financial year ended 31 December 2019. The terms of reference of the RC is set out in Kossan's website: www.kossan.com.my.

PRINCIPAL B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE ("AC")

7. Effective and Independent Audit Committee

7.1 Composition of the AC

The AC comprises three (3) independent non-executive directors. The composition is reviewed annually by the Nominating Committee and submitted to the Board for action. The review looks into the level of expertise, experience and understanding of the Company's business.

7.2 Chairman of the Audit Committee and Chairman of the Board

The Chairman of the AC is not the chairman of the Board.

Mr. Lee Choo Hock, the Senior Independent Non-Executive Director is the Chairman of the Audit Committee while Mr. Mohamed Shafeii Bin Abdul Gaffoor, also an Independent Non-Executive Director is the Chairman of the Board.

7.3 Financial literacy of AC Members

Two of the AC members are chartered accountants and all members of the AC are well educated and financially literate. They are encouraged to attend courses to improve their understanding on matters under the purview of the AC, including financial reporting process and to keep abreast of relevant developments in accounting and auditing standards, practices and rules.

Corporate Governance Overview Statement
(Cont'd)

7.4 Appointment of AC Member being a Former Key Audit Partner

The Company's policy on recruiting any former key audit partner as a member of AC requires the said key audit partner to exercise a cooling period of at last two (2) years before his appointment to the AC.

7.5 Independence of External Auditor

The AC undertakes the annual assessment of the competency and independence of the external auditors and recommends their re-appointment to the Board, upon which the shareholders' approval will be sought at the AGM.

The reappointment of the external auditors will be by the shareholders at the AGM.

The external auditors are required to declare their independence annually to the AC as specified by the By-Laws issued by the Malaysian Institute of Accountants. The external auditors have provided the declaration in their annual audit plan presented to the AC.

The AC also reviewed the provision of non-audit services rendered to the Group by the external auditors and noted that the total amount of fees paid for non-audit services rendered by the Group external auditors for the financial year ended 31 December 2019 was RM9,200.

Further information on the Audit Committee can be found in the Audit Committee Report on pages 53 to 56 of the 2019 Annual Report.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

8. Risk Management and Internal Control

8.1 Establishing an Effective Risk Management and Internal Control Framework

The Board is responsible for the Group's risk management framework and system of internal control and the review of their adequacy and integrity. The Directors had established the Risk Management Framework to ensure that an effective system of internal control that provides reasonable assessment of effective and efficient operations, financial controls and compliance with laws and regulations as well as with internal procedures and guidelines are in place within the Group.

The Directors are aware that the internal control system is designed to manage rather than eliminate risk and therefore cannot provide an absolute assurance against material misstatement or loss.

8.2 Features of Risk Management and Internal Control Framework

The Board oversees the risk management function through the Risk Management Committee ("RMC"). The RMC, reviews and recommends for the Board's consideration and approval the risk management principles, framework and policies for managing risks within the Group. The RMC also monitors and assesses the risk appetite and tolerance of the Group to safeguard the Group's assets and shareholders' investment.

The Group has in place a structured process for identification, assessment, monitoring and communication of risks and effectiveness of risk mitigation strategies at all level of operations.

8.3 Risk Management Committee ("RMC")

The Board has established a RMC headed by Mr. Lee Choo Hock, a Senior Independent Non-Executive Director and represented by one (1) Independent Non-Executive Director and one (1) Executive Director.

Corporate Governance Overview Statement
(Cont'd)

9. Effective Governance, Risk Management and Internal Control Framework

9.1 Internal Audit Function

The Board has established an internal audit ("IA") function which reports directly to the Audit Committee ("AC"). The IA function undertakes an independent assessment on the internal control system of the Group and provides assurance to the AC that no material issue or major deficiency has been noted which could pose a high risk to the overall system of internal control.

The IA assignments were carried out in accordance with the 2019 audit plan approved by the AC.

The AC, in its oversight of the internal audit function, was satisfied that the said function was effective and able to function independently.

9.2 Internal Audit Objectivity and Independence

The AC, had obtained confirmation from the Board that the internal audit personnels are free from any relationships or conflicts of interest, which could impair their objectivity and independence and are satisfied that the internal audit department is adequately staffed with qualified and experienced persons.

The IA function is carried out in accordance with the IA Charter and IA Framework with reference to IIA's International Professional Practices Framework.

The Statement on Risk Management and Internal Control of the Group which provides an overview of the state of risk management and internal control within the Group is set out on pages 48 to 52 of the 2019 Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I – COMMUNICATION WITH STAKEHOLDERS

10. Communication between Company and Stakeholders

The Board adheres to and complies with the disclosure requirements of the MMLR as well as the Corporate Disclosure Guide issued by Bursa Malaysia Securities Berhad.

The Company recognises the importance of transparency and accountability to its shareholders and investors. The Board endeavors to keep its shareholders and investors informed of its performance through the annual report and financial statements, circulars to shareholders, quarterly financial reports and the various announcements made during the year. These will enable the shareholders, investors and members of the public to have an overview of the Group's performance and operations.

The Group maintains a corporate website at www.kossan.com.my. Shareholders and members of the public may access the latest information on the Group at the website. Alternatively, they may obtain the Company's latest announcements via the website of Bursa Malaysia Securities Berhad at www.bursamalaysia.com.

Corporate Governance Overview Statement
(Cont'd)

II – CONDUCT OF GENERAL MEETINGS

11. Shareholders Participation at General Meetings

The Company's Annual General Meeting ("AGM") is the principal forum for dialogue with private and institutional shareholders and to obtain constructive feedback. At each AGM, attended by all members of the Board, the Board presents the progress and performance of the Company's businesses and shareholders are encouraged to participate in the proceedings, the question and answer session and thereafter to vote on all resolutions tabled.

The Chairman as well as the CEO will respond to shareholders' questions at the AGM. The Notice and agenda of AGM together with the Proxy Form are given to shareholders at least twenty-eight days before the AGM, which gives them sufficient time to prepare themselves to attend the AGM or to appoint a proxy to attend and vote on their behalf. Each item of special business included in the Notice of AGM is accompanied by an explanatory statement for the proposed resolution to facilitate the full understanding and evaluation of issues involved.

The Company implemented poll voting (through e-voting) on all resolutions tabled at general meetings. The Company hopes to leverage on technology to enhance the quality of engagement with shareholders.

The Company strives to maintain an open transparent channel of communication with its shareholders, institutional investors, analysts and the public at large with the objective of providing a clear and complete picture of the Group's performance and financial position. The provision of timely information is principally important to the shareholders and investors for informed decision making. However, whilst the Company endeavors to provide as much information as possible to its shareholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

Communications are effected through the quarterly announcements of financial results to Bursa Malaysia Securities Berhad, relevant announcements of transactions and circulars, when necessary, AGM and also via the Group's website.

COMPLIANCE STATEMENT

The Board continues to strive for high standards of corporate governance throughout the Group. The Board is of the view that the Company has, in all material aspects, satisfactorily complied with the principles and practices set out in the MCCG except for the departures as set out in the CG Report.

STATEMENT OF RESPONSIBILITY BY DIRECTORS

The Directors are required by the Companies Act 2016 (“the Act”) to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flow of the Group and of the Company for the financial year. As required by the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements have been prepared in accordance with the applicable Financial Reporting Standards in Malaysia.

In preparing these financial statements, the Directors have:

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

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

(c) prepared the financial statements on a going concern basis;

The Directors are responsible to ensure that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and to ensure these financial statements comply with the Act. The Directors are also responsible for taking such steps as are reasonably open to them to preserve the interest of stakeholders, to safeguard the assets of the Group and to detect and prevent fraud and other irregularities.

This Statement of Responsibility by Directors is made in accordance with the resolution of the Board of Directors dated 21 May 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

This Statement on Risk Management and Internal Control for financial year ended 31 December 2019 is prepared in compliance with paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, requiring the Board of Directors of a listed issuer to include in its annual report, a statement about the state of risk management and internal control of the listed issuer as a group.

The Statement was prepared in accordance with Principle B Part II of the Malaysian Code on Corporate Governance of Securities Commission Malaysia ("MCCG") and the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers".

In accordance with the MCCG, the Board of Directors is responsible for the company's risk management and internal control systems and should set appropriate policies on internal control and seek assurance that the systems are functioning effectively. The Board must also ensure that the system of internal control manages risks and forms part of its corporate culture.

BOARD'S RESPONSIBILITY

The Board acknowledges and affirms its responsibility in establishing and maintaining an effective risk management framework and internal control system to safeguard shareholders' investments and the Group's assets and also ensures that the system of internal control manages risk and forms part of its corporate culture. The Board continuously reviews the risk management framework, processes, responsibilities and assesses for reasonable assurance that the risk and internal control system is being managed effectively and efficiently within the Group's defined risk appetite and tolerance.

The Group's risk management and internal control system is designed to manage, rather than eliminate the risk of failure to achieve business objectives. Notwithstanding and due to the limitations inherent in any system of risk management and internal control, the system can only provide reasonable but not absolute assurance against material misstatement, loss or fraud.

The Board delegates the oversight and implementation of the Board's policies and procedures on the system of risk management and internal control to the Audit Committee ("AC"). The AC is responsible, amongst others:

- Reviewing and monitoring the effectiveness of the Group's system of risk management and internal control;
- Evaluating the process for identifying, evaluating, monitoring and reporting of risks and internal control;
- Evaluating and monitoring the risk management framework in line with the Group's business objectives and risk appetite;
- Identifying changes to risk and taking appropriate actions to mitigate and control risks;
- Providing assurance to the Board that the risk management and internal control system is operating adequately and effectively;
- Reviews the Internal Audit Report of its findings, recommendations, management response and action plans and present to the Board of its recommendation on a quarterly basis.

Statement on Risk Management and Internal Control *(Cont'd)*

RISK MANAGEMENT

The Board has established a risk management framework for identifying, monitoring, reviewing and continually improving risk management. The risk management framework is being adopted as a standardised approach in implementing risk management in the Group for timely identification, reporting and management of principal risks. The implementation of the risk management framework promotes an effective risk culture whilst embedding risk management into its processes and structure to create and maintain an environment that enables the Group to meet performance objectives.

The key features of the risk management framework provide a risk control environment that includes:

A **Risk Management Policy Statement** describing Kossan's commitment to embedding risk management to create and maintain an environment that enables the Group to meet performance objectives driven by technological advancement, people value, and continual improvement to deliver business stability with long-term sustainable growth;

A **Governance and Risk Organisation Structure** identifying the Board in retaining the overall risk management responsibility and the delegation of authority and responsibility of the management and reporting mechanism;

A **Risk Register** containing risk profiles of the business operation within the Group which have been developed and communicated to the Board. The development of such risk profiles involved identification of key risks faced by the Group's core business units, 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 Management Committee** ("RMC"), established by the Board and reporting to the Audit Committee to provide assurance concerning the Group's risk management. The RMC is represented by members of the board and management and is tasked with the overall responsibility for establishing a strategic approach to implementing risk management within the Group. The RMC is responsible, amongst others:

- Ensuring the overall risk management processes are adopted by the companies and group functional divisions and to oversee the development of appropriate guidelines and policies for implementation;
- Ensuring the risk management processes are integrated into all core business processes and that the culture of the organisation reflects the risk consciousness of the Board;
- Reviewing the periodic risk management reports, risk registers, risk management activities and management response thereto;
- Identify and communicate to the Board on critical risks challenges and management action plans to manage the risks;
- Evaluating and reviewing the risk management framework and policy.

The Board believed that maintaining a sound system of risk management and internal control is premised on a clear understanding and appreciation of the key elements of the Risk Management Framework and Governance Policies.

Statement on Risk Management and Internal Control
(Cont'd)

INTERNAL CONTROL

Whilst the Board focuses on effective risk oversight and setting the tone and culture towards an effective risk management and internal controls structure, the management is entrusted with the implementation of the system of internal control encompassing the types of control including strategic, financial, operational, compliance and governance to achieving the Group's objectives.

The Group has a clear defined organisation structure with clearly defined lines of authority, accountability and responsibility of the Board, board committees, corporate and operations unit management.

The key processes in reviewing the adequacy and effectiveness of the risk management and internal control system includes the following:

The **Audit Committee** is assisted by the Risk Management Committee and the Internal Audit Department, performs the duty of reviewing and evaluating the adequacy and effectiveness of the Group's system of risk management and internal control.

The **Nominating and Remuneration Committee** ("NRC") assists the Board to review and recommend the appointment of new directors and also remuneration policies for directors and senior management. The NRC also assesses the effectiveness of the Board, the Board committees and individual board member.

The **Risk Management Committee** ("RMC") has been established by the Board to provide assurance concerning the Group's risk management. The RMC performs periodic review of the risk management processes and oversee the development of appropriate guidelines and policies for implementation.

The **Internal Audit Department** ("IA") performs internal audits on the effectiveness of internal control mechanism on various operating units and also checks on the compliance with laws and regulatory requirements, including policies and procedures. Significant findings of non-compliance are highlighted in the periodic reports to the Audit Committee.

The **Sustainability Working Group Committee** ("SWG") is setup as part of the management in reinforcing its existing governance ecosystem. The SWG advises on sustainability strategies and its alignment with business strategy, risk environment and regulatory requirements including providing strategic direction and facilitate stakeholder engagement processes.

The key features of the internal control processes are described as follows:

- Board meetings are held at least once in a quarter with a formal agenda on matters for discussion. During the meeting, the Board reviews the financial performance of the Group, discuss and deliberate on the business development, management, corporate issues and regulatory matters affecting the Group.

- Board Committees with clearly defined terms of reference and authority hold regular meetings and assist the Board in overseeing internal controls and Board effectiveness. This includes reviewing the adequacy and integrity of the Group's internal control system and to follow-up on action plans by Management on the recommendations proposed by the internal audit department.

- The Group Managing Director ("GMD") plays a pivotal role in communicating the Board's expectations of the system of risk management and internal control to management. This is achieved through his active participation in the management of the business as well as chairing at various management and committee meetings. The GMD will update the Board of any significant matters that require the latter's immediate attention.

- Monthly management meetings are held to review the financial and manufacturing operational performance of business units including key performance indicators, productivity, efficiency and effectiveness. This includes evaluation of factors impacting performance such as business, operational and key management.

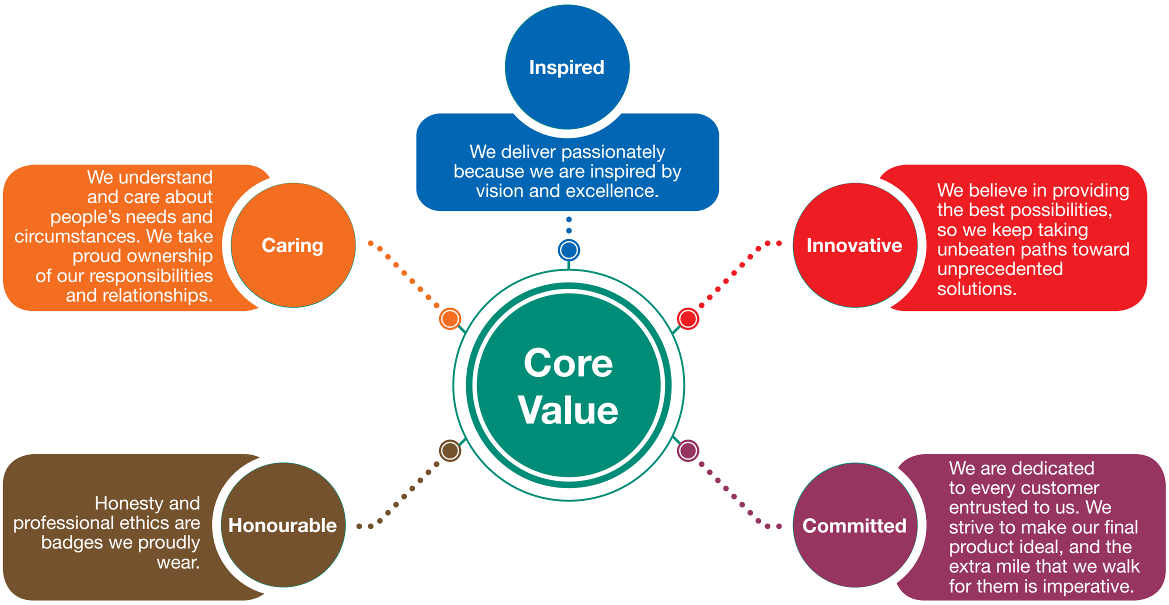
- There is an established mechanism to identify and review the risks element that impact on the financial performances of the Group to manage risks including and not limiting to volatility of foreign exchange rates, escalating cost of operations and competitive pricing of products.

Statement on Risk Management and Internal Control *(Cont'd)*

- A Whistleblowing Policy serves as an avenue for all employees and the general public to raise concerns about malpractice or improper conduct within the Group whilst ensuring the integrity of the process and information and also protecting the rights of informants.

- The Group adopted an Anti-Corruption Policy which describes Kossan's commitment to ensure zero-tolerance against any forms of bribery and corruption. The Group is committed to maintain and preserve the highest standard of integrity, transparency and accountability in our business operation.

- The management sets the tone for an effective control environment and culture within the Group through the Group's mission, vision and core values. The Group developed its key pillars for all Kossan employees to embrace on, based on the below five (5) core value tenets:



Through Kossan's core values, the Group seeks to inculcate a culture of honesty and integrity, inspiration and innovation as well as caring and commitment.

ASSURANCE MECHANISM

The Audit Committee ("AC") is tasked with the duty of reviewing and monitoring the effectiveness of the Group's system of risk management and internal control. The AC is assisted by the Group's internal audit department that reports directly to the AC and is guided by the Internal Audit Charter. The internal audit department performs audits based on an annual internal audit plan approved by the AC.

The results of all internal audit review, together with the findings and recommendations are presented to the AC by the Internal Audit Department and thereafter, the AC's findings and recommendations are presented to the Board on a quarterly basis.

For the year ended 31 December 2019, the Internal Audit department reviewed the adequacy and effectiveness of the internal control processes and necessary actions have been and are being taken to remedy any significant failings or weaknesses for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report.

During the year, the Internal Audit department performed financial review of consolidated accounts, operational audits on inventory management, fixed assets, currency risk, environmental risk, human resources, procurement, regulatory compliances, information technology control and security.

Statement on Risk Management and Internal Control *(Cont'd)*

The Board, through the AC, has reviewed the effectiveness of the Group's system of risk management and internal control. There were no significant risk management and internal control aspects that would have resulted in any material losses or contingencies that would require disclosure in the Annual Report.

The Board has received assurances from the GMD who is also the Group Chief Executive Officer and the Senior Group Accountant that for the year ended 31 December 2019, the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group. Taking into consideration the information and assurances given, the Board is satisfied with the adequacy, integrity and effectiveness of the Group's system of risk management and internal control.

Continuous quality assurance audits are being conducted as part of the requirements and compliance of the ISO 9001, ISO 13485, ISO/TS 16949, MS ISO/IEC 17025 and ISO 14001 certifications. Results of these audits are reported to the Quality Management Committee, which is chaired by the GMD.

BOARD'S COMMITMENT

The Board remains committed towards keeping abreast with the ever-changing business environment in order to support the Group's business and size of operations. There were no material losses incurred during the current financial year as a result of weaknesses in internal control that would require a separate disclosure in the Annual Report.

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

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants for inclusion in the annual report of the Group for the year ended 31 December 2019, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This Statement has been approved by the Board on 21 May 2020.

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 2019.

1. TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1.1 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 non-executive director and not the Chairman of the Board.

1.2 Authority

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

1.3 Responsibility

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

1.4. Functions and Duties

The functions and duties of the Audit Committee shall include previewing and reporting to the Board the following:

1.4.1 External Audit

(i) appointment and re-appointment or resignation of the external auditors;

(ii) scope of the audit; and

(iii) evaluation of suitability, objectivity and independence of the external auditors.

1.4.2 Internal Audit

(i) adequacy of the scope of work, competency and resources and its authority to carry out the functions;

(ii) approve the internal audit plan and assess the process and results of the audit; and

(iii) ensure internal audit work is effective and independent of management.

1.4.3 Risk Management

(i) ensure adequacy and effectiveness of the functions; and

(ii) review the reports of the functions.

Report of the Audit Committee
(Cont'd)

1.4.4 Financial Reporting

(i) review financial reporting and any changes in accounting policy;

(ii) review financial reporting issues and significant judgement by the management; and

(iii) review significant and unusual transactions and ensure these are effectively addressed.

1.4.5 Related Party Transactions

Review related party transactions and ensure no conflict of interest and matters of management integrity.

1.4.6 Corporate Governance

(i) review the Kossan Code of Ethics and Conduct;

(ii) review the Anti Bribery and Corruption Policy; and

(iii) review Whistleblowing Policy.

1.5 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 Audit Committee shall be the Company Secretary.

2. COMPOSITION AND ATTENDANCE AT MEETINGS

The Audit Committee comprises the following members and the details of attendance of each member at the committee meetings held during the year ended 31 December 2019 are as follows:-

Composition of the Audit Committee	Attendance
Lee Choo Hock *(Chairman/ Independent Non-Executive Director)*	5/5
Mohamed Shafeii Bin Abdul Gaffoor *(Member / Independent Non-Executive Director)*	5/5
Hoh Kim Hyan *(Member / Independent Non-Executive Director)*	5/5

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

The Group's external auditors attended three (3) of the meetings while the outsourced internal auditors and the in-house internal auditors attended four of the meetings (4/5).

Report of the Audit Committee
(Cont'd)

3. ACTIVITIES

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

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

(b) reviewed and recommended to the Board the re-appointment of the external auditors and the audit fee;

(c) reviewed and discussed with the external auditors the nature and scope of the audit and plan prior to the commencement of audit and ensure the audit is comprehensive;

(d) 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 and Management's response thereto;

(e) reviewed the provision of non audit services provided by the external auditors and the total fees paid;

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

(g) reviewed the internal control and risk management framework of the Group;

(h) 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;

(i) reviewed the viability and reasonableness of the acquisition of substantial assets by the Group;

(j) reviewed the risk profile of the Group and the business divisions and action plans by management to mitigate risks;

(k) reviewed the Statement on Risk Management and Internal Control before submission to the Board for approval;

(l) reviewed and approved the Report of the Audit Committee;

(m) 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 be at arm's length and in accordance with the Group's normal commercial terms and not prejudicial to the minority shareholders or disadvantageous to the Group;

(n) conducted private meeting with the external auditors and internal auditors without the presence of executive board members or management.

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

Report of the Audit Committee
(Cont'd)

4. COST OF INTERNAL AUDIT

The total cost incurred for the internal audit function of the Company and the Group for the financial year 2019 was RM377,053 and RM670,501 respectively.

5. REPORT TO THE EXCHANGE

The Audit Committee did not see any matter in breach of the Main Market Listing Requirements that warrants reporting to Bursa Malaysia Securities Berhad.

Lee Choo Hock
Chairman
Audit Committee

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities and provision of management services to subsidiaries, whilst the principal activities of the subsidiaries are as stated in Note 8 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

ULTIMATE HOLDING COMPANY

The Company is a subsidiary of Kossan Holdings (M) Sdn. Bhd., of which is incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding company, during the financial year and until the date of this report.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	224,653	(1,009)
Non-controlling interests	3,208	–
	227,861	(1,009)

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

i) In respect of the financial year ended 31 December 2018 as reported in the Directors' Report of that year:

- an interim ordinary dividend of 3 sen per ordinary share totalling RM38,368,074 declared on 4 January 2019 and paid on 30 January 2019; and

- a final ordinary dividend of 3 sen per ordinary share totalling RM38,368,074 declared on 12 April 2019 and paid on 21 June 2019.

Directors' report
(Cont'd)

DIVIDENDS (CONT'D)

ii) In respect of the financial year ended 31 December 2019:

- an interim ordinary dividend of 3 sen per ordinary share totalling RM38,368,074 declared on 23 December 2019 and paid on 20 January 2020.

The second interim ordinary dividend declared by the Directors in respect of the financial year ended 31 December 2019 is 3 sen per ordinary share totalling RM38,368,074.

DIRECTORS

Directors of the Company who served during the financial year until the date of this report are:

Tan Sri Dato' Lim Kuang Sia
Lee Choo Hock
Lim Ooi Chow
Lim Siau Tian
Lim Siau Hing
Tan Kong Chang
Lim Leng Bung
Mohamed Shafeii Bin Abdul Gaffoor
Hoh Kim Hyan

The Directors of the Company's subsidiaries (excluding Directors who are also Directors of the Company) in office during the financial year until the date of this report are:

Lim Kuang Yong
Lim Kuang Wang
Lim Kwan Hwa
Dr. Or Tan Teng
Lee Seek Ping
Lim Siew Bing
Teoh Hock Hean
Lee Hon Chee
Matthew Ang Hwee Tong
Wu Zhong

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly owned subsidiaries) of those who were Directors at financial 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			
	At 1.1.2019	**Bought**	**Sold**	**At 31.12.2019**
Kossan Rubber Industries Bhd.				
Direct interests				
Tan Sri Dato' Lim Kuang Sia	1,527,552	–	–	1,527,552
Lim Kuang Wang	2,875,392	–	–	2,875,392

Directors' report
(Cont'd)

DIRECTORS' INTERESTS IN SHARES (CONT'D)

	Number of ordinary shares			
	At 1.1.2019	Bought	Sold	At 31.12.2019
Kossan Rubber Industries Bhd. (Cont'd)				
Deemed interests				
Tan Sri Dato' Lim Kuang Sia				
- holding company	653,024,960	1,920,000	–	654,944,960
- spouse	2,088,992	–	–	2,088,992
Lim Leng Bung				
- holding company	653,024,960	1,920,000	–	654,944,960
Lim Kuang Yong				
- holding company	653,024,960	1,920,000	–	654,944,960
Lim Kuang Wang				
- holding company	653,024,960	1,920,000	–	654,944,960
Lim Kwan Hwa				
- holding company	653,024,960	1,920,000	–	654,944,960
Lim Ooi Chow*				
- holding company	653,024,960	1,920,000	–	654,944,960
- parents	3,616,544	–	–	3,616,544
Lim Siau Tian*				
- holding company	653,024,960	1,920,000	–	654,944,960
Lim Siau Hing*				
- holding company	653,024,960	1,920,000	–	654,944,960
- parents	2,875,392	–	–	2,875,392
Lim Siew Bing*				
- holding company	653,024,960	1,920,000	–	654,944,960
Doshin Rubber Products (M) Sdn. Bhd.				
Direct interests				
Dr. Or Tan Teng	200,000	–	(50,000)	150,000
Cleanera HK Limited				
Direct interests				
Matthew Ang Hwee Tong	78,866	–	–	78,866
Wu Zhong	25,000	–	–	25,000
Indirect interests				
Matthew Ang Hwee Tong	616,134	–	–	616,134

* Shares held through person connected to the Director or shareholder.

By virtue of their interests in the shares of the Company, Tan Sri Dato' Lim Kuang Sia, Lim Leng Bung, Lim Kuang Yong, Lim Kuang Wang, Lim Kwan Hwa, Lim Ooi Chow, Lim Siau Tian, Lim Siau Hing and Lim Siew Bing are deemed interested in the shares of the subsidiaries during the financial year to the extent that Kossan Rubber Industries Bhd. has an interest.

None of the other Directors holding office at 31 December 2019 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' report
(Cont'd)

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 remuneration 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 related corporations) 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 substantial financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 30 to the financial statements.

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 AND DEBENTURES

There were no changes in the issued and paid-up capital of the Company and no debenture was issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNITY AND INSURANCE COSTS

There is no indemnity given to or insurance effected for Director, officer or auditors of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements 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.

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 the 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 financial statements of the Group and of the Company 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.

Directors' report
(Cont'd)

OTHER STATUTORY INFORMATION (CONT'D)

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, the financial performance of the Group and of the Company for the financial year ended 31 December 2019 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.

SUBSEQUENT EVENT

The event subsequent to the end of the reporting period is as disclosed in Note 32 to the financial statements.

AUDITORS

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

The auditors' remuneration is disclosed in Note 23 to the financial statements.

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

....
Tan Sri Dato' Lim Kuang Sia
Director

....
Lim Leng Bung
Director

Klang, Selangor Darul Ehsan

Date: 21 May 2020

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets					
Property, plant and equipment	3	1,206,888	1,267,931	54,829	48,821
Right-of-use assets	4	108,761	–	601	–
Investment properties	5	101,921	5,223	20,837	21,229
Goodwill on consolidation	6	4,926	4,926	–	–
Intangible asset	7	–	1,639	–	1,639
Investments in subsidiaries	8	–	–	74,142	70,642
Investment in joint venture	9	1,355	1,358	1,400	1,400
Other investments	10	398	398	91	91
Deferred tax assets	11	13,399	341	–	–
Trade and other receivables	12	–	–	84,833	186,152
Total non-current assets		1,437,648	1,281,816	236,733	329,974
Inventories	13	321,525	249,007	–	–
Trade and other receivables	12	415,252	436,427	92,497	57,541
Prepayments		16,118	17,669	319	113
Current tax assets		22,103	16,270	1,224	985
Derivative financial assets	18	2,349	723	–	–
Cash and cash equivalents	14	162,250	146,315	56,512	76,269
Total current assets		939,597	866,411	150,552	134,908
Total assets		2,377,245	2,148,227	387,285	464,882
Equity					
Share capital	15.1	323,885	323,885	323,885	323,885
Translation reserve	15.2	5,148	4,950	–	–
Capital reserve	15.3	(397)	(240)	–	–
Retained earnings		1,095,654	986,269	15,349	131,462
Equity attributable to owners of the Company		1,424,290	1,314,864	339,234	455,347
Non-controlling interests		26,721	27,510	–	–
Total equity		1,451,011	1,342,374	339,234	455,347

Statements of Financial Position
as at 31 December 2019
(Cont'd)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Liabilities					
Loans and borrowings	16	163,291	229,273	–	13
Lease liabilities		9,294	–	191	–
Deferred tax liabilities	11	93,033	89,798	2,987	2,810
Total non-current liabilities		265,618	319,071	3,178	2,823
Loans and borrowings	16	401,943	279,407	–	295
Lease liabilities		3,582	–	127	–
Current tax liabilities		1,913	777	–	–
Trade and other payables	17	253,178	206,598	44,746	6,417
Total current liabilities		660,616	486,782	44,873	6,712
Total liabilities		926,234	805,853	48,051	9,535
Total equity and liabilities		2,377,245	2,148,227	387,285	464,882

The notes on pages 72 to 138 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the Year Ended 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000 Restated	2019 RM'000	2018 RM'000
Revenue	19	2,217,170	2,140,571	16,247	15,644
Other income		7,356	13,099	871	818
Changes in inventories of finished goods and work-in-progress		58,881	46,086	–	–
Raw materials and consumables used	33	(1,378,644)	(1,370,939)	–	–
Goods purchased for resale		(8,361)	(4,891)	–	–
Staff costs		(303,382)	(282,640)	(14,950)	(13,276)
Depreciation of property, plant and equipment		(90,491)	(76,809)	(548)	(1,128)
Net loss on impairment of financial instruments	33	–	(159)	–	–
Other operating expenses	33	(214,839)	(199,967)	(6,286)	(5,012)
Results from operating activities		287,690	264,351	(4,666)	(2,954)
Finance costs	20	(15,567)	(19,504)	(13)	(26)
Finance income		4,252	4,421	3,624	8,721
Share of losses of equity - accounted joint venture, net of tax	9	(3)	(4)	–	–
Profit/(Loss) before tax		276,372	249,264	(1,055)	5,741
Tax (expense)/credit	22	(48,511)	(44,665)	46	(1,262)
Profit/(Loss) for the year	23	227,861	204,599	(1,009)	4,479
Other comprehensive income, net of tax					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(309)	(1,716)	–	–
Other comprehensive expense for the year, net of tax		(309)	(1,716)	–	–
Total comprehensive income/(expense) for the year		227,552	202,883	(1,009)	4,479
Profit/(Loss) attributable to:					
Owners of the Company		224,653	199,773	(1,009)	4,479
Non-controlling interests		3,208	4,826	–	–
Profit/(Loss) for the year		227,861	204,599	(1,009)	4,479

Statements of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2019
(Cont'd)

		Group		Company	
	Note	2019 RM'000	2018 RM'000 Restated	2019 RM'000	2018 RM'000
Total comprehensive income/ (expense) attributable to:					
Owners of the Company		224,851	198,210	(1,009)	4,479
Non-controlling interests		2,701	4,673	–	–
Total comprehensive income/ (expense) for the year		227,552	202,883	(1,009)	4,479
Basic earnings per ordinary share (sen)	24	17.57	15.62		
Diluted earnings per ordinary share (sen)	24	17.57	15.62		

The notes on pages 72 to 138 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Year Ended 31 December 2019

		Attributable to owners of the Company						
		Non-distributable			Distributable			
	Note	Share capital RM'000	Translation reserve RM'000	Capital reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
Group								
At 1 January 2018		323,885	6,513	(240)	824,864	1,155,022	23,249	1,178,271
Foreign currency translation differences for foreign operations		–	(1,563)	–	–	(1,563)	(153)	(1,716)
Total other comprehensive income for the year		–	(1,563)	–	–	(1,563)	(153)	(1,716)
Profit for the year		–	–	–	199,773	199,773	4,826	204,599
Total comprehensive income for the year		–	(1,563)	–	199,773	198,210	4,673	202,883
Dividends to owners of the Company	25	–	–	–	(38,368)	(38,368)	–	(38,368)
Dividends paid to non-controlling interests		–	–	–	–	–	(412)	(412)
At 31 December 2018		323,885	4,950	(240)	986,269	1,314,864	27,510	1,342,374
At 1 January 2019, as previously reported		323,885	4,950	(240)	986,269	1,314,864	27,510	1,342,374
Adjustment on initial application of MFRS 16		–	–	–	(164)	(164)	(10)	(174)
At 1 January 2019		323,885	4,950	(240)	986,105	1,314,700	27,500	1,342,200
Foreign currency translation differences for foreign operations		–	198	–	–	198	(507)	(309)
Total other comprehensive income for the year		–	198	–	–	198	(507)	(309)
Profit for the year		–	–	–	224,653	224,653	3,208	227,861
Total comprehensive income for the year		–	198	–	224,653	224,851	2,701	227,552
Dividends to owners of the Company	25	–	–	–	(115,104)	(115,104)	–	(115,104)
Dividends paid to non-controlling interests		–	–	–	–	–	(137)	(137)
Acquisition of non-controlling interests		–	–	(157)	–	(157)	(3,343)	(3,500)
At 31 December 2019		323,885	5,148	(397)	1,095,654	1,424,290	26,721	1,451,011
		Note 15.1	Note 15.2	Note 15.3				

The notes on pages 72 to 138 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the Year Ended 31 December 2019

	Note	*Non-distributable* Share capital RM'000	*Distributable* Retained earnings RM'000	Total equity RM'000
Company				
At 1 January 2018		323,885	165,351	489,236
Profit and total comprehensive income for the year		–	4,479	4,479
Dividends to owners of the Company	25	–	(38,368)	(38,368)
At 31 December 2018/1 January 2019		323,885	131,462	455,347
Loss and total comprehensive expense for the year		–	(1,009)	(1,009)
Dividends to owners of the Company	25	–	(115,104)	(115,104)
At 31 December 2019		323,885	15,349	339,234
		Note 15.1		

The notes on pages 72 to 138 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
for the Year Ended 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities					
Profit/(Loss) before tax		276,372	249,264	(1,055)	5,741
Adjustments for:					
Depreciation of investment property	5	–	–	392	392
Depreciation of property, plant and equipment	3	90,491	76,809	548	1,128
Depreciation of right-of-use assets	4	5,245	–	379	–
Dividend income	19	–	–	(695)	(1,316)
Finance costs	20	15,567	19,504	13	26
Finance income		(4,252)	(4,421)	(3,624)	(8,721)
Impairment loss on trade receivables		–	159	–	–
Impairment loss on patent	23	1,639	–	1,639	–
Net gain on disposal of property, plant and equipment		(639)	(453)	(121)	(135)
Net loss on disposal of right-of-use assets		64	–	–	–
Net unrealised fair value changes on derivatives	23	(2,349)	(723)	–	–
Net unrealised foreign exchange differences	23	4,355	1,294	–	–
Property, plant and equipment written off	23	361	8	–	7
Share of losses of equity-accounted joint venture, net of tax		3	4	–	–
Operating profit/(loss) before changes in working capital		386,857	341,445	(2,524)	(2,878)
Change in inventories		(72,518)	(36,057)	–	–
Change in trade and other receivables and prepayments		18,731	(58,881)	66,157	(3,425)
Change in trade and other payables		8,212	3,665	(39)	(32,597)
Cash generated from/(used in) operations		341,282	250,172	63,594	(38,900)
Dividends received		–	–	695	1,316
Interest received		4,252	4,421	3,624	8,721
Interest paid		(7,959)	(7,639)	(13)	(26)
Tax paid		(69,312)	(54,343)	(1,743)	(1,864)
Tax refund		6,281	–	1,727	–
Net cash from/(used in) operating activities		274,544	192,611	67,884	(30,753)

Statements of Cash Flows for the Year Ended 31 December 2019 *(Cont'd)*

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment		(207,730)	(314,861)	(7,108)	(913)
Acquisition of right-of-use assets	(i)	(10,322)	–	(83)	–
Acquisition of other investments		–	(232)	–	–
Acquisition of non-controlling interests	8.2	(3,500)	–	–	–
Increase in investment in subsidiary		–	–	(3,500)	–
Proceeds from disposal of investment in subsidiary		–	–	–	165
Decrease in deposits pledged		–	108	–	–
Proceeds from disposal of right-of-use assets		438	–	–	–
Proceeds from disposal of property, plant and equipment		1,179	767	126	195
Net cash used in investing activities		(219,935)	(314,218)	(10,565)	(553)
Cash flows from financing activities					
Dividends paid to owners of the Company		(76,736)	(38,368)	(76,736)	(38,368)
Dividends paid to non-controlling interests		(137)	(412)	–	–
Interest paid		(16,129)	(13,258)	–	–
Drawdown of term loans		3,500	60,000	–	–
Payment of finance lease liabilities		–	(2,286)	–	(479)
Payment of lease liabilities		(4,192)	–	(340)	–
Proceeds from other borrowings		128,810	27,772	–	–
(Repayment of)/Proceeds from term loans		(73,542)	25,513	–	–
Net cash (used in)/from financing activities		(38,426)	58,961	(77,076)	(38,847)
Net increase/(decrease) in cash and cash equivalents		16,183	(62,646)	(19,757)	(70,153)
Effect of exchange rate fluctuations on cash held		(248)	(1,313)	–	–
Cash and cash equivalents at 1 January		146,315	210,274	76,269	146,422
Cash and cash equivalents at 31 December	(ii)	162,250	146,315	56,512	76,269

Statements of Cash Flows
for the Year Ended 31 December 2019
(Cont'd)

Cash outflows for leases as a lessee

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Included in net cash from operating activities:					
Payment relating to short-term leases	23	147	–	–	–
Payment relating to leases of low-value assets	23	90	–	–	–
Interest paid in relation to lease liabilities	20	657	–	12	–
Included in net cash from financing activities:					
Payment of lease liabilities		4,192	–	340	–
Total cash outflows for leases		5,086	–	352	–

(i) Acquisition of right-of-use assets

During the year, the Group and Company acquired right-of-use assets with cost of RM11,643,046 and RM432,850 respectively of which RM1,000,000 and RM350,000 respectively was acquired by means of finance lease.

(ii) Cash and cash equivalents

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

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash and bank balances	14	99,450	107,507	41,512	72,269
Short term deposits	14	62,800	38,808	15,000	4,000
		162,250	146,315	56,512	76,269

Statements of Cash Flows
for the Year Ended 31 December 2019
(Cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	At 1 January 2018 RM'000	Net changes from financing cash flows RM'000	Acquisition of new lease RM'000	Foreign exchange movement RM'000	At 31 December 2018 RM'000	Adjustment on initial application of MFRS 16 RM'000	At 1 January 2019 RM'000	Net changes from financing cash flows RM'000	Acquisition of new lease RM'000	Foreign exchange movement RM'000	At 31 December 2019 RM'000
Group											
Term loans - unsecured	225,020	85,513	–	–	310,533	–	310,533	(70,042)	–	–	240,491
Revolving credit - unsecured	78,595	1,120	–	(265)	79,450	–	79,450	149,930	–	(363)	229,017
Trade finance - unsecured	90,194	26,652	–	–	116,846	–	116,846	(21,120)	–	–	95,726
Finance lease liabilities	2,937	(2,286)	1,200	–	1,851	(1,851)	–	–	–	–	–
Lease liabilities	–	–	–	–	–	15,747	15,747	(4,192)	1,321	–	12,876
Total liabilities from financing activities	396,746	110,999	1,200	(265)	508,680	13,896	522,576	54,576	1,321	(363)	578,110
Company											
Finance lease liabilities	487	(479)	300	–	308	(308)	–	–	–	–	–
Lease liabilities	–	–	–	–	–	308	308	(340)	350	–	318
Total liabilities from financing activities	487	(479)	300	–	308	–	308	(340)	350	–	318

The notes on pages 72 to 138 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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 principal place of business and registered office of the Company is as follow:

Principal place of business/Registered office
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 financial year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in joint venture. The financial statements of the Company as at and for the financial year ended 31 December 2019 do not include other entities.

The Company is principally engaged in investment holding activities and provision of management services to subsidiaries, whilst the principal activities of the subsidiaries are as stated in Note 8 to the financial statements.

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

These financial statements were authorised for issue by the Board of Directors on 21 May 2020.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures –Interest Rate Benchmark Reform*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

Notes to the Financial Statements
(Cont'd)

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

- from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

- from the annual period beginning on 1 January 2022 for the amendment that is effective for annual periods beginning on or after 1 January 2022.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, interpretations or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of 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.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs 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 estimates are 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.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impact arising from the changes are disclosed in Note 31.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. 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.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

(v) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, 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. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non- controlling interests to have a deficit balance.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(vii) 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 joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. 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

(i) 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 transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value 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 equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non- wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency (Cont'd)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia (Cont'd)

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Recognition and initial 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 asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured 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

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(k)(i)) where the effective interest rate is applied to the amortised cost.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

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

Financial assets (Cont'd)

(b) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(k)(i)).

Financial liabilities

The categories of financial liabilities at initial recognition is as follows:

(a) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) 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 guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(iv) 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 transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in 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, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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 profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

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. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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.

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

(ii) Subsequent costs

The cost of replacing a component 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 component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. 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:

• Leasehold land	96 years
• Buildings	50 years
• Plant and machinery	5 - 10 years
• Motor vehicles	5 years
• Factory renovation	10 years
• Factory furniture and equipment	10 years
• Electrical installation	10 years
• Office furniture, equipment and renovation	10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(e) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

Current financial year (Cont'd)

(i) Definition of a lease (Cont'd)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

Current financial year (Cont'd)

(ii) Recognition and initial measurement (Cont'd)

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in- substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

Previous financial year

As a lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset was accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

Leasehold land which in substance was a finance lease was classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company did not assume substantially all the risks and rewards of ownership were classified as operating leases and the leased assets were not recognised in the statement of financial position.

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals were charged to profit or loss in the reporting period in which they were incurred.

Leasehold land which in substance was an operating lease was classified as prepaid lease payments.

(f) Goodwill on consolidation

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. Goodwill is not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

(g) Intangible assets

(i) Intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Intangible assets (Cont'd)

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

(iii) Amortisation

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives for the patent is 10 years.

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

(h) Investment properties

Investment properties carried at cost

Investment properties are properties which are owned or right-of-use asset held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include freehold land which in substance is a finance lease held for a currently undetermined future use. Investment properties initially and subsequently measured at cost are accounted for similarly to property, plant and equipment.

(i) Inventories

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

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and 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 the estimated costs necessary to make the sale.

(j) 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 fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost or fair value through other comprehensive income. Expected credit losses are a probability- weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12- month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using individual assessments based on receivables past due more than 90 days with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedures for recovery amounts due.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment (Cont'd)

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) 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 goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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 cash- generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or group of 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 of disposal. 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 or cash-generating unit.

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

Impairment losses are recognised in 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 cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating 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 financial year in which the reversals are recognised.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(m) Employee benefits

(i) 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.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial 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 Group 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.

(o) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Revenue and other income (Cont'd)

(i) Revenue (Cont'd)

The Group or the Company transfers control of good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(iv) Services rendered

Revenue of the Company includes management fees charged for the service rendered and is accounted for based on service performed.

(v) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(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.

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.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or 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 assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

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

Unutilised reinvestment allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(r) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

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, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(s) 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. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Notes to the Financial Statements
(Cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

	Freehold land* RM'000	Long-term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Factory renovation RM'000	Factory furniture and equipment RM'000	Electrical installation RM'000	Office furniture, equipment and renovation RM'000	Plant and machinery under construction RM'000	Building under construction RM'000	Software under development RM'000	Total RM'000
Group													
Cost													
At 1 January 2018	372,000	–	213,260	734,635	20,885	9,313	18,039	4,569	17,690	105,895	64,901	–	1,561,187
Additions	198	84,219	4,331	50,616	2,476	256	2,349	–	2,332	115,872	55,027	–	317,676
Borrowing cost capitalised at 4.65% per annum ***	–	–	–	–	–	–	–	–	–	1,393	–	–	1,393
Disposals	–	–	–	(718)	(2,012)	–	(30)	–	(1)	(217)	–	–	(2,978)
Write-off	–	–	–	(122)	–	–	(2)	–	(41)	–	–	–	(165)
Reclassification	–	–	55,456	158,674	–	36	1,378	–	891	(160,578)	(55,857)	–	–
Adjustments	(1,615)	–	–	–	–	–	–	–	–	–	–	–	(1,615)
Effect of movements in exchange rates	(248)	–	–	(440)	(13)	–	–	–	(48)	–	–	–	(749)
At 31 December 2018, as previously reported	370,335	84,219	273,047	942,645	21,336	9,605	21,734	4,569	20,823	62,365	64,071	–	1,874,749
Adjustment on initial application of MFRS 16	–	(84,219)	–	–	(5,449)	–	–	–	–	–	–	–	(89,668)
At 1 January 2019	370,335	–	273,047	942,645	15,887	9,605	21,734	4,569	20,823	62,365	64,071	–	1,785,081

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land* RM'000	Long-term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Factory renovation RM'000	Factory furniture and equipment RM'000	Electrical installation RM'000	Office furniture, equipment and renovation RM'000	Plant and machinery under construction RM'000	Building under construction RM'000	Software under development RM'000	Total RM'000
Group													
Cost													
At 1 January 2019 (continued)	370,335	–	273,047	942,645	15,887	9,605	21,734	4,569	20,823	62,365	64,071	–	1,785,081
Additions	9,975	–	8,269	46,718	1,127	731	3,203	25	4,393	83,066	45,587	4,636	207,730
Borrowing cost capitalised at 4.39% per annum ***	–	–	–	–	–	–	–	–	–	6,425	–	–	6,425
Disposals	–	–	(166)	(1,101)	(4,129)	–	(666)	–	(98)	–	–	–	(6,160)
Write-off	–	–	–	(17,423)	(106)	(838)	(58)	(267)	(211)	–	–	–	(18,903)
Reclassification**	607	–	58,143	81,610	1,386	477	–	–	5,613	(79,522)	(66,928)	–	1,386
Transfer to investment property	(96,698)	–	–	–	–	–	–	–	–	–	–	–	(96,698)
Effect of movements in exchange rates	–	–	–	(252)	(9)	–	–	–	(10)	–	–	–	(271)
At 31 December 2019	284,219	–	339,293	1,052,197	14,156	9,975	24,213	4,327	30,510	72,334	42,730	4,636	1,878,590

* Included in the freehold land is an amount of USD3,726,000, equivalent to RM15.3 million as at 31 December 2019 (31 December 2018: USD 3,680,000 equivalent to RM14.7 million) representing the freehold land and building of an overseas subsidiary of which the carrying amount of the building is not segregated from the freehold land as the required details are not available.

** Included in the reclassification is the motor vehicles acquired by means of finance lease which have been fully paid off and reclassed from right-of-use assets to property, plant and equipment.

*** Included in the additions in plant and machinery under construction is an amount of RM6,425,217 as at 31 December 2019 (31 December 2018: RM1,393,000) representing the capitalisation of borrowing costs (see Note 20).

Notes to the Financial Statements
(Cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land* RM'000	Long-term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Factory renovation RM'000	Factory furniture and equipment RM'000	Electrical installation RM'000	Office furniture, equipment and renovation RM'000	Plant and machinery under construction RM'000	Building under construction RM'000	Software under development RM'000	Total RM'000
Group													
Accumulated depreciation													
At 1 January 2018	–	–	32,415	456,090	15,404	6,858	10,329	3,272	8,808	–	–	–	533,176
Charge for the year	–	567	5,095	64,507	2,581	535	1,621	281	1,622	–	–	–	76,809
Disposals	–	–	–	(694)	(1,948)	–	(22)	–	–	–	–	–	(2,664)
Write-off	–	–	–	(119)	–	–	(2)	–	(36)	–	–	–	(157)
Effect of movements in exchange rates	–	–	–	(331)	(6)	–	–	–	(9)	–	–	–	(346)
At 31 December 2018, as previously reported	–	567	37,510	519,453	16,031	7,393	11,926	3,553	10,385	–	–	–	606,818
Adjustment on initial application of MFRS 16	–	(567)	–	–	(1,680)	–	–	–	–	–	–	–	(2,247)
At 1 January 2019	–	–	37,510	519,453	14,351	7,393	11,926	3,553	10,385	–	–	–	604,571
Charge for the year	–	–	7,060	77,272	1,355	588	1,894	197	2,125	–	–	–	90,491
Disposals	–	–	–	(1,038)	(4,022)	–	(477)	–	(83)	–	–	–	(5,620)
Write-off	–	–	(135)	(17,198)	(106)	(591)	(40)	(267)	(205)	–	–	–	(18,542)
Reclassification**	–	–	(200)	–	1,012	(181)	–	–	381	–	–	–	1,012
Effect of movements in exchange rates	–	–	–	(197)	(5)	–	–	–	(8)	–	–	–	(210)
At 31 December 2019	–	–	44,235	578,292	12,585	7,209	13,303	3,483	12,595	–	–	–	671,702
Carrying amounts													
At 1 January 2018	372,000	–	180,845	278,545	5,481	2,455	7,710	1,297	8,882	105,895	64,901	–	1,028,011
At 31 December 2018	370,335	83,652	235,537	423,192	5,305	2,212	9,808	1,016	10,438	62,365	64,071	–	1,267,931
At 31 December 2019	284,219	–	295,058	473,905	1,571	2,766	10,910	844	17,915	72,334	42,730	4,636	1,206,888

Notes to the Financial Statements
(Cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Office furniture, equipment and renovation RM'000	Building under construction RM'000	Software under development RM'000	Total RM'000
Company							
Cost							
At 1 January 2018	42,638	3,799	5,518	3,776	–	–	55,731
Additions	–	–	330	290	593	–	1,213
Disposals	–	–	(610)	–	–	–	(610)
Write-off	–	–	–	(18)	–	–	(18)
At 31 December 2018, as previously reported	42,638	3,799	5,238	4,048	593	–	56,316
Adjustment on initial application of MFRS 16	–	–	(1,716)	–	–	–	(1,716)
At 1 January 2019	42,638	3,799	3,522	4,048	593	–	54,600
Additions	–	–	373	493	1,606	4,636	7,108
Disposals	–	–	(789)	(55)	–	–	(844)
Reclassification	–	–	1,386	–	–	–	1,386
At 31 December 2019	42,638	3,799	4,492	4,486	2,199	4,636	62,250
Accumulated depreciation							
At 1 January 2018	–	563	3,982	2,383	–	–	6,928
Charge for the year	–	81	743	304	–	–	1,128
Disposals	–	–	(550)	–	–	–	(550)
Write-off	–	–	–	(11)	–	–	(11)
At 31 December 2018, as previously reported	–	644	4,175	2,676	–	–	7,495
Adjustment on initial application of MFRS 16	–	–	(795)	–	–	–	(795)
At 1 January 2019	–	644	3,380	2,676	–	–	6,700
Charge for the year	–	81	192	275	–	–	548
Disposals	–	–	(789)	(50)	–	–	(839)
Reclassification	–	–	1,012	–	–	–	1,012
At 31 December 2019	–	725	3,795	2,901	–	–	7,421
Carrying amounts							
At 1 January 2018	42,638	3,236	1,536	1,393	–	–	48,803
At 31 December 2018	42,638	3,155	1,063	1,372	593	–	48,821
At 31 December 2019	42,638	3,074	697	1,585	2,199	4,636	54,829

Notes to the Financial Statements
(Cont'd)

4. RIGHT-OF-USE ASSETS

	Note	Land RM'000	Buildings RM'000	Motor vehicles RM'000	Total RM'000
Group					
At 1 January 2019		88,324	9,050	3,769	101,143
Additions		10,030	211	1,402	11,643
Borrowing costs capitalized at 4.3% per annum	4.3	2,096	–	–	2,096
Reclassification		–	–	(374)	(374)
*Derecognition**		–	–	(502)	(502)
Depreciation		(1,389)	(2,845)	(1,011)	(5,245)
At 31 December 2019		99,061	6,416	3,284	108,761
Company					
At 1 January 2019		–	–	921	921
Addition		–	–	433	433
Reclassification		–	–	(374)	(374)
Depreciation		–	–	(379)	(379)
At 31 December 2019		–	–	601	601

* *Derecognition of the right-of-use assets during 2019 is as a result of disposal of right- of-use assets during the year.*

The Group leases a number of freehold land, factory buildings, worker hostels and motor vehicles. The leases typically run for a period between one to thirty years, with an option to renew the lease after that date. Lease payments are increased every two to three years to reflect current market rentals.

The Company leases a number of motor vehicles. The leases typically run for a period between one to three years, with no extension options.

4.1 Extension options

Some leases of freehold land, factory buildings and worker hostels contain extension options exercisable by the Group not less than 6 months before the end of the non-cancellable contract period. Where applicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

None of the leases of motor vehicles contain extension options exercisable by the Company before the end of the non-cancellable contract period.

Notes to the Financial Statements
(Cont'd)

4. RIGHT-OF-USE ASSETS (CONT'D)

4.1 Extension options (Cont'd)

	Lease liabilities recognised (discounted) RM'000	Potential future lease payments not included in lease liabilities (discounted) RM'000	Historical rate of extension options %
Group			
Land	4,516	–	100
Buildings	5,338	–	100
Motor vehicles	–	–	100
	9,854	–	100

4.2 Significant judgements and assumptions in relation to lease

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Group considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

4.3 Borrowing costs

Included in the additions in right-of-use land is an amount of RM2,095,743 as at 31 December 2019 (31 December 2018: nil) representing the capitalisation of borrowing costs (see Note 20).

5. INVESTMENT PROPERTIES

	Note	Freehold land RM'000	Buildings RM'000	Total RM'000
Group				
Cost/Carrying amounts				
At 1 January 2018/31 December 2018/ 1 January 2019		5,223	–	5,223
Transfer from property, plant and equipment	3	96,698	–	96,698
At 31 December 2019		101,921	–	101,921
Company				
Cost				
At 1 January 2018/31 December 2018/ 1 January 2019/31 December 2019		10,100	12,305	22,405

Notes to the Financial Statements
(Cont'd)

5. INVESTMENT PROPERTIES (CONT'D)

	Note	Freehold land RM'000	Buildings RM'000	Total RM'000
Accumulated depreciation				
At 1 January 2018		–	784	784
Charge for the year		–	392	392
At 31 December 2018/1 January 2019		–	1,176	1,176
Charge for the year		–	392	392
At 31 December 2019		–	1,568	1,568
Carrying amount				
At 1 January 2018		10,100	11,521	21,621
At 31 December 2018/1 January 2019		10,100	11,129	21,229
At 31 December 2019		10,100	10,737	20,837

The following are recognised in profit or loss in respect of investment properties:

	Company 2019 RM'000	Company 2018 RM'000
Lease income	703	678
Direct operating expenses:		
- income generating investment properties	(625)	(603)

5.1 Operating lease payments receivable

The operating lease payments to be received are as follows:

	Company 2019 RM'000
Less than one year	557
Total undiscounted lease payments	557

	2018 RM'000
Less than one year	703
Between one and five years	557
Total undiscounted lease payments	1,260

Notes to the Financial Statements
(Cont'd)

5. INVESTMENT PROPERTIES (CONT'D)

5.2 Fair value information

Fair value of investment properties are categorised as follows:

	Group Level 3 RM'000	Company Level 3 RM'000
2019		
Land and buildings	159,588	39,404
2018		
Land and buildings	11,491	37,995

The following table shows the valuation technique used in the determination of fair values within Level 3.

Investment properties not carried at fair value

Type	Description of valuation technique and inputs used
Land and buildings	Fair value of land and buildings has been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

6. GOODWILL ON CONSOLIDATION

	Group	
	2019 RM'000	2018 RM'000
At cost	4,926	4,926

6.1 Impairment testing for cash-generating units containing goodwill

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 aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Group	
	2019 RM'000	2018 RM'000
Technical rubber products	864	864
Cleanroom products	4,062	4,062
Total	4,926	4,926

Notes to the Financial Statements
(Cont'd)

6. GOODWILL ON CONSOLIDATION (CONT'D)

6.1 Impairment testing for cash-generating units containing goodwill (Cont'd)

Key assumptions used in recoverable amount

For the purpose of impairment testing, the carrying amounts are allocated to the individual entities which are the cash-generating units ("CGU"). Recoverable amount of each CGU is estimated based on its value-in-use. The value-in-use calculations apply a discounted cash flow model using cash flow projections based on past experiences, actual operating results and financial budgets approved by management covering a 5-year period.

The key assumptions for the computation of value-in-use of goodwill, pertained to cleanroom products, include the following:

- The revenue growth in the 5-year cash flow projection is estimated at a compounded annual growth rate of 2% (2018: 2%) supported by historical trend.
- The terminal value was estimated using the perpetuity growth model, with a growth rate to perpetuity of 2% (2018: 2%).
- A pre-tax discount rate of 13.5% (2018: 13.5%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on an industry average weighted average cost of capital.
- There will be no other significant changes in the government policies and regulations which will directly affect the investees' businesses. The inflation for the operating expenses is in line with the estimated gross domestic product growth rate for the country based on the past trends.

The key assumptions represent management's assessment of future trends in the glove industry and are based on both external sources and internal sources (historical data).

The Group believes that no reasonably foreseeable changes in the above key assumptions that would cause the carrying values of these CGUs to materially exceed their recoverable amounts other than changes in the prevailing operating environment of which the impact is not ascertainable.

7. INTANGIBLE ASSET

		Intellectual property rights Group and Company	
	Note	RM'000	RM'000
Cost			
At 1 January 2018/31 December 2018/ 1 January 2019/31 December 2019		1,639	1,639
Impairment loss			
At 1 January 2018/31 December 2018		–	–
Impairment loss	7.1	1,639	1,639
At 1 January 2019/31 December 2019		1,639	1,639

Notes to the Financial Statements
(Cont'd)

7. INTANGIBLE ASSET (CONT'D)

	Note	Intellectual property rights Group and Company RM'000	RM'000
Carrying amounts			
At 1 January 2018		1,639	1,639
At 31 December 2018/1 January 2019		1,639	1,639
At 31 December 2019		–	–

The intellectual property is Aseptapak Innovation, which is the latest automated packing technology for gloves. The intellectual property includes any of its further development, future improvements and enhancements. The intellectual property is owned by Aseptapak (M) Sdn. Bhd. ("Aseptapak") and Aseptapak has granted the rights to the Group to use the Aseptapak Innovation for up to 20 years. The rights are only amortised from the date it is available for use on commercial basis.

7.1 Impairment loss

The loss arising from write-down of the intellectual and property rights which have not contributed any revenue since registration. Nevertheless, the project for this patent is still on going.

8. INVESTMENTS IN SUBSIDIARIES

	Company 2019 RM'000	2018 RM'000
Cost of investment	74,142	70,642

Details of the subsidiaries are as follows:

Name of subsidiary	Principal place of business/Country of incorporation	Principal activities	Effective ownership interest 2019 %	2018 %
Perusahaan Getah Asas Sdn. Bhd.	Malaysia	Manufacturing of latex examination gloves	100	100
Kossan Latex Industries (M) Sdn. Bhd.	Malaysia	Manufacturing of latex examination gloves	100	100
Hibon Corporation Sdn. Bhd.	Malaysia	Manufacturing and marketing of rubber based parts and products	90.4	90.4
Doshin Rubber Products (M) Sdn. Bhd.	Malaysia	Manufacturing and dealing in rubber products	75	70

Notes to the Financial Statements *(Cont'd)*

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal place of business/Country of incorporation	Principal activities	Effective ownership interest 2019 %	Effective ownership interest 2018 %
Ideal Quality Sdn. Bhd.	Malaysia	Manufacturing of latex examination gloves	100	100
Kossan Engineering (M) Sdn. Bhd.	Malaysia	Fabrication and installation of machinery	100	100
Kossan International Sdn. Bhd.	Malaysia	Trading of latex examination gloves	100	100
Kossan Sdn. Bhd.	Malaysia	Investment holding	100	100
Premium Medical Products Sdn. Bhd.	Malaysia	Wholesale of goods	100	100
Cleanera (Malaysia) Sdn. Bhd.	Malaysia	Trading of latex examination gloves and cleanroom products	100	100
Cleanera HK Limited+	Hong Kong	Investment holding and the trading of cleanroom products	82	82
KPH Logistics, Inc.#	United States of America	Distribution	100	100
KPH (San Francisco), LLC.#	United States of America	Property holding	100	100
KISB Asia Pacific Sdn. Bhd.	Malaysia	Wholesale of goods	100	100
Kossan Labuan Bhd.#	Labuan, Malaysia	Investment holding	100	100
Kossan Industries Sdn. Bhd.	Malaysia	Manufacturing and dealing in rubber products	100	100
Kossan Security Services Sdn. Bhd.	Malaysia	Manage auxiliary police service for Kossan group	100	–
Kossan Polymer Sdn. Bhd.	Malaysia	Manufacturing of diverse plastic products	100	–
Subsidiary of Doshin Rubber Products (M) Sdn. Bhd.				
Quality Profile Sdn. Bhd.	Malaysia	Manufacturing and dealing in rubber products	75	70

Notes to the Financial Statements
(Cont'd)

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal place of business/Country of incorporation	Principal activities	Effective ownership interest 2019 %	Effective ownership interest 2018 %
Subsidiary of Cleanera HK Limited				
Dongguan Cleanera Cleanroom Products Company Limited+	The People's Republic of China	Manufacturing and dealing in cleanroom products	82	82
Subsidiary of Kossan Engineering (M) Sdn. Bhd.				
Kossan Gloves Sdn. Bhd.	Malaysia	Investment holding	100	100
Subsidiary of Kossan Gloves Sdn. Bhd				
Wear Safe (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing of surgical, procedure and examination gloves	100	100
Subsidiary of Kossan Labuan Bhd.				
PT. Kossan Setia Jaya#	Republic of Indonesia	Property holding	100	100
Subsidiary of Kossan International Sdn. Bhd.				
KISB HK Limited+	Hong Kong	Investment holding	100	100
Subsidiary of KISB HK Limited				
KISB Limited Shanghai+	The People's Republic of China	Trading of machinery parts	100	100
Subsidiary of KISB Limited Shanghai				
Pureshield (Shanghai) Health Science and Technology Co. Limited+	The People's Republic of China	Dormant	100	–

\# Not required to be audited under the laws of the place/country of incorporation. The financial statements of the subsidiaries are consolidated based on management accounts.

\+ Not audited by KPMG PLT.

8.1 Material non-controlling interests in subsidiaries

There are no non-controlling interests that are material to the Group for the year ended 31 December 2019.

8.2 Acquisition of non-controlling interests - Doshin Rubber Products (M) Sdn. Bhd.

On 20 August 2019, the Group acquired an additional 5% interest in Doshin Rubber Products (M) Sdn. Bhd. for RM3,500,000 in cash, increasing its ownership from 70% to 75%. The Group recognised a decrease in non-controlling interests of RM3,343,000 and a decrease in capital reserve of RM157,000.

Notes to the Financial Statements
(Cont'd)

9. INVESTMENT IN JOINT VENTURE

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Investment in shares	1,358	1,362	1,400	1,400
Shares of post-acquisition reserves	(3)	(4)	–	–
	1,355	1,358	1,400	1,400

Aseptapak (M) Sdn. Bhd. ("Aseptapak"), the only joint arrangement in which the Group participates, is principally engaged in the purchase or acquire any patents, trademarks, invention, licenses, concessions, secret processes and the like, in Malaysia or elsewhere, conferring an exclusive or non-exclusive or limited rights to use any invention or process, secret or otherwise, which may be used by the entity, directly, and to use, exercise, develop, grant license in respect of, or turn to account the property, rights and information so acquired.

Aseptapak is structured as a separate vehicle and provides the Group rights to the net assets of the entity. Accordingly, the Group has classified the investment in Aseptapak as a joint venture.

The following table summarises the financial information of Aseptapak.

	Group 2019 RM'000	Group 2018 RM'000
Percentage of ownership interest and voting interest	50%	50%
Summarised financial information		
As at 31 December		
Non-current assets	1,669	1,669
Current assets	1,043	1,050
Current liabilities	(2)	(2)
	2,710	2,717
Year ended 31 December		
Loss and total comprehensive expenses for the year	(6)	(7)
Group's share of results for the year ended 31 December		
Group's share of losses during the year	(3)	(4)

10. Other investments

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Fair value through profit or loss	166	166	91	91
Amortised cost	232	232	–	–
	398	398	91	91

Notes to the Financial Statements
(Cont'd)

11. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Group						
Property, plant and equipment	–	–	(94,586)	(92,429)	(94,586)	(92,429)
Right-of-use assets	–	–	(5,229)	–	(5,229)	–
Revaluation on properties#	–	–	(5,228)	(5,311)	(5,228)	(5,311)
Unutilised reinvestment allowance	19,459	8,217	–	–	19,459	8,217
Lease liabilities	5,523	–	–	–	5,523	–
Derivatives	–	–	(162)	(65)	(162)	(65)
Others	589	131	–	–	589	131
Tax assets/(liabilities)	25,571	8,348	(105,205)	(97,805)	(79,634)	(89,457)
Set off of tax	(12,172)	(8,007)	12,172	8,007	–	–
Net tax assets/(liabilities)	13,399	341	(93,033)	(89,798)	(79,634)	(89,457)

	Liabilities		Net	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Company				
Property, plant and equipment	(2,420)	(2,219)	(2,420)	(2,219)
Revaluation on properties#	(567)	(591)	(567)	(591)
	(2,987)	(2,810)	(2,987)	(2,810)

\# This pertained to properties that the Group and the Company elected to apply the optional exemption to use previous revaluation or valuation at the date of transition to MFRSs as deemed cost under MFRSs in the financial year ended 31 December 2012.

Unrecognised deferred tax assets

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

	Group	
	2019 RM'000	2018 RM'000
Tax loss carry-forward	58	51
Tax at 24% (2018: 24%)	14	12

A tax loss of RM57,766 (2018: RM50,638) can only be utilised for 7 years once capital allowance has been fully exhausted for.

Deferred tax assets have not been recognised in respect for tax loss carry-forward amounting to RM57,766 (2018: RM50,638) respectively because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

Notes to the Financial Statements
(Cont'd)

11. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Movement in temporary differences during the year

	Note	Property, plant and equipment RM'000	Right-of-use assets RM'000	Revaluation on properties RM'000	Unutilised reinvestment allowance RM'000	Lease liabilities RM'000	Derivatives RM'000	Others RM'000	Total RM'000
Group									
At 1 January 2018		(80,322)	–	(5,463)	797	–	(1,718)	95	(86,611)
Recognised in profit or loss	22	(12,107)	–	152	7,420	–	1,653	36	(2,846)
At 31 December 2018, as previously reported		(92,429)	–	(5,311)	8,217	–	(65)	131	(89,457)
Adjustment on intial application of MFRS 16		–	(6,114)	–	–	6,334	–	–	220
At 1 January 2019		(92,429)	(6,114)	(5,311)	8,217	6,334	(65)	131	(89,237)
Recognised in profit or loss	22	(2,157)	885	83	11,242	(811)	(97)	458	9,603
At 31 December 2019		(94,586)	(5,229)	(5,228)	19,459	5,523	(162)	589	(79,634)
Company									
At 1 January 2018		(2,516)	–	(614)	–	–	–	–	(3,130)
Recognised in profit or loss	22	297	–	23	–	–	–	–	320
At 31 December 2018/ 1 January 2019		(2,219)	–	(591)	–	–	–	–	(2,810)
Recognised in profit or loss	22	(201)	–	24	–	–	–	–	(177)
As at 31 December 2019		(2,420)	–	(567)	–	–	–	–	(2,987)

Notes to the Financial Statements
(Cont'd)

12. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current					
Non-trade					
Amount due from subsidiaries	12.1	–	–	84,833	186,152
Current					
Trade					
Trade receivables		398,053	405,391	19	20
Less: Allowance for impairment loss		(2,237)	(2,237)	–	–
		395,816	403,154	19	20
Amount due from related parties	12.2	185	55	–	–
		396,001	403,209	19	20
Non-trade					
Amount due from subsidiaries	12.3	–	–	92,173	57,236
Amount due from holding company	12.4	10	–	–	–
Other receivables		13,732	26,844	196	180
Refundable deposits		5,509	6,374	109	105
		19,251	33,218	92,478	57,521
		415,252	436,427	92,497	57,541
		415,252	436,427	177,330	243,693

12.1 The non-trade amount due from subsidiaries are unsecured, subject to interest at 2.6% (2018: 2.6%) per annum and repayable within 3 years.

12.2 The trade amount due from related parties are subject to normal trade terms.

12.3 The non-trade amount due from subsidiaries are unsecured, subject to interest at 2.6% (2018: 2.6%) per annum and repayable on demand.

12.4 The non-trade amount due from holding company is unsecured, subject to interest at 2.6% (2018: nil) per annum and repayable on demand.

Notes to the Financial Statements
(Cont'd)

13. INVENTORIES

	Group	
	2019 RM'000	2018 RM'000
At cost:		
Raw materials	78,842	64,682
Work-in-progress	5,551	6,398
Finished goods	237,132	177,927
	321,525	249,007

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	99,450	107,507	41,512	72,269
Short term deposits placed with licensed banks	62,800	38,808	15,000	4,000
	162,250	146,315	56,512	76,269

15 CAPITAL AND RESERVES

15.1 Share capital

	Group and Company			
	Number of shares 2019 '000	Amount 2019 RM'000	Number of shares 2018 '000	Amount 2018 RM'000
Ordinary shares, issued and fully paid with no par value classified as equity instruments:				
At 1 January	1,278,936	323,885	639,468	323,885
Share split	–	–	639,468	–
At 31 December	1,278,936	323,885	1,278,936	323,885

15.2 Translation reserve

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

15.3 Capital reserve

The capital reserve comprises the difference between the consideration paid and net assets acquired in acquisition of non-controlling interests.

Notes to the Financial Statements
(Cont'd)

16. LOANS AND BORROWINGS

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current					
Term loans - unsecured	16.1	163,291	228,400	–	–
Finance lease liabilities	16.2	–	873	–	13
		163,291	229,273	–	13
Current					
Term loans - unsecured	16.1	77,200	82,133	–	–
Revolving credit - unsecured		229,017	79,450	–	–
Trade finance - unsecured		95,726	116,846	–	–
Finance lease liabilities	16.2	–	978	–	295
		401,943	279,407	–	295
		565,234	508,680	–	308

16.1 Term loans - unsecured

Unsecured term loans consisting of:

(a) MYR denominated term loan of RM3.09 million (2018: nil) representing a 5-year term loan obtained in 2019 with monthly repayment installments, and bears interest rates of 4.38% (2018: nil) per annum,

(b) MYR denominated term loan of RM nil (2018: RM7.13 million) representing a 5-year term loan obtained in 2014 with quarterly repayment installments, and bears interest rates of nil (2018: 4.43%) per annum,

(c) MYR denominated term loan of RM7.50 million (2018: RM22.50 million) representing a 5-year term loan obtained in 2015 with quarterly repayment installments, and bears interest rates of 4.45% - 4.70% (2018: 4.45% - 4.70%) per annum,

(d) MYR denominated term loan of RM153.00 million (2018: RM180.00 million) representing a 7-year term loan obtained in 2018 with quarterly repayment installments, and bears interest rates of 4.90% - 5.32% (2018: 4.81% - 5.73%) per annum,

(e) MYR denominated term loan of RM34.90 million (2018: RM46.90 million) representing a 5-year term loan obtained in 2017 with monthly repayment installments, and bears interest rates of 4.25% - 4.50% (2018: 4.25% - 4.50%) per annum, and

(f) MYR denominated term loan of RM42.00 million (2018: RM54.00 million) representing a 5-year term loan obtained in 2018 with monthly repayment installments, and bears interest rates of 4.30% (2018: 4.55%) per annum.

Notes to the Financial Statements
(Cont'd)

16. LOANS AND BORROWINGS (CONT'D)

16.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2018 RM'000	Interest 2018 RM'000	Present value of minimum lease payments 2018 RM'000
Group			
Less than one year	1,038	(60)	978
Between one and five years	929	(56)	873
	1,967	(116)	1,851
Company			
Less than one year	301	(6)	295
Between one and five years	13	–	13
	314	(6)	308

17. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade					
Trade payables		143,093	120,384	–	65
Non-trade					
Amount due to holding company	17.1	10	10	–	–
Amount due to related parties	17.1	1,949	4,274	31	–
Other payables		37,524	41,578	1,110	424
Dividend payable		38,368	–	38,368	–
Accrued expenses		32,234	40,352	5,237	5,928
		110,085	86,214	44,746	6,352
		253,178	206,598	44,746	6,417

17.1 The non-trade amounts due to holding company and related parties are unsecured, interest free and repayable on demand.

Notes to the Financial Statements
(Cont'd)

18. DERIVATIVE FINANCIAL ASSETS

	2019			2018		
	Nominal value RM'000	Assets RM'000	Liabilities RM'000	Nominal value RM'000	Assets RM'000	Liabilities RM'000
Group						
Derivatives at fair value through profit or loss						
- Forward foreign exchange contracts	207,097	2,349	–	108,364	723	–

Forward foreign exchange contracts are used to manage the foreign currency exposures arising from the Group's receivables denominated in currencies other than the functional currencies of Group entities. Most of the forward foreign exchange contracts have maturities of less than one year after the end of the reporting period and are utilised subsequent to year end.

19. REVENUE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Sales of rubber products	2,217,170	2,140,571	–	–
Dividend income	–	–	695	1,316
Management fees	–	–	15,552	14,328
	2,217,170	2,140,571	16,247	15,644

Disaggregation of revenue by geographical location and by segment is as disclosed in Note 26.

Nature of goods	Timing of recognition or method used to recognise revenue	Significant payment terms
Rubber products	Revenue is recognised at a point in time upon transfer of control as per International Commercial Terms ("INCOTERM")	Average credit term of 60 - 90 days

There are no variable element in consideration, obligation for returns or refunds nor warranty in substantially all of the contracts for the provision of goods by the Group.

Transaction price allocated to remaining performance obligations

Most of the Group's contracts are based on purchase orders whereby the contracted volumes are agreed upon. An insignificant amount of contracts have original contract period of more than one year, for which the remaining performance obligation is expected to be fulfilled in the next twelve months. Hence, there is no further disclosure on future performance obligation.

Notes to the Financial Statements
(Cont'd)

20. FINANCE COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expense on:				
- Bank overdraft	35	37	1	–
- Finance lease	–	11	–	26
- Term loans	16,129	13,247	–	–
- Trade finance	4,046	4,153	–	–
- Revolving credit	3,221	3,449	–	–
- Interest on lease liabilities	657	–	12	–
	24,088	20,897	13	26
Recognised in profit or loss	15,567	19,504	13	26
Capitalised into qualifying assets as a reduction of borrowing costs:				
- property, plant and equipment	6,425	1,393	–	–
- right-of-use asset	2,096	–	–	–
	24,088	20,897	13	26

21. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors:				
- Fees	330	300	330	300
- Remunerations	17,124	18,944	6,552	6,249
	17,454	19,244	6,882	6,549
Other key management personnel:				
- Remunerations	10,375	9,340	3,610	2,634

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.

Notes to the Financial Statements *(Cont'd)*

22. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Current tax expense				
Current year	56,947	40,470	169	1,611
Under/(Over) provision in prior year	1,387	1,349	(392)	(29)
	58,334	41,819	(223)	1,582
Deferred tax expense				
Origination and reversal of temporary differences	3,653	6,355	(72)	(334)
(Over)/Under provision in prior year	(13,256)	(3,509)	249	14
Initial application of MFRS 16	(220)	–	–	–
	(9,823)	2,846	177	(320)
Total tax expense/(credit)	48,511	44,665	(46)	1,262

Reconciliation of tax expense

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Profit/(Loss) before tax				
- continuing operations	276,372	249,264	(1,055)	5,741
Add:				
Share of losses of equity-accounted joint venture, net of tax	3	4	–	–
	276,375	249,268	(1,055)	5,741
Income tax calculated using Malaysian tax rate of 24% (2018: 24%)	66,330	59,824	(253)	1,378
Effect of tax rates in foreign jurisdiction	(200)	(70)	–	–
Initial application of MFRS 16	(220)	–	–	–
Non-deductible expenses	7,044	3,930	1,001	660
Tax incentives	(2,752)	(16,723)	–	–
Effect of reinvestment allowance recognised	(9,452)	–	–	–
Income not subject to tax	(628)	(963)	(628)	(963)
Revaluation reserve crystalised	(23)	–	(23)	–
Others	281	827	–	202
	60,380	46,825	97	1,277
Under/(Over) provision in prior year				
- income tax expense	1,387	1,349	(392)	(29)
- deferred tax expense	(13,256)	(3,509)	249	14
	48,511	44,665	(46)	1,262

Notes to the Financial Statements
(Cont'd)

23. PROFIT/(LOSS) FOR THE YEAR

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Profit/(Loss) for the year is arrived at after charging/ (crediting)					
Auditors' remuneration					
Audit fees:					
- KPMG PLT		441	401	59	57
- Other auditors		68	68	–	–
Non-audit fee		9	9	9	9
Material expenses/(income)					
Depreciation of property, plant and equipment	3	90,491	76,809	548	1,128
Depreciation of right-of-use assets	4	5,245	–	379	–
Depreciation of investment properties	5	–	–	392	392
Impairment of patent	7	1,639	–	1,639	–
Personnel expenses (including key management personnel):					
- Contributions to Employees' Provident Fund		15,438	13,294	750	647
- Wages, salaries and others		287,944	269,346	14,200	12,629
Realised loss on foreign exchange		386	313	–	–
Research and development expenses		2,388	–	–	–
Property, plant and equipment written off		361	8	–	7
Loss on disposal of right-of-use assets		64	–	–	–
Unrealised foreign exchange loss on receivables		4,718	1,559	–	–
Realised gain on foreign exchange		(12,093)	(16,542)	–	–
Unrealised fair value changes on derivatives		(2,349)	(723)	–	–
Unrealised foreign exchange gain on loans		(363)	(265)	–	–
Gain on disposal of property, plant and equipment		(639)	(453)	(121)	(135)
Interest on short term deposits		(4,252)	(4,421)	(2,061)	(3,041)
Interest on amount due from subsidiaries		–	–	(1,563)	(5,680)
Rental income		(259)	(166)	(703)	(678)

Notes to the Financial Statements *(Cont'd)*

23. PROFIT/(LOSS) FOR THE YEAR (CONT'D)

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Expenses/(income) arising from leases					
Expenses relating to short-term leases	a	147	–	–	–
Expenses relating to leases of low-value assets	a	90	–	–	–
Rental expense		–	4,138	–	–
Net loss on impairment of financial instruments					
Financial assets at amortised cost		–	159	–	–

Note a

The Group leases premises with contract terms of less than 1 year and these leases are short-term. The Group leases office equipment with contract terms of 1-5 years and these leases are low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

24. EARNINGS PER ORDINARY SHARE

Basic earnings per share

The calculation of basic earnings per share at 31 December 2019 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2019 RM'000	2018 RM'000
Profit for the year attributable to owners of the Company	224,653	199,773

Weighted average number of ordinary shares

	Group	
	2019 '000	2018 '000
Issued ordinary shares at 1 January	1,278,936	639,468
Effect of share split in July 2018	–	639,468
Weighted average number of ordinary shares at 31 December	1,278,936	1,278,936

	Group	
	2019 Sen	2018 Sen
Basic earnings per share	17.57	15.62

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

Notes to the Financial Statements
(Cont'd)

25. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2019			
Interim 2018 ordinary	3.00	38,368	30 January 2019
Final 2018 ordinary	3.00	38,368	21 June 2019
Interim 2019 ordinary	3.00	38,368	20 January 2020
Total amount		115,104	
2018			
Final 2017 ordinary	6.00	38,368	3 July 2018

After the end of the reporting period the following dividend was declared by the Directors. This dividend will be recognised in the subsequent financial period.

	Sen per share	Total amount RM'000
Second interim 2019 ordinary	3.00	38,368

Other than the above, there is no cumulative preference dividends not recognised in the current financial year.

26. OPERATING SEGMENTS

The Group has four 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 (other than cleanroom gloves)
- Cleanroom products
- 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, 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.

Notes to the Financial Statements
(Cont'd)

26. OPERATING SEGMENTS (CONT'D)

Segment assets

The total of 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 total asset is used to measure the return on assets of each segment.

Segment liabilities

The total 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.

Segment capital expenditure

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

Geographical segments

The four segments are managed on a worldwide basis, but operate manufacturing facilities and sales offices in Malaysia (country of domicile) and/or Hong Kong.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of the sales offices. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include right-of-use assets, investment properties, goodwill and intangible asset, investments and deferred tax assets.

	2019 RM'000	2018 RM'000
Group		
Revenue		
Sales office located in Malaysia		
- for local market	154,315	143,160
- for export market	2,009,794	1,944,052
Sales office located outside of Malaysia	53,061	53,359
	2,217,170	2,140,571
Non-current assets		
Located in Malaysia	1,191,350	1,252,416
Located outside of Malaysia	15,538	15,515
	1,206,888	1,267,931

Major customers

There were no major customers with revenue equal or more than 10% of the Group's total revenue for the years ended 31 December 2019 and 31 December 2018.

26. OPERATING SEGMENTS (CONT'D)

	Technical rubber products		Gloves		Cleanroom products		Others		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Business segments										
Total external revenue	180,740	184,386	1,962,389	1,874,919	74,041	80,975	–	291	2,217,170	2,140,571
Segment results	27,372	27,896	266,078	240,551	2,634	3,628	(8,394)	(7,724)	287,690	264,351
Share of losses of joint venture									(3)	(4)
Finance costs									(15,567)	(19,504)
Finance income									4,252	4,421
Tax expense									(48,511)	(44,665)
Profit for the year									227,861	204,599
Segment assets	209,307	185,819	1,863,145	1,661,462	44,479	41,471	260,314	259,475	2,377,245	2,148,227
Segment liabilities	29,675	27,166	798,166	707,424	6,477	5,603	91,916	65,660	926,234	805,853
Included in the measure of segment assets are:										
Capital expenditure	12,093	12,614	187,368	219,467	439	98	7,830	85,497	207,730	317,676
Included in the measure of segment results are:										
Depreciation	7,512	6,823	81,358	67,242	583	689	1,038	2,055	90,491	76,809

Notes to the Financial Statements
(Cont'd)

27. FINANCIAL INSTRUMENTS

27.1 Categories of financial instruments

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

(a) Financial assets measured at amortised cost ("FAAC");
(b) Financial liabilities measured at amortised cost ("FLAC"); and
(c) Fair value through profit or loss ("FVTPL"):
- Mandatorily required by MFRS 9; and
- Designated upon initial recognition ("DUIR").

	Carrying amount RM'000	FAAC / (FLAC) RM'000	Mandatorily at FVTPL RM'000	FVTPL - DUIR RM'000
2019				
Financial assets				
Group				
Other investments	398	232	166	–
Trade and other receivables	415,252	415,252	–	–
Cash and cash equivalents	162,250	162,250	–	–
Derivative financial assets	2,349	–	2,349	–
	580,249	577,734	2,515	–
Company				
Other investments	91	–	91	–
Trade and other receivables	177,330	177,330	–	–
Cash and cash equivalents	56,512	56,512	–	–
	233,933	233,842	91	–
Financial liabilities				
Group				
Loans and borrowings	(565,234)	(565,234)	–	–
Trade and other payables	(253,178)	(253,178)	–	–
	(818,412)	(818,412)	–	–
Company				
Loans and borrowings	–	–	–	–
Trade and other payables	(44,746)	(44,746)	–	–
	(44,746)	(44,746)	–	–

Notes to the Financial Statements
(Cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

27.1 Categories of financial instruments (Cont'd)

	Carrying amount RM'000	FAAC / (FLAC) RM'000	Mandatorily at FVTPL RM'000	FVTPL - DUIR RM'000
2018				
Financial assets				
Group				
Other investments	398	232	91	75
Trade and other receivables	436,427	436,427	–	–
Cash and cash equivalents	146,315	146,315	–	–
Derivative financial assets	723	–	723	–
	583,863	582,974	814	75
Company				
Other investments	91	–	91	–
Trade and other receivables	243,693	243,693	–	–
Cash and cash equivalents	76,269	76,269	–	–
	320,053	319,962	91	–
Financial liabilities				
Group				
Loans and borrowings	(508,680)	(508,680)	–	–
Trade and other payables	(206,598)	(206,598)	–	–
	(715,278)	(715,278)	–	–
Company				
Loans and borrowings	(308)	(308)	–	–
Trade and other payables	(6,417)	(6,417)	–	–
	(6,725)	(6,725)	–	–

Notes to the Financial Statements
(Cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

27.2 Net gains and losses arising from financial instruments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net gains/(losses) on:				
Financial assets at fair value through profit or loss:				
- Mandatorily required by MFRS 9	2,349	723	–	–
Financial assets at amortised cost	11,241	18,932	3,624	8,721
Financial liabilities measured at amortised cost	(14,547)	(19,239)	(1)	(26)
	(957)	416	3,623	8,695

27.3 Financial risk management

The Group and the Company have exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

27.4 Credit risk

Credit risk is the risk of a financial loss 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. There are no significant changes as compared to prior periods.

Trade receivables

Risk management objectives, policies and processes for managing the risk

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.

At each reporting date, the Group or the Company assesses whether any of the trade receivables are credit impaired.

Notes to the Financial Statements
(Cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

27.4 Credit risk (Cont'd)

Trade receivables (Cont'd)

Risk management objectives, policies and processes for managing the risk (Cont'd)

The gross carrying amount of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of financial position.

Recognition and measurement of impairment loss

A significant portion of these trade receivables are regular customers that have been transacting with the Group.

To measure the expected credit losses, trade receivables have been grouped based on credit risk and 90 days past due.

The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any trade receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

The Group considers that any trade receivables with past due less than 90 days are having low credit risk by considering historical payment trends and financial strength of the receivables. The amount of the allowance on these balances is negligible.

The following table provides information about the exposure to credit risk and ECLs for trade receivables.

	2019			2018		
	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Group						
Current (not past due)	322,190	–	322,190	334,294	–	334,294
0-30 days past due	60,372	–	60,372	46,152	–	46,152
31-120 days past due	12,344	–	12,344	19,652	(108)	19,544
More than 120 days past due	3,147	(2,237)	910	5,293	(2,129)	3,164
	398,053	(2,237)	395,816	405,391	(2,237)	403,154

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

27. FINANCIAL INSTRUMENTS (CONT'D)

27.4 Credit risk (Cont'd)

Trade receivables (Cont'd)

	Total RM'000
Group	
Balance at 1 January 2018	2,078
Net remeasurement of loss allowance - credit impaired	159
Balance at 31 December 2018/1 January 2019/31 December 2019	2,237

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

The Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

Expected credit loss of other receivables is determined individually after considering the financial strength of the other receivables. Based on management's assessment, the probability of default of these receivables is low and hence, no loss allowance has been made.

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 RM491,255,000 (2018: RM491,255,000) 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.

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

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

Notes to the Financial Statements
(Cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

27.4 Credit risk (Cont'd)

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides management services, unsecured loans and advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

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 statement of financial position.

Management services and loans and advances are only provided to subsidiaries which are wholly owned by the Company.

Recognition and measurement of impairment loss

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when:

- The subsidiary is unlikely to repay its loan or advance to the Company in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these loans and advances individually using internal information available.

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

27.5 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 payables, loans and borrowings.

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.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

27. FINANCIAL INSTRUMENTS (CONT'D)

27.5 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'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
2019							
Non-derivative financial liabilities							
Term loans - unsecured	240,491	4.25 - 5.32	261,871	86,890	67,382	107,599	–
Revolving credit - unsecured	229,017	3.80 - 4.35	229,017	229,017	–	–	–
Trade finance - unsecured	95,726	3.30 - 3.90	95,726	95,726	–	–	–
Lease liabilities	12,876	4.31 - 5.40	19,448	3,975	3,947	2,226	9,300
Trade and other payables	253,178	–	253,178	253,178	–	–	–
	831,288		859,240	668,786	71,329	109,825	9,300
Derivative financial liabilities							
Forward foreign exchange contracts (gross settled):							
Inflow	(2,349)	–	(207,097)	(207,097)	–	–	–
Outflow	–	–	204,748	204,748	–	–	–
	828,939		856,891	666,437	71,329	109,825	9,300

27. FINANCIAL INSTRUMENTS (CONT'D)

27.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
2018							
Non-derivative financial liabilities							
Term loans - unsecured	310,533	4.25 - 4.83	342,735	94,537	76,527	171,671	–
Revolving credit - unsecured	79,450	3.80 - 4.20	79,450	79,450	–	–	–
Trade finance - unsecured	116,846	3.45 - 3.83	116,846	116,846	–	–	–
Finance lease liabilities	1,851	4.31 - 5.40	1,967	1,038	386	543	–
Trade and other payables	206,598	–	206,598	206,598	–	–	–
	715,278		747,596	498,469	76,913	172,214	–
Derivative financial liabilities							
Forward foreign exchange contracts (gross settled):							
Inflow	(723)	–	(108,364)	(108,364)	–	–	–
Outflow	–	–	107,641	107,641	–	–	–
	714,555		746,873	497,746	76,913	172,214	–

27. FINANCIAL INSTRUMENTS (CONT'D)

27.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Company							
2019							
Non-derivative financial liabilities							
Lease liabilities	318	4.53 - 5.18	335	138	125	72	–
Trade and other payables	44,746	–	44,746	44,746	–	–	–
Financial guarantee	–	–	664,001	664,001	–	–	–
	45,064		709,082	708,885	125	72	–
2018							
Non-derivative financial liabilities							
Finance lease liabilities	308	4.52 - 5.18	314	301	13	–	–
Trade and other payables	6,417	–	6,417	6,417	–	–	–
Financial guarantee	–	–	491,255	491,255	–	–	–
	6,725		497,986	497,973	13	–	–

Notes to the Financial Statements
(Cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

27.6 Market risk

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

27.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily U.S. Dollar ("USD").

Risk management objectives, policies and processes for managing the risk

The Group uses forward foreign exchange contracts to hedge its foreign currency risk. Most of the forward foreign exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward foreign exchange 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, forward foreign exchange contracts were entered into with the following amounts:

Forward foreign exchange contracts used to hedge receivables

	Amount to be received USD'000	Average contract rate	Equivalent RM'000
Group			
Hedged item			
2019			
Trade receivables	49,951	4.1460	207,097
2018			
Trade receivables	26,000	4.1678	108,364

Notes to the Financial Statements
(Cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

27.6 Market risk (Cont'd)

27.6.1 Currency risk (Cont'd)

Exposure to foreign currency risk

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

	Group Denominated in USD 2019 RM'000	Group Denominated in USD 2018 RM'000
Bank account	7,023	4,329
Trade receivables	366,269	362,372
Trade payables	(23,934)	(19,420)
Loans and borrowings	(41,467)	(41,715)
Forward foreign exchange contracts used to hedge receivables	2,349	723
Net exposure	310,240	306,289

Currency risk sensitivity analysis

A 5% (2018: 5%) strengthening of RM against USD at the end of the reporting period would have decreased equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant.

	Profit or loss 2019 RM'000	Profit or loss 2018 RM'000
Group		
USD	(11,789)	(11,639)

A 5% (2018: 5%) weakening of RM against USD at the end of the reporting period would have had equal but opposite effect on equity and post-tax profit or loss respectively, on the basis that all other variables remained constant.

The exposure to currency risk other than USD is not material and hence, sensitivity analysis is not presented.

Notes to the Financial Statements
(Cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

27.6 Market risk (Cont'd)

27.6.2 Interest rate risk

The Group's investments in fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to 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.

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 are as follows:

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed rate instruments					
Deposits placed with licensed banks	14	62,800	38,808	15,000	4,000
Term loans - unsecured		–	(7,133)	–	–
Lease liabilities		(12,876)	–	(318)	–
Finance lease liabilities		–	(1,851)	–	(308)
Revolving credit - unsecured	16	(229,017)	(79,450)	–	–
Trade finance - unsecured	16	(95,726)	(116,846)	–	–
		(274,819)	(166,472)	14,682	3,692
Floating rate instruments					
Term loans - unsecured		(240,491)	(303,400)	–	–
Amount due from subsidiaries		–	–	177,006	243,388
		(240,491)	(303,400)	177,006	243,388

Notes to the Financial Statements
(Cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

27.6 Market risk (Cont'd)

27.6.2 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 hedging instruments under a fair value hedge 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 (2018: 50) basis points ("bp") in interest rates at the end of the reporting period would have (decreased)/increased post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	50 bp increase RM'000	50 bp decrease RM'000
Group		
2019		
Floating rate instruments	(914)	914
2018		
Floating rate instruments	(1,153)	1,153
Company		
2019		
Floating rate instruments	673	(673)
2018		
Floating rate instruments	925	(925)

27. FINANCIAL INSTRUMENTS (CONT'D)

27.7 Fair value information

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

The tables below analyses other financial instruments at fair value.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
Group										
2019										
Financial asset										
Forward foreign exchange contracts	–	2,349	–	2,349	–	–	–	–	2,349	2,349
Financial liabilities										
Term loans - unsecured	–	–	–	–	–	–	(229,441)	(229,441)	(229,441)	(240,491)
2018										
Financial asset										
Forward foreign exchange contracts	–	723	–	723	–	–	–	–	723	723
Financial liabilities										
Finance lease liabilities	–	–	–	–	–	–	(1,801)	(1,801)	(1,801)	(1,851)
Term loans - unsecured	–	–	–	–	–	–	(304,764)	(304,764)	(304,764)	(310,533)
	–	–	–	–	–	–	(306,565)	(306,565)	(306,565)	(312,384)

27. FINANCIAL INSTRUMENTS (CONT'D)

27.7 Fair value information (Cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
Company										
2019										
Financial asset										
Amount due from subsidiaries	–	–	–	–	–	–	177,006	177,006	177,006	177,006
2018										
Financial asset										
Amount due from subsidiaries	–	–	–	–	–	–	243,388	243,388	243,388	243,388
Financial liability										
Finance lease liabilities	-	-	-	-	-	-	(300)	(300)	(300)	(308)

Notes to the Financial Statements
(Cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

27.7 Fair value information (Cont'd)

Level 2 fair value

Derivatives

The fair value of forward foreign exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2018: no transfer in either directions).

Level 3 fair value

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance lease, the market rate of interest is determined by reference to finance lease agreements.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Term loans, finance lease liabilities and amount due from subsidiaries	Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.

Notes to the Financial Statements
(Cont'd)

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 are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at 31 December 2019 and at 31 December 2018 were as follows:

		Group	
	Note	2019 RM'000	2018 RM'000
Total borrowings	16	565,234	508,680
Lease liabilities		12,876	–
Less: Cash and cash equivalents	14	(162,250)	(146,315)
Net debt		415,860	362,365
Total equity		1,424,290	1,314,864
Debt-to-equity ratio		0.29	0.28

There was no change in the Group's approach to capital management during the financial year.

29. CAPITAL AND OTHER COMMITMENTS

	Group	
	2019 RM'000	2018 RM'000
Property, plant and equipment		
Within one year:		
Contracted but not provided for	–	7,734

30. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly 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 parties are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel 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 include all the Directors of the Group and certain members of senior management of the Group.

The Group has related party relationship with its holding company, subsidiaries and related parties.

Notes to the Financial Statements
(Cont'd)

30. RELATED PARTIES (CONT'D)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company, other than key management personnel compensation (see Note 21), are shown below. The balances related to the below transactions are shown in Notes 12 and 17.

	2019 RM'000	2018 RM'000
Group		
Transactions with Kossan Holdings (M) Sdn. Bhd. and its subsidiaries		
Kossan Holdings (M) Sdn. Bhd.		
Payment of lease liability	(438)	(333)
Kossan Chemical Industries (M) Sdn. Bhd.		
Payment of lease liability	(2,004)	(1,770)
Improgen Sdn. Bhd.		
Payment of lease liability	(263)	(263)
Kossan Paint (M) Sdn. Bhd.		
Sales*	278	121
Purchase of consumables and property, plant and equipment	(876)	(874)
Pan Asian Corporation Sdn. Bhd.		
Payment of lease liability	(741)	(710)
Chemtube (M) Sdn. Bhd.		
Technical services fee	–	86
Purchase of consumables and property, plant and equipment	(1,107)	(234)
Transactions with corporations in which Directors have financial interest		
HT Ceramics (M) Sdn. Bhd.		
Sales*	1	–
Purchase of consumables and property, plant and equipment	(2,431)	(3,256)
Kossan F.R.P. Industries (M) Sdn. Bhd.		
Sales*	5	2
Purchase of consumables and property, plant and equipment	(200)	(175)
Gummitech Industries Sdn. Bhd.		
Rental income	133	118

Notes to the Financial Statements
(Cont'd)

30. RELATED PARTIES (CONT'D)

Significant related party transactions (Cont'd)

	2019 RM'000	2018 RM'000
Company		
Transactions with corporation in which Directors have financial interest		
Gummitech Industries Sdn. Bhd.		
Rental income	133	118
Hai Poh Marketing Sdn. Bhd.		
Purchase of motor vehicle	(30)	–
Transactions with subsidiaries		
Kossan Latex Industries (M) Sdn. Bhd.		
Management fee income	4,656	4,344
Interest income	–	2,666
Perusahaan Getah Asas Sdn. Bhd.		
Management fee income	4,836	4,494
Interest income	–	2,157
Rental income	24	24
Wear Safe (Malaysia) Sdn. Bhd.		
Management fee income	4,028	3,732
Ideal Quality Sdn. Bhd.		
Management fee income	940	750
Kossan Industries Sdn. Bhd.		
Management fee income	888	810
Rental income	546	546
Hibon Corporation Sdn. Bhd.		
Management fee income	204	198
Premium Medical Products Sdn. Bhd.		
Interest income	1,563	857
Kossan Security Services Sdn. Bhd.		
Security charges	(108)	–

* 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.

Notes to the Financial Statements
(Cont'd)

31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 16.

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019.

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 4.55%. Right-of-use assets are measured at either:

- their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 January 2019; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use assets and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the leased assets and lease liability under MFRS 117 immediately before that date.

31.1 Impacts on financial statements

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019, there are no adjustments made to the prior period presented. There is no material financial impact arising from the adoption of MFRS 16 on the Company's financial statements.

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statement of financial position at 1 January 2019.

Notes to the Financial Statements
(Cont'd)

31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

31.1 Impacts on financial statements (Cont'd)

	Group RM'000
Operating lease commitments at 31 December 2018	5,839
Discounted using the incremental borrowing rate at 1 January 2019	4,985
Finance lease liabilities recognised at 31 December 2018	1,851
Recognition exemption for short-term leases	(692)
Recognition exemption for leases of low-value assets	(251)
Extension and termination options reasonably certain to be exercised	9,854
Lease liabilities recognised at 1 January 2019	15,747

32. SUBSEQUENT EVENT

Effects of COVID-19 on the financial statements

The coronavirus (Covid-19) pandemic was announced by the World Health Organisation in March 2020 given the outbreak of the virus in countries across the world including Malaysia. The Covid-19 pandemic has resulted in disruptions to businesses and various macro-economic impacts.

The Group and Company consider that the effects related to this outbreak to be a non-adjusting event as it was not a condition that existed as at 31 december 2019, the end of the reporting period.

As at date of the financial statements are authorised for issuance, the Covid-19 situation is still evolving and unpredictable. As a result, it is not practicable for the Group and the Company to estimate the financial effect of Covid-19 at this juncture. The Group and the Company are actively monitoring and managing the Group's and the Company's operations to minimise any impacts, if any, that may arise from Covid-19.

33. COMPARATIVE FIGURES

Certain comparative figures in the statement of comprehensive income have been reclassified to conform with current year's presentation.

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Group			
Statement of profit or loss and other comprehensive income			
Raw materials and consumables used	(1,263,950)	(106,989)	(1,370,939)
Other operating expenses	(307,115)	107,148	(199,967)
Net loss on impairment of financial instruments	–	(159)	(159)

The above reclassification does not have any impact on the earnings for ordinary shares of the Group.

STATEMENT BY DIRECTORS

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 62 to 138 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

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

....
Tan Sri Dato' Lim Kuang Sia
Director

....
Lim Leng Bung
Director

Klang, Selangor Darul Ehsan
Date: 21 May 2020

STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act 2016

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 62 to 138 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Lee Hon Chee, NRIC: 611107-10-6239, MIA CA6481, at Klang in the State of Selangor Darul Ehsan on 21 May 2020.

....
Lee Hon Chee

Before me:
Yip Ban Leng
No. B435

Commissioner for Oaths
Selangor Darul Ehsan

INDEPENDENT AUDITORS' REPORT
to the members of Kossan Rubber Industries Bhd.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Kossan Rubber Industries Bhd., which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 62 to 138.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

RECOVERABILITY OF TRADE RECEIVABLES

Refer to Note 12 – Trade and other receivables

The Key Audit Matter

As at 31 December 2019, the Group has significant trade receivables with a total carrying value of RM396 million. Certain customers having experienced higher days sales outstanding than the Group's average days sales outstanding, which increase the inherent exposure to credit risk. This results in a risk over the recoverability of the Group's trade receivables.

Independent Auditors' Report
(Cont'd)

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We evaluated the Group's policy on valuation of trade receivables against the requirements of MFRS 9, Financial Instruments;
- We assessed the adequacy of impairment loss provided by management and compared the impairment loss based on Expected Credit Losses model;
- We challenged the Group's assumptions and judgements in making provisions by reference to historical credit loss experience and considered the forward looking information incorporated in the impairment assessment, if any;
- We obtained and tested the accuracy of the receivables ageing as at year end by testing the age profile of the trade receivables balance to invoices raised; and
- We considered the adequacy of the Group's disclosure on the degree of estimation involved in arriving at the allowance for impairment loss.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report
(Cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditors' Report
(Cont'd)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 8 to the financial statements.

OTHER MATTER

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

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Lee Yee Keng
Approval Number: 02880/04/2021 J
Chartered Accountant

Petaling Jaya, Malaysia

Date: 21 May 2020

LIST OF PROPERTIES
As at 31 December 2019

Location	Description	Date of Acquisition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2019 RM '000
HSD 27360 PT12772 No 14 Lrg Sg Puloh Tmn Klg Utama 42100 Klang	1 unit double storey link house	24/3/1995 *	26 yrs	990 sq.ft	Freehold	Staff quarters	53
HSD 27361 PT12773 No 16 Lrg Sg Puloh Tmn Klg Utama 42100 Klang	1 unit double storey link house	24/3/1995 *	26 yrs	990 sq.ft	Freehold	Staff quarters	53
Lot 754 Jalan Hj Sirat 42100 Klang	Industrial land Factory	1/1/2011 *	– 25 yrs	246,550 sq.ft	Freehold	– Factory	7,691 7,566
Lot 782 Jalan Sg Putus 42100 Klang	Industrial land Factory and office 5 storey office	1/1/2011 *	– Factory-32 yrs Office-25 yrs 12 yrs	47,480 sq.ft	Freehold	– Factory and Office Office	1,109 978 3,075
HSM 21404 Lot 16632 Jalan Meru 41050 Klang	Industrial land Factory/office	24/3/1995 *	– 30 yrs	6,055 sq.mtr	Freehold	– Factory/ Office	1,043 1,439
GM 551 Lot 2401 Batu 17 Jln Sungai Sembilang 45800 Jeram	Industrial land Factory/office	1/1/2011 *	– 21 yrs	94,895 sq.ft	Freehold	– Factory	1,300 2,152
HSM 3930 PT 5708 (a) (formerly Lot 2796)	Industrial land Factory	1/1/2011 *	– 17 yrs	213,916 sq.ft	Freehold	– Factory	3,830 3,809
(b) (formerly Lot 1365) Jln Sungai Sembilang 45800 Jeram	Industrial land Factory/Office Factory	1/1/2011 *	– 21 yrs 12 yrs	217,800 sq.ft	Freehold	– Factory/ Office Factory	1,114 5,756 3,930
HSM 15410 PT 21715 & HSM 15405 PT 15708 24 Jln Pengasah 4 Off Jln Kapar 42100 Klang	1 unit 1 1/2 storey light industrial building	3/4/2003	26 yrs	174 sq.mtr	Freehold	Hostel	175
HS (M) 1168 PT 476 Batu 15 1/4 Jalan Kapar Mukim Jeram	Industrial land Staff quarters	27/2/2003	– 16 yrs	5,527 sq.mtr	Freehold	– Staff quarters	355 87
HSM 4378 PT 7355 (formerly Lot 6134 and 6135) Batu 16 Jalan Kapar Jeram	Industrial land Factory	1/1/2011 *	– 9 yrs	20,357 sq.mtr	Freehold	– Factory	2,457 6,573
Geran 244725 Lot 12262 (formerly Geran 40417 Lot 4761) Mukim Jeram Kuala Selangor	Industrial land Factory	19/5/2004	– 15 yrs	2.969 hectares	Freehold	– Factory	1,148 2,556
Geran 125449 Lot 6129, 5 1/4 Mile,Jln Hj Abdul Manan, Jln Meru 41050 Klang	Industrial land Factory	1/1/2011 *	– 13 yrs	37,411 sq.mtr	Freehold	– Factory/ Office	10,218 18,929

List of Properties
(Cont'd)

Location	Description	Date of Acquisition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2019 RM '000
Geran 173931 Lot 63617 (formerly HSD 116842 PT 54925) Mukim Kapar Daerah Klang	Industrial land Factory Extension of buildings	1/1/2011 *	– 6 yrs 5 yrs	4.355 hectares	Freehold	– Factory Factory	6,570 26,634 1,110
Geran 173929 Lot 63616 (formerly HSD 116841 PT 54924) Mukim Kapar Daerah Klang	Industrial land Factory and Office Plant A Plant B Plant C	1/1/2011 *	– 9 yrs 8 yrs 2 yrs	4.544 hectares	Freehold	– Factory and office	6,800 15,694 5,963 12,163
Geran 128405 Lot 24077 (formerly Lot PT 13726) Jln Meru 41050 Klang	Industrial land Factory	1/1/2011 *	– 12 yrs	21,805 sq.mtr	Freehold	– Factory and office	5,900 18,723
HSM 43179 PT 71276 (formerly GM 1724 & 1725 Lot 5068 & 5069) Jalan Meru 41050 Klang	Industrial land Factory	9/11/2010	– 7 yrs	21,105 sq.mtr	Freehold	– Factory/ Office	10,405 16,864
Geran 45715 Lot 6130 Jln Meru 41050 Klang	Industrial land Factory	1/1/2011 *	– 11 yrs	4.0519 hectares	Freehold	– Factory	15,603 29,228
HSM 4233 PT 7201 (formerly Lot 1367) Jalan Kapar Mukim Jeram	Industrial Land Warehouse	21/7/2009	– 1 yr	0.8043 hectares	Freehold	– Warehouse	836 276
GRN 52936 Lot 6104; GRN 52937 Lot 6106; GRN 52939 Lot 6108 Mukim Kapar	Industrial land Factory	10/6/2013	– n/a	12.766 acres	Freehold	Vacant Under Construction	21,506 34,344
5100 E. 2nd Street Benecia CA 94510 United States of America	Industrial land and warehouse	31/5/2012	20 yrs	4.15 acres	Freehold	Warehouse and office	13,369
HSD 116993 Lot 55083 No 3 Jalan Korporat Mukim Kapar	Factory & hostel constructed on rented property	1/1/2014	6 yrs	12,000 sq.ft	–	Factory and hostel	1,029
Geran 45732 Lot 6075, Mukim Kapar Daerah Klang.	Industrial land Factory	28/2/2014	– 1 yr	10 acres (3.7492 hectares)	Freehold	– Factory and office	19,523 36,454
HSD 283117 PT 7414 Mukim Bestari Jaya Daerah Kuala Selangor	Industrial land Factory	18/3/2014	– n/a	56 acres (226,620 sq.mtr)	Freehold	Vacant Under Construction	36,589 5,985
LOT 54933 Mukim Kapar Daerah Klang	Hostel constructed on rented property	1/6/2017	2 yrs	69,770 sq.ft	–	Hostel	8,843

List of Properties
(Cont'd)

Location	Description	Date of Acquisition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2019 RM '000
Geran 52935 Lot 6103 Mukim Kapar Daerah Klang	Industrial land Factory	12/12/2014	– 1 yr	5.3292 hectares	Freehold	– Factory and office	40,611 46,162
Geran Mukim 3334 Lot 779, Mukim Kapar Daerah Klang	Industrial land Factory	22/6/2015	– n/a	3.406 acres (148,376 sq.ft)	Freehold	Vacant Under Construction	9,105 121
HS(D) 264386, PT26537 Mukim Bukit Raja Daerah Petaling Negeri Selangor	Commercial land Office complex	5/2/2016	– n/a	2.5 acres	Freehold	Vacant Under Construction	42,638 2,199
4-10 Jalan Rantau Panjang KU/4 Rantau Panjang, 42100 Klang, Selangor	Apartment	7/10/2015	19 yrs	830 sq.mtr	Freehold	Hostel	106
Geran HS (D) 17768 PT 7836 Mukim Kapar, Jalan Haji Abdul Manan Off Jalan Meru	Industrial land Building	9/5/2016	- 2 yrs	9,822.53 sq.mtr	Freehold	– R & D and Training Centre	14,467 12,558
Geran HS (D) 162809 PT 81982 Lot 7835, Mukim Kapar, Jalan Haji Abdul Manan Off Jalan Meru	Industrial land	4/9/2019	–	108,900 sq.ft	Freehold	–	9,975
H.S(M) 18836, PT 887, No. 22 Jalan Iman Abdul Aziz 8, Tmn Melawati 42200 Kapar, Selangor	Double storey house	10/10/2018	24 yrs	1,400 sq.ft	Freehold	Hostel	402
HSD 24212, PT 10477 Mukim Bidor Batang Padang, Perak	Commercial land	12/3/2018	–	6.718 acres	Leasehold 99 years expire 22/11/2114	Vacant	758
HSD 24213, PT 10478 Mukim Bidor Batang Padang, Perak	Industrial land	12/3/2018	–	817.392 acres	Leasehold 99 years expire 22/11/2114	Vacant	93,900
GM 17811, Lot 34639 NO.14, Jln Sg Beting 2, Off Jln Sg Putus, 42100 Klang, Selangor	Factory	11/4/2019	11 yrs	1022 sq.mtr	Freehold	Factory	2,594

List of Properties
(Cont'd)

Location	Description	Date of Acquisition/ Valuation*	Age of Building	Land Area	Tenure	Existing Use	Net Book Value 2019 RM '000
GM 17812, Lot 34640 No. 16, Jln Sg Beting 2, Off Jln Sg Putus, 42100 Klang, Selangor	Factory	11/4/2019	11 yrs	1019 sq.mtr	Freehold	Factory	2,594
B-36-17 Trefoil @ Setia City GRN 323445 Lot No. 91250 Mukim Bukit Raja Daerah Petaling Negeri Selangor	Small Office Flexible Office	13/12/2019	1 yr	45 sq.mtr	Freehold	Hostel	334
B-36-18 Trefoil @ Setia City GRN 323445 Lot No. 91250 Mukim Bukit Raja Daerah Petaling Negeri Selangor	Small Office Flexible Office	13/12/2019	1 yr	45 sq.mtr	Freehold	Hostel	334
TOTAL							**716,665**
Investment Properties							
J1, Utama Modern Industri Blok AH No.2, Sukatani, Serang, Indonesia	Industrial land	22/3/2013	–	22,000 sq.mtr	Freehold	Vacant	5,223
HSD 39425, Lot No 41538 Mukim Tanjung Dua Belas, Daerah Kuala Langat, Negeri Selangor	Industrial land	30/8/2017	–	396,336 sq.mtr	Freehold	Vacant	96,698
TOTAL							**101,921**

ADDITIONAL COMPLIANCE INFORMATION

(a) Utilisation Of Proceeds

The Company did not implement any fund raising exercise.

(b) 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 have any personal interest in any business arrangements involving the Company.

(c) Material Contracts

The Company and its subsidiaries 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.

(d) Audit Fees and Non-audit Fees

The audit fees paid or payable by the Company and the Group to the external auditors amounted to RM59,400 and RM440,700 respectively.

The non-audit fees paid or payable to the Company's external auditors, or firms affiliated to the external auditors' firm, by the Company amounted to RM9,200. None of the subsidiaries paid any non-audit fees to the external auditors or firms affiliated to the external auditors' firm.

(e) Variation In Results

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

STATISTICS ON SHAREHOLDINGS

As at 15 May 2020

Issued Share Capital	:	1,278,935,808
Class of Shares	:	Ordinary Share
Number of Shareholders	:	8,113
Voting Right	:	1 vote per Ordinary Vote

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	99	1.22	2,097	0.00
100 - 1,000	2,294	28.28	1,542,874	0.12
1,001 - 10,000	3,653	45.03	15,702,358	1.23
10,001 - 100,000	1,543	19.02	51,294,996	4.01
100,001 to less than 5% of issued shares	522	6.43	608,105,523	47.55
5% and above of issued shares	2	0.02	602,287,960	47.09
Total	**8,113**	**100.00**	**1,278,935,808**	**100.00**

DIRECTORS' SHAREHOLDINGS

		No. of Shares		No. of Shares	
No.	Name of Directors	Direct Interest	%	Indirect Interest	%
1	Tan Sri Dato' Lim Kuang Sia - Cimsec Nominees (Tempatan) CIMB for Lim Kuang Sia (PB)	1,527,552	0.12	636,376,952 *2	49.76
2	Lim Leng Bung	–	–	634,287,960 *1	49.59
3	Tan Kong Chang	–	–	–	–
4	Lim Siau Tian	–	–	634,287,960 *1	49.59
5	Lim Siau Hing	–	–	634,287,960 *1 2,875,392 *3	49.59 0.22
6	Lim Ooi Chow	–	–	634,287,960 *1 3,616,544 *3	49.59 0.28
7	Lee Choo Hock	–	–	–	–
8	Hoh Kim Hyan	–	–	–	–
9	Mohamed Shafeii Bin Abdul Gaffor	–	–	–	–

*1 through holding company
*2 through holding company and spouse
*3 through parents

Statistics on Shareholdings
(Cont'd)

SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders		No. of Shares	%
1.	Kossan Holdings (M) Sdn Bhd		634,287,960	49.59
	- Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Kossan Holdings (M) Sdn Bhd	*80,000,000*		
	- Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account-AmBank (M) Berhad for Kossan Holdings (M) Sdn Bhd	*32,000,000*		
	- Kossan Holdings (M) Sdn Bhd	*522,287,960*		
2.	Employees Provident Fund Board		68,320,100	5.34
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (F Templeton)	*4,055,500*		
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (RHB INV)	*2,650,000*		
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (AM INV)	*1,376,200*		
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (BNP NAJMAH EQ)	*2,173,100*		
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN)	*6,324,200*		
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (ABERDEE)	*1,225,500*		
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	*47,721,000*		
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (F.TEMISLAMIC)	*1,060,100*		
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (ABERISLAMIC)	*366,600*		
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (AMUNDI)	*765,000*		
	- Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (RHBISLAMIC)	*602,900*		

30 LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	KOSSAN HOLDINGS (M) SDN BHD	522,287,960	40.84
2.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR KOSSAN HOLDINGS (M) SDN BHD (05-00042-000)	80,000,000	6.26
3.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	47,721,000	3.73
4.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR KOSSAN HOLDINGS (M) SDN BHD	32,000,000	2.50

Statistics on Shareholdings
(Cont'd)

30 LARGEST SHAREHOLDERS (CONT'D)

No.	Name of Shareholders	No. of Shares	%
5.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	30,603,600	2.39
6.	TIAN SENN RESOURCES SDN BHD	19,900,000	1.56
7.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD.	17,618,700	1.38
8.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR NORGES BANK (FI 17)	15,195,500	1.19
9.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	13,014,543	1.02
10.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND	12,357,200	0.97
11.	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FUND	11,913,100	0.93
12	LEMBAGA TABUNG HAJI	11,400,000	0.89
13.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ITTIKAL SEQUEL FUND	10,295,100	0.80
14.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND	9,000,200	0.70
15.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	8,521,900	0.67
16.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	8,113,900	0.63
17.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	6,324,200	0.49
18.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR PRINCIPAL DALI EQUITY GROWTH FUND (UT-CIMB-DALI) (419455)	6,235,500	0.49
19.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC TREASURES GROWTH FUND	6,157,000	0.48
20.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	6,138,500	0.48
21.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	6,000,000	0.47

Statistics on Shareholdings
(Cont'd)

30 LARGEST SHAREHOLDERS (CONT'D)

No.	Name of Shareholders	No. of Shares	%
22.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	5,912,100	0.46
23.	PERTUBUHAN KESELAMATAN SOSIAL	5,789,400	0.45
24.	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FOCUS FUND	5,279,400	0.41
25.	CARTABAN NOMINEES (TEMPATAN) SDN BHD PBTB FOR TAKAFULINK DANA EKUITI	5,272,500	0.41
26.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT ENTERPRISES FUND	5,024,800	0.39
27.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD - KENANGA GROWTH FUND	5,020,900	0.39
28.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR MORGAN STANLEY & CO. LLC (CLIENT)	4,275,300	0.33
29.	MAYBANK NOMINEES (TEMPATAN) SDN BHD NATIONAL TRUST FUND (IFM KENANGA)	4,219,100	0.33
30.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (F TEMPLETON)	4,055,500	0.32
	TOTAL	**925,646,903**	**72.36**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fortieth (40th) Annual General Meeting ("AGM") of the Company will be conducted fully virtual for the purpose of considering and if though fit, passing with or without modifications the resolutions set out in this notice:

Meeting Platform	:	https://web.lumiagm.com/
Day and Date	:	Friday, 10 July 2020
Time	:	10.30 a.m.
Broadcast Venue	:	Training Centre Ownership Room, 2nd Floor, Kossan R&D Centre, PT 7836, Jalan Haji Abdul Manan / KU8, Kawasan Perindustrian Meru Selatan, 41050 Klang, Selangor Darul Ehsan
Mode of Communication	:	Type text in the Meeting Platform

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and the Auditors thereon.

2. To approve the payment of Directors' fees of RM330,000 for the financial year ended 31 December 2019. (2018: RM300,000.00) ***(Ordinary Resolution 1)***

3. To re-elect the following Directors retiring by rotation pursuant to Article 86 of the Company's Constitution and being eligible have offered themselves for re-election:

    (i) Mohamed Shafeii Bin Abdul Gaffoor ***(Ordinary Resolution 2)***

    (ii) Lee Choo Hock ***(Ordinary Resolution 3)***

    (iii) Hoh Kim Hyan ***(Ordinary Resolution 4)***

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

SPECIAL BUSINESS

5. Proposed Authority To Allot Shares Pursuant To Sections 75 and 76 Of The Companies Act 2016 ***(Ordinary Resolution 6)***

    "THAT pursuant to sections 75 and 76 of the Companies Act 2016, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company as at the date of this Annual General Meeting ("AGM") and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next AGM of the Company."

Notice of Annual General Meeting
(Cont'd)

6. Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature ***(Ordinary Resolution 7)***

"THAT pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the renewal of shareholders' mandate for the Company and/or its subsidiaries ("Kossan Group") to enter into recurrent related party transactions of a revenue or trading nature with the Related Party ("Proposed Renewal Of Shareholders' Mandate for RRPT"), which are necessary for the day-to-day operations of Kossan Group provided such transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public, particulars of which are set out in Section 2.5 of the Circular to Shareholders of the Company dated 11 June 2020.

AND THAT such approval conferred by the shareholders' mandate shall continue to be in force until-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such general meeting whereby the authority is renewed;

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to section 340(1) of the Companies Act 2016 ("Act") (but shall not extend to such extensions as may be allowed pursuant to section 340(4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earlier,

AND FURTHER THAT the Directors of the Company/ or any of them be and are/is (as the case may be) hereby authorised to complete and do all such acts and things (including executing such documents under the common seal in accordance with the provisions of the Constitution of the Company, as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal Of Shareholders' Mandate for RRPT."

7. Proposed Renewal Of Shareholders' Mandate For Share Buy-Back ("Proposed Share Buy-Back") ***(Ordinary Resolution 8)***

"THAT subject to the Companies Act 2016 ("Act"), the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad, the Company's Constitution and other applicable laws, rules, regulations and guidelines of the relevant authorities, the Company be and is hereby authorised to utilise an amount not exceeding the retained profits of the Company to purchase such number of ordinary shares in the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the ordinary shares so purchased pursuant to this resolution shall in aggregate with the treasury shares, if any, as defined under section 127 of the Act ("Treasury Shares") then still held by the Company did not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company.

Notice of Annual General Meeting
(Cont'd)

THAT such authority shall commence upon the passing of this resolution until the conclusion of the next annual general meeting of the Company unless earlier revoked or varied by a resolution of the shareholders of the Company at a general meeting.

AND THAT the Directors be and are hereby authorised to either cancel the shares so purchased or retain same as Treasury Shares and may distribute the Treasury Shares as share dividend or to sell same in a manner they deem fit and expedient in the best interest of the Company and in accordance with the Act, the applicable laws, rules, regulations and guidelines of Bursa Securities and any other regulatory authorities for the time being in force".

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

BY ORDER OF THE BOARD
KOSSAN RUBBER INDUSTRIES BHD.

CHIA ONG LEONG
CHIA YEW NGO
Company Secretaries
Klang, Selangor Darul Ehsan

Date: 11 June 2020

Notice of Annual General Meeting
(Cont'd)

NOTES:-

1. Receiving of the Audited Financial Statements

Item 1 of the Agenda is intended for discussion only as the provision of section 340(1) of the Companies Act 2016 does not require a formal approval of the shareholders of the Audited Financial Statements. As such this item is not put forward for voting.

2. Proxy Form

As part of the initiatives to curb the spread of Coronavirus Disease 2019, the AGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Voting (RPV) facilities. Please follow the procedures provided in the Administrative Details in order to register, participate and vote remotely via the RPV facilities. No members/proxy(ies) will be physically present at the broadcast venue on the day of the meeting.

(i) Only members whose names appear in the Record of Depositors as at 3 July 2020 shall be entitled to participate and vote at the AGM or appoint a proxy(ies) to participate and vote in his/her stead via RPV.

(ii) A member entitled to participate and vote remotely in the AGM via RPV is entitled to appoint a proxy(ies) to virtually participate and vote remotely in his/her stead. A proxy may but need not be a member of the Company.

(iii) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.

(iv) A member who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, may appoint one (1) proxy in respect of each securities account. Where a member is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(v) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his/her attorney duly authorised in writing and in the case of a corporation, be executed under its common seal or the hand of the attorney duly authorised.

(vi) The instrument appointing a proxy must be deposited at the office of the share registrar, Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia or via electronic means through the Boardroom Smart Investor Online Portal at https://www.boardroomlimited.my/ (please refer to the Administrative Details for further information on electronic submission) not less than 48 hours before the time of the meeting and any adjournment thereof.

3. Non-Executive Director's ("NED") Remuneration

3.1 Section 230 (1) of the Companies Act 2016 provides, amongst others, that the fee of a director and any benefits to a director of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that shareholders' approval shall be sought at the 40th AGM on Resolution 2 on the payment of directors' fees for the preceding year 2019. None of the non-executive directors received any benefits in 2019.

3.2 Any NED who are shareholders of the Company will abstain from voting on Resolution 1 concerning the remuneration to NED.

Notice of Annual General Meeting
(Cont'd)

4. Ordinary Resolutions 2 to 4: Re-election of Directors who retire in accordance with Article 86 of the Company's Constitution.

4.1 Article 86 of the Constitution provides that one third (1/3) of the Directors of the Company for the time being shall retire by rotation at the AGM of the Company. Three (3) Directors are to retire in accordance with Article 86 of the Constitution.

a) For the purpose of determining the eligibility of the Director to stand for re-election at the 40th AGM, the Nominating Committee ("NC") has assessed each of the retiring Directors, taking into account the following:-

(i) The Director's performance and contribution based on assessment for 2019;

(ii) The Directors' level of contribution to the Board deliberations; and

(iii) The level of competence demonstrated by the Director, and his ability to act in the best interest of the Company in decision making.

b) Based on the assessment results, the individual Director has met the performance criteria required of an effective and high performance Board. The Board approved the NC's recommendations that the Directors retiring pursuant to Article 86 be eligible to stand for re-election. All the retiring Directors had abstained at Board deliberations and decisions on their eligibility to stand for re-election.

4.2 Any director referred in Resolutions 2 to 4, who is a shareholder of the Company, will abstain from voting on the resolution in respect of his re-election.

5. Ordinary Resolution 5: Appointment of Auditors

5.1 The Audit Committee ("AC") at its meeting held on 21 February 2020 undertook an annual assessment of the suitability and independence of the external auditors, KPMG PLT. The AC took into account the openness in communication and interaction with the lead audit engagement partner and engagement team through discussion at the private meetings, which demonstrated their independence, objectivity and professionalism.

5.2 The AC was satisfied with the suitability of KPMG PLT based on the quality of audit, performance, competency and sufficiency of resources the external audit team provided to the Group. The AC was also satisfied in its review that the provisions of non-audit services by KPMG PLT to the Company for FY 2019 did not in any way impair their objectivity and independence as external auditors of the Company.

5.3 The Board at its meeting held in May 2020 approved the AC's recommendation for the shareholders' approval to be sought at the 40th AGM on the appointment of KPMG PLT as the external auditors of the Company for FY 2020 under Resolution 5.

6. Explanatory Notes on Special Business

(i) Proposed authority to allot shares pursuant to sections 75 and 76 of the Companies Act 2016

The proposed Ordinary Resolution 6, if passed, will empower the Directors from the conclusion of this AGM, to allot and issue up to a maximum of 10% of the issued share capital of the Company (excluding treasury shares) at the time of issue for such purposes as they consider would be in the best interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

This authority will provide flexibility to the Company for any possible fund raising exercise, including but not limited to placement of shares for purpose of funding investment projects, working capital and/or acquisition.

At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is obtained, the Company will make an announcement in respect of the purpose and/or utilisation of proceeds arising from such an issue of shares.

This is a renewal of the general mandate for the issue of new ordinary shares in the Company which was approved at the last AGM. The Company did not issue any new shares under the previous mandate.

Notice of Annual General Meeting
(Cont'd)

6. Explanatory Notes on Special Business (Cont'd)

(ii) Proposed renewal of the shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("Proposal")

The proposed Ordinary Resolution 7 is to seek shareholders' approval on the related party transactions entered or to be entered into by the Kossan Group and the Related Party in the ordinary course of business. These are recurring transactions of a revenue or trading nature which are likely to occur with some degree of frequency and may arise at any time and from time to time. These transactions may be constrained by the time-sensitive nature and confidentiality of such transactions, and it may be impractical to seek shareholders' approval on a case-by-case basis before entering into such related party transactions.

As such the Board is seeking an approval for the renewal of the shareholders' mandate pursuant to Part E, Paragraph 10.09 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad for the related party transactions to allow the Kossan Group to enter into such recurrent related party transactions, make at arm's length basis and on normal commercial terms, not more favourable to the related parties than those generally available to the public and which will not be to the detriment of the minority shareholders of the Company. Further details on the Proposal can be obtained from Part A of the Document to shareholders of the Company dated 11 June 2020.

By obtaining the shareholders' mandate and the renewal of the same on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objective of the Kossan Group or adversely affecting the business opportunities available to the Kossan Group.

(iii) Proposed Renewal of Authority for Share Buy-Back

The proposed Ordinary Resolution 8, 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 share capital of the Company by utilizing funds allocated out of retained profits of the Company. Further information on the Proposed Renewal of Authority for Share Buy-Back is set out in Part B of the Document to Shareholders dated 11 June 2020 accompanying the Company's 2019 Annual Report.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors who are standing for re-election at this Annual General Meeting can be found on pages 14 to 20 on the Profile of the Board of Directors in the Company's 2019 Annual Report.

Personal Data Privacy

By registering for the RPV and/or submitting an instrument appointing a proxy(ies) and/or representative(s) to participate and vote at the AGM via RPV, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"). (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands losses and damages as a result of the member's breach of warranty.

KOSSAN
STRETCHING LIMITS • SINCE 1979

KOSSAN RUBBER INDUSTRIES BHD.
Registration No. 197901003918 (48166-W)
(Incorporated in Malaysia)

No. of Shares held
CDS Account No.

PROXY FORM

I/We ____
(FULL NAME IN CAPITALS)

of ____
(ADDRESS)

being a member/members of **KOSSAN RUBBER INDUSTRIES BHD**, ("the Company") hereby appoint:

Full Name (in Block) Proxy A	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

And /or

Full Name (in Block) Proxy B	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her THE CHAIRMAN OF THE MEETING as my/our proxy, to vote for me/us and on my/our behalf, at the Fortieth (40th) Annual General Meeting of the Company to be conducted fully virtual on our following Meeting Platform on Friday, 10 July 2020 at 10.30 a.m. and at any adjournment thereof, in the manner indicates below:

Meeting Platform	:	https://web.lumiagm.com/
Day and Date	:	Friday, 10 July 2020
Time	:	10.30 a.m.
Broadcast Venue	:	Training Centre Ownership Room, 2nd Floor, Kossan R&D Centre, PT 7836, Jalan Haji Abdul Manan / KU8, Kawasan Perindustrian Meru Selatan, 41050 Klang, Selangor Darul Ehsan
Mode of Communication	:	Type text in the Meeting Platform

Agenda		First Proxy A		Second Proxy B	
		For	Against	For	Against
AS ORDINARY BUSINESS:					
Ordinary Resolution 1	To approve Directors' fees of RM330,000 for the financial year ending 31 December 2019.				
Ordinary Resolution 2	To re-elect Mohamed Shafeii Bin Abdul Gaffoor retiring pursuant to Article 86 of the Company's Constitution.				
Ordinary Resolution 3	To re-elect Lee Choo Hock retiring pursuant to Article 86 of the Company's Constitution.				
Ordinary Resolution 4	To re-elect Hoh Kim Hyan retiring pursuant to Article 86 of the Company's Constitution.				
Ordinary Resolution 5	To re-appoint Messrs. KPMG PLT as Auditors of the Company and to authorize the Directors to fix their remuneration.				
AS SPECIAL BUSINESS					
Ordinary Resolution 6	To approve authority to allot shares pursuant to sections 75 and 76 of the Companies Act 2016.				
Ordinary Resolution 7	To approve renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature:				
Ordinary Resolution 8	To approve renewal of mandate for share buy-back.				

Please indicate with an "X" on the spaces provided on how you wish your votes to be cast. In the absence of specific directions, your proxy will vote or abstain from voting at his/her discretion.

Dated this ______________ day of ______________ 2020.

____
Signature of Member(s)/Common Seal

Fold this flap for sealing

Notes:

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AFFIX
STAMP

The Share Registrar,

KOSSAN RUBBER INDUSTRIES BHD.
C/O BOARDROOM SHARE REGISTRARS SDN. BHD.
11th Floor Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : 03-7890 4700
Fax : 03-7890 4671
Website : www.boardroomlimited.com

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KOSSAN RUBBER INDUSTRIES BHD
Company No.: 197901003918 (48166-W)

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