

**KOSSAN RUBBER INDUSTRIES BHD [197901003918 (48166-W)]**

**MINUTES OF THE 43RD ANNUAL GENERAL MEETING (“AGM”) OF KOSSAN RUBBER INDUSTRIES BHD (“KOSSAN” OR “THE COMPANY”) HELD VIRTUALLY AT TRAINING CENTRE, 2ND FLOOR, KOSSAN R&D CENTRE, PT 7836, JALAN HAJI ABDUL MANAN / KU8, KAWASAN PERINDUSTRIAN MERU SELATAN, 41050 KLANG, SELANGOR AS THE BROADCAST VENUE ON THURSDAY, 25 MAY 2023 AT 10.30 A.M.**

**PRESENT AT THE BROADCAST VENUE:**

Mohamed Shafeii bin Abdul Gaffoor	(Chairman, Independent Non-Executive Director)
Tan Sri Dato’ Lim Kuang Sia	(Group Managing Director / Chief Executive Officer)
Lee Choo Hock	(Senior Independent Non-Executive Director)
Hoh Kim Hyan	(Independent Non-Executive Director)
Sharon Shanthly a/p Dorairaj	(Independent Non-Executive Director)
Tan Kong Chang	(Executive Director)
Lim Siau Tian	(Executive Director)
Lim Siau Hing	(Executive Director)
Lim Ooi Chow	(Executive Director)

Shareholders / Proxies – via remote platform

As per attendance list

**IN ATTENDANCE:**

Chia Ong Leong	(Company Secretary)
Mok Chee Hong	(Chief Financial Officer)
Lee Hon Chee	(Senior Group Accountant)
Chan Chee Keong	(External Auditor, KPMG PLT)

**1. CHAIRMAN’S WELCOME SPEECH**

En. Mohamed Shafeii bin Abdul Gaffoor, the Chairman of the Company, extended a warm welcome to the members of the Board and the Company and thanked them for their participation in the 43rd AGM of the Company through live streaming.

**2. QUORUM**

The Company Secretary informed the Chairman the presence of a quorum and the meeting could proceed.

**3. NOTICE OF MEETING**

The Notice of Meeting dated 26 April 2023 was taken as read.

**4. MODERATOR**

The Chairman informed the meeting that the Company had instructed the Group Internal Audit to act as the moderators to ensure that questions submitted by the shareholders were responded to accordingly. The questions received would be moderated and might be summarised to avoid repetition.

**5. POLL VOTING**

5.1 The Chairman informed the meeting that all resolutions as set out in the Notice of Meeting would be decided by way of poll. The Company had appointed Boardroom Share Registrars Sdn. Bhd. (“Boardroom”) as the poll administrator to conduct the polling process and Sky

Corporate Services Sdn. Bhd. as the scrutineer to verify and confirm the poll results. A short video showing the procedures of electronic poll voting via Boardroom's meeting platform was broadcasted at the meeting.

- 5.2 The Chairman informed that a shareholder of the Company had offered to be the seconder for all the resolutions. The shareholders were informed that voting on the resolutions could be done at any time throughout the meeting until the close of the voting session.

**6. AUDITED FINANCIAL STATEMENTS – 31 DECEMBER 2022**

- 6.1 The Audited Financial Statements ("AFS") for the financial year ended 31 December 2022 and the Reports of the Directors and Auditors were tabled for the shareholders' information and discussion.
- 6.2 The Chairman invited Mr. Lee Hon Chee, the Senior Group Accountant, to make a presentation which covered the following areas:
- (a) Key highlights for financial year ("FY") 2022;
  - (b) Financial highlights for the last 5 financial years which showed the Group's revenue, profit attributable to equity shareholders, earnings per share, dividend per share, total dividend payments and payout ratio, as well as net cash/(debt) position; and
  - (c) The Group's environmental, social and governance ("ESG") policy and principles.
- 6.3 The Chairman tabled the letter from the Minority Shareholders Watch Group ("MSWG") for response. The MSWG's questions pertaining to Operational and Financial matters as well as Corporate Governance matters were addressed by the Group Managing Director / Chief Executive Officer ("Group MD/CEO") and Mr. Lim Siau Tian, Executive Director. The questions and responses by the Company were set out in **Appendix 1**.
- 6.4 Queries pertaining to the AFS for the financial year ended 31 December 2022 raised by the shareholders were responded to by the Group MD/CEO, the Chief Financial Officer and Mr. Lee Hon Chee, Senior Group Accountant. The questions and their responses were set out in **Appendix 2**.
- 6.5 With no further queries, the Chairman declared that the AFS for the financial year ended 31 December 2022 were received.

**7. QUESTIONS AND ANSWERS ("Q&A") SESSION**

- 7.1. The Chairman informed the meeting that the Company had received questions raised by shareholders via type text in the meeting platform. The questions received would be moderated and might be summarised to avoid repetition.
- 7.2. The Chairman read out the questions submitted by the shareholders. The Chairman, Group MD/CEO, directors and members of the senior management in attendance addressed the questions raised by shareholders. The questions and their responses were set out in **Appendix 2**.
- 7.3. Upon the conclusion of the Q&A Session, the Chairman proceeded to the next agenda, which had 11 Ordinary Resolutions.

**AS ORDINARY BUSINESS**

8. **ORDINARY RESOLUTION 1: DIRECTORS' FEES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

8.1 The Chairman informed the meeting that shareholders' approval was required to pay directors' fees of RM474,000 to the Independent Non-Executive Directors ("INEDs") for the financial year ended 31 December 2022.

8.2 One question was raised by a shareholder pertaining to the resolution:

What are the director fees for RM474,000 for FY2022 for resolution 1? I thought this was approved in last AGM?

[Response]

Ordinary Resolution 1 referred to the payment of directors' fees of RM474,000 to the INEDs for the financial year ended 31 December 2022. The approval obtained at the 42nd AGM was for the payment of directors' fees of RM495,000 to the INEDs for the financial year ended 31 December 2021.

9. **ORDINARY RESOLUTION 2: DIRECTORS' FEES FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2023**

9.1. The Chairman informed the meeting that the Company had been paying directors' fees on an accrual basis previously. The Board was of the view that it would be more appropriate to pay the INEDs on a current year basis as their responsibilities had been executed. Accordingly, with effect from this year and thereafter annually, the Company would table a resolution to pay directors' fees on a current year basis.

9.2. Ordinary Resolution 2 sought to obtain shareholders' approval to pay directors' fees of up to RM670,000 to the INEDs for the financial year ending 31 December 2023.

9.3. Two questions were raised by shareholders pertaining to the resolution:

(a) Directors' fees of RM474,000 for the financial year ended 31 December 2022 and approve the payment of Directors fees of up to RM670,000 for the financial year ending 31 December 2023? Is this justifiable as share price plummet. Loss my VSS money.

(b) Would it be prudent to increase directors' fees for 2023 given the current profitability headwinds?

[Response]

The directors' fees of up to RM670,000 was a provision sought to pay the INEDs for the financial year ending 31 December 2023. The amount was estimated based on the fees of preceding years approved by the shareholders. The Board was mindful that fees paid to the INEDs should be by a fixed sum and not on profits or turnover. The remuneration should reflect the level of responsibilities, skills and time commitments undertaken by the INEDs. Consideration was also given to similar positions in the market in comparable organisations.

**10. ORDINARY RESOLUTIONS 3 TO 5: RE-ELECTION OF DIRECTORS PURSUANT TO ARTICLE 86 OF THE COMPANY'S CONSTITUTION**

10.1. The Chairman informed the meeting that the following three directors were retiring by rotation pursuant to Article 86 of the Company's Constitution at this AGM and being eligible, had consented and offered themselves for re-election:

- (i) Mohamed Shafeii bin Abdul Gaffoor (Ordinary Resolution 3);
- (ii) Lee Choo Hock (Ordinary Resolution 4); and
- (iii) Hoh Kim Hyan (Ordinary Resolution 5).

10.2. As Ordinary Resolution 3 involved the Chairman's re-election, the Chairman informed the meeting that he would vote in accordance with the instructions of those shareholders who had appointed him as their proxy. However, where no specific instructions were stated in the proxy form for Ordinary Resolution 3, he would abstain from voting on the resolution.

10.3. In keeping with good governance, the Chairman passed the chairmanship on Ordinary Resolution 3 to the Group MD/CEO. The Group MD/CEO recommended shareholders to re-elect En. Shafeii bin Abdul Gaffoor to the Board. After tabling Ordinary Resolution 3, the Group MD/CEO handed back the chairmanship to En. Mohamed Shafeii bin Abdul Gaffoor.

10.4. The Chairman recommended shareholders to re-elect Mr. Lee Choo Hock (Ordinary Resolution 4) and Mdm. Hoh Kim Hyan (Ordinary Resolution 5) to the Board.

**11. ORDINARY RESOLUTION 6: RE-ELECTION OF A DIRECTOR PURSUANT TO ARTICLE 92 OF THE COMPANY'S CONSTITUTION**

11.1. The Chairman informed the meeting that under Article 92 of the Company's Constitution any director appointed by the Board in the year shall hold office only until the next following AGM and shall be eligible for re-election. Ms. Sharon Shanthly a/p Dorairaj was appointed to the Board as an INED on 1 November 2022 and accordingly was required to seek re-election at this AGM, and being eligible, she had consented and offered herself for re-election. The Chairman recommended shareholders to re-elect Ms. Sharon Shanthly a/p Dorairaj to the Board.

**12. ORDINARY RESOLUTION 7: RE-APPOINTMENT OF AUDITORS**

12.1. The Chairman informed the meeting that the Company sought shareholders' approval to re-appoint Messrs KPMG PLT as Auditors of the Company for the financial year ending 31 December 2023 and authorise the Directors to fix their remuneration. The Audit Committee had supported the re-appointment.

**AS SPECIAL BUSINESS**

**13. ORDINARY RESOLUTION 8: THE CONTINUATION IN OFFICE FOR MR. LEE CHOO HOCK AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR**

13.1. The Chairman informed the meeting that Ordinary Resolution 8 sought to approve the continuation in office for Mr. Lee Choo Hock as an INED and invited the Chair of the Nominating Committee ("NC Chair"), Ms. Sharon Shanthly a/p Dorairaj, for comments.

13.2. The NC Chair informed the meeting that Mr. Lee, who had served the Company for 9 years and 9 months since 26 August 2013, had wide experiences in the field of accounting, audit and risk management. His vast knowledge and expertise had benefited the Company significantly. He had discharged his roles with due care and diligence. The NC had assessed Mr. Lee's independence and considered that Mr. Lee had met and would continue to meet the

independence criteria prescribed under the Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("MMLR"). The NC was satisfied that Mr. Lee would be able to continue to provide check and balance as well as independent views to the Board.

- 13.3. The Chairman informed the meeting that the Board concurred with the recommendation of the NC. In line with the Malaysian Code on Corporate Governance, Ordinary Resolution 8 was to be determined via a two-tier voting process. If approved, Mr. Lee would continue to hold office as an independent director of the Company until the conclusion of the next AGM (44th).

14. **ORDINARY RESOLUTION 9: PROPOSED AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016**

- 14.1. The Chairman informed the meeting that the Companies Act 2016 and MMLR allowed a company to seek a mandate for the issue and allotment of shares not exceeding 10% of its issued and paid-up share capital. This mandate, if approved, would lapse at the conclusion of the next AGM (44th), unless renewed thereon. The mandate given at the 42nd AGM was not utilised.

15. **ORDINARY RESOLUTION 10: PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

- 15.1. The Chairman informed the meeting that under the MMLR, a listed company must seek shareholders' mandate to execute recurrent related party transactions of a revenue or trading nature. The mandate, if approved, would lapse at the conclusion of the next AGM (44th), unless renewed thereon.
- 15.2. The Chairman also informed the meeting that terms of the transactions were not more favourable to the related parties than those available to the general public and were not detrimental to the minority shareholders of the Group. The Audit Committee had reviewed the proposed transactions shown in the Circular.
- 15.3. Tan Sri Dato' Lim Kuang Sia and Messrs Lim Siau Tian, Lim Siau Hing, Lim Ooi Chow and Tan Kong Chang, being Interested Parties, declared their interests in the proposed resolution and abstained from voting on this resolution in respect of their direct and indirect shareholdings.

16. **ORDINARY RESOLUTION 11: RENEWAL OF AUTHORITY FOR SHARE BUY-BACK**

- 16.1. The Chairman informed that Ordinary Resolution 11 was proposed to renew the mandate allowing the Company to buy back up to 10% of its issued and paid-up share capital. Under the current mandate, as approved at the 42nd AGM held on 19 May 2022, no ordinary shares were purchased by the Company. To-date, the Company held a total of 6,252,000 treasury shares. This renewed mandate, if approved, would expire at the conclusion of the next AGM (44th).

- 16.2. One question was raised by a shareholder pertaining to the resolution:

Would company consider share buy-back ("SBB") in near future?

[Response]

The Board would be mindful of the interests of the Company and its shareholders in exercising the mandate, if approved by the shareholders. Any decision would be after careful

consideration of the financial resources of the Company, rationale for the share buy-back and its resultant impact.

17. OTHER BUSINESS

The Company Secretary informed the Chairman that he did not receive any notice to conduct any other business at this AGM.

18. POLL VOTING

18.1. The Chairman reminded all shareholders who had not submitted their votes to cast their votes on the agenda items and declared that the voting session be closed at 12.57 p.m.

18.2. The meeting was adjourned for approximately 15 minutes to allow validation of the votes.

19. ANNOUNCEMENT OF POLL RESULTS

The results of the poll on the 11 Ordinary Resolutions which were verified and confirmed by the scrutineers were forwarded to the Chair. The Chairman declared that all resolutions tabled were carried. The poll results, attached as **Appendix 3**, were presented at the meeting.

20. TERMINATION

There being no further business, the meeting ended at 1.20 p.m. with a vote of thanks to the Chair.

Chairman

## **Appendix 1: MSWG Questions and Responses**

### **Operational & Financial Matters**

No.	Questions and Answers
1.	<p>The gloves division's FY2022 revenue was RM2.00 billion, a 68.01% decline from FY2021's RM6.26 billion, primarily due to lower average selling prices (ASPs) and volume sold. The segment profit for FY2022 was RM184.76 million, a 95.02% decrease compared to the previous year's RM3.71 billion, mainly driven by market competition, customer destocking after the pandemic, and higher labour and energy costs resulting from increased natural gas tariffs (page 19 of AR2022).</p> <p>a) What were the ASPs for your gloves in FY2022, and what are your current ASPs? Have you implemented any ASP increases to offset rising costs? If so, what was the percentage increase, and how effective has this strategy been?</p> <p>b) What was your average production cost per glove in FY2022? How much did it rise in FY2022 and what is the current figure? What is your outlook on operating costs going forward, considering factors like the expected decrease in natural gas tariffs this year?</p> <p>c) How does Kossan's operating cost compare to that of its competitors in China? What specific advantages do Kossan and other Malaysian glove manufacturers have over their competitors in China?</p> <p>[Response]</p> <p>The Group produces a wide range of gloves and hence different ASPs. In FY2022, the ASP for nitrile gloves was USD24 to 26. Having said that, when referring to ASPs at the moment, the market often refers to the standard nitrile gloves of 3 to 3.5g that the majority of China manufacturers produce and in 1Q23, the ASP was between USD16.50 to 18.50. Ultimately, ASPs are determined by market forces and beyond our control. We have taken this opportunity to revamp and strengthen our base for the next phase of growth.</p> <p>The production costs for FY2022 are lower than FY2021 due to the lower raw material prices in FY2022 compared to FY2021. In 1Q23, natural gas prices increased over 10% while electricity increased 42% compared to 4Q22. Moving to 2Q23, we project our operating costs to maintain or slightly lower due lower natural gas prices. However, labour costs remain a challenge for the Group.</p> <p>During the pandemic, the China glove manufacturers increased its capacity rapidly especially in the production of standard nitrile gloves leading to an oversupply situation when the pandemic eased. In addition, we believe their strategy is to reduce selling prices to be the lowest to increase market share. Based on the latest financial results of the main glove players in China, their cost of production is slightly lower due to lower energy cost. Our competitive advantage lies in the Group's production technology, wide range and bringing forth added value products as well as maintaining strategic partnership with customers and suppliers.</p>

No.	Questions and Answers
2.	<p><b>In FY2022, Kossan advanced its automation journey by integrating robotics throughout the production process, from processing to packing. This increased use of robotics reduced reliance on manual labour, allowing investments in a skills-centric, knowledge-based workforce focused on driving innovation (page 20 of AR2022).</b></p> <p><b>What is the increase in productivity or decrease in operational costs as a result of your automation initiatives? By what percentage has your reliance on manual labour decreased with the introduction of robotics?</b></p> <p>[Response]</p> <p>The Group believes that automation is a necessity to stay competitive in today's operating environment. Automation including robotics and digitalisation is a continuous process to reduce reliance on manual labour and to overcome manpower shortage, improve product quality and increase productivity. We have introduced automation and digitisation in several production processes including compounding, dipping, SCADA, auto-stripping and auto-packing. The implementation is on-going and dependent on plant as well as product type. As such the parameters, targets and savings differ from plant to plant and is not a direct comparison. However, our goal is to achieve 1.5 workers per million pieces of standard gloves produced per month.</p>
3.	<p><b>Kossan has temporarily suspended its near-term expansion plans in response to the current demand-supply situation. This allows the company to prioritize operational efficiency in its existing manufacturing facilities without the risks of installing additional capacity (page 21 of AR2022).</b></p> <p><b>What is the average age of your production lines, and what percentage of your production lines are currently more than 10 years old? What are your plans for upgrading or replacing these older production lines, and what is the budgeted capital expenditure allocated for this purpose?</b></p> <p>[Response]</p> <p>With the current oversupply of gloves in the market and higher operating costs, some of the older lines have become costs inefficient. In FY2022, we have decommissioned 2 plants (14 and 19 years' old) with a total capacity of 3 billion pieces, of which, we had written off RM5 million in FY2022. In FY2023, the Group plans to decommission another 36 old single former and 8 old double former lines with a total capacity of 6 billion pieces. With that, the Group will have to write off around RM34 million in FY2023. After this decommissioning, our projected installed capacity will drop from 33.5 billion to 24.5 billion pieces per year. By end of 2023, 75% of our glove production lines will be less than 10 years old.</p>



No.	Questions and Answers
4.	<p><b>Kossan envisions an evolution in the glove landscape towards specialist products that address the hygiene and protection, and regulatory requirements of specific industries and applications. To meet these needs, Kossan plans to increase investments in research and development (R&amp;D), expanding its range of glove products (page 21 of AR2022).</b></p> <p><b>a) Please provide more details about the specific industries and applications that you foresee requiring specialist glove products in the future.</b></p> <p><b>b) What specific technologies are you planning to integrate into your glove manufacturing processes?</b></p> <p><b>c) What is the projected R&amp;D budget for FY2023, and how does it compare to the budgets allocated in previous years?</b></p> <p>[Response]</p> <p>Apart from medical gloves, other areas requiring specialised products include industrial gloves which have wide range of applications. Different types of gloves require different technology to be integrated into the glove production process. We look at markets that have higher barriers to entry and require higher technical input. The Group will continue to discover potential technology required by customers and evaluate the opportunity, feasibility and viability of new or improved products to provide the best possible solutions to our customers.</p> <p>R&amp;D activities are crucial to our company's growth and will help us to develop new products, improve existing product quality and increase productivity. The R&amp;D budget will not be reduced.</p>

No.	Questions and Answers																											
5.	<p>The cleanroom division's revenue declined by 28.89% to RM145.16 million in FY2022, compared to RM204.13 million in FY2021. The segment's operating profit for FY2022 was RM5.26 million, significantly lower than the operating profit of RM26.16 million in FY2021 (page 19 of AR2022).</p> <p>a) What were the main factors contributing to the significant decline in the cleanroom division's performance in FY2022? What steps are being taken to optimize cost structures and improve operational efficiencies within the cleanroom division considering the decline in profit margins?</p> <p>b) What classes of cleanroom gloves (e.g., class 10, class 100, etc.) does Kossan currently produce? What are Kossan's plans for expanding its range of cleanroom glove classes to cater to a broader range of cleanrooms, and what is the estimated timeframe for achieving this expansion?</p> <p>c) Within the electrical and electronic industries, which specific sectors (such as HDD, mobile, automotive, chips, and aerospace) form the main customer base of Kossan's cleanroom division? What is the outlook for growth and demand in the sectors served by Kossan's cleanroom division?</p> <p>[Response]</p> <p>For our cleanroom division, our three major products consist of cleanroom wipes, masks and gloves. In FY2021, prices for gloves and masks rose significantly due to the pandemic. In FY2022, prices normalised post-pandemic. Compared to FY2019 (pre-pandemic), the performance remains consistent.</p> <table><tr><th>Year</th><th>2022 RM '000</th><th></th><th>2021 RM '000</th><th></th><th>2020 RM '000</th><th></th><th>2019 RM '000</th><th></th></tr><tr><td>Revenue</td><td>145,156</td><td></td><td>204,134</td><td></td><td>152,058</td><td></td><td>74,041</td><td></td></tr><tr><td>Operating Profit</td><td>5,255</td><td>4%</td><td>26,162</td><td>13%</td><td>30,557</td><td>20%</td><td>2,634</td><td>4%</td></tr></table> <p>We are capable of producing class 10 (most stringent) to class 10,000. In terms of expansion, we are looking to, in the next few years, expand into more on the cleanroom division.</p> <p>Majority of our cleanroom products are supplied to the harddisk drive (HDD) sector. With the developments in semiconductors and EV sectors, we hope to expand further into the said growing sectors and provide total solutions instead of just gloves.</p>	Year	2022 RM '000		2021 RM '000		2020 RM '000		2019 RM '000		Revenue	145,156		204,134		152,058		74,041		Operating Profit	5,255	4%	26,162	13%	30,557	20%	2,634	4%
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**Corporate Governance Matters**

No.	Questions and Answers
1.	<p><b>In FY2022, Kossan recorded 2 cases of non-compliance with fines relating to schedule waste labelling. Kossan took immediate action to rectify the matters (page 44 of AR2022).</b></p> <p><b>What were the root causes of the non-compliance cases, and what was the amount of the fines imposed? What specific actions did Kossan take to promptly rectify the non-compliance issues? How has Kossan ensured the prevention of similar non-compliance incidents in the future?</b></p> <p>[Response]</p> <p>The non-compliance cases were due to non-labelling of temporary containers and active jumbo bags for scheduled waste during processing. However, all scheduled waste were well labelled prior to its disposal through a licensed collector approved by the Department of Environment (DOE). The mistake was noted and the waste handling procedures were rectified immediately.</p>
2.	<p><b>Given the glove industry's current downturn and the potential for reduced production or even plant closures, what measures do you have in place to support your employees? If layoffs or plant closures become inevitable, what steps are you taking to assist affected employees?</b></p> <p>[Response]</p> <p>From the end of last year till now, we are running at 40-50% of installed capacity. In the event of layoff or retrenchment, the Group would first redeploy affected workers to other subsidiaries. Any laid off or retrenched employees will be in compliance with the Employment Act 1955. We strive to ensure that all our employees are well taken care of while balancing our business needs.</p>

**Appendix 2: Responses to the Questions Raised by Shareholders  
During the 43rd Annual General Meeting (“AGM”) on 25 May 2023**

No.	Questions and Answers
1.	<p><b>The inventories for finished goods remained high at RM205.211 million as at FYE2022 (Note 13 - Page 156 of AR)</b></p> <p><b>a. Are there any expiry dates for these finished goods?</b>  <b>b. Any obsolete stocks written-off in 2022?</b>  <b>c. Steps taken to reduce the stocks?</b></p> <p>[Response]</p> <p>The total stock as at 31 December 2022 is RM 287 million consisting of finished goods of RM 205 million and raw material of RM82 million. Gloves has an expiry period of 3 years. Our current stock turnover is about 30 days to our current sales, so most stocks are sold before their expiry. There were no obsolete stocks written off for the financial year 2022. Our stock level is at optimum level usage over our turnover. The raw materials stocks turnover is between 30-45 days depending on the gloves or technical rubber products (“TRP”) usage.</p>
2.	<p><b>The Auditors' Report reported The Key Audit Matter on indications of impairment on certain plant and machinery of the Group with carrying value of RM97 million due to low average selling price and plant utilisation rate. Was any PPE impaired in 2022? (AFS: Page 190)</b></p> <p>[Response]</p> <p>This RM 97 million consist of two plants which were temporarily not in operations in the second half of 2022. The first plant is only two years old and has a net book value (“NBV”) of RM 78 million while the second plant is 13 years old and has a NBV of RM19 million. Both plants have an output capacity of 4.4 billion pieces of gloves per year. The Group plans to write off the second plant in the financial year (“FY”) 2023 as disclosed earlier in the reply to MSWG. There was no impairment in 2022, but we had written off two other plants with a total NBV of RM 5.1 million. These two plants, aged 14 and 19 years, have an output capacity of 3.0 billion pieces of gloves per year.</p>
3.	<p><b>Other financial assets RM 724 million in the books. Appreciate to explain the nature of investment, rate of return and the risk involved in the investment. (AFS: Note 10 - Page 152)</b></p> <p>[Response]</p> <p>The Other Investments of RM 724 million represents the investments in money market funds with a redemption notice of one (1) business day and has insignificant risk in the underlying assets invested. The rate of return for FY2022 was 2.39% (net of tax) which was better than bank fixed deposit (2%).</p>

No.	Questions and Answers
4.	<p><b>Cash &amp; cash equivalent RM 1,348 mil. Why is management keeping so high cash in hand earning little or no return. It is better to assess the amt of cash required for the operation and any surplus should be used to reduce the capital or by dividend. (AFS: Note 15 - Page 156)</b></p> <p>[Response]</p> <p>We have RM 724.6 million placed in money market funds (classified as Other Investments). Together with our Cash and Cash Equivalent (“CCE”) we have a net amount of RM2.0 billion after deducting Total Loans and Borrowings of RM72.2 million. Our dividend policy is 30% of Net Profit after Tax for the respective financial year. In FY2021 we paid out 42.9% while in FY2022 we paid out over 40.6%. Besides generating extra income for the Group, these CCE will be used for capex as well as reinvestment purposes, such as automation, new production lines, digitalisation etc to ensure we remain competitive moving forward.</p>
5.	<p><b>Any plan to diversify the business at the moment? Which business segment have been identified for further growth of the company revenue and profitability? Segment revenue. Rubber Gloves revenue of RM 2 billion represents 86% of total RM 2.3 billion. Any plan to diversified the reliance on rubber gloves to other rubber products. (Page 168 of IAR)</b></p> <p>[Response]</p> <p>Gloves remains the largest contributor to the Group. We believe in focusing on our core strengths but are open to other areas that are synergistic to our business. The Group’s business is divided into 3 segments – Gloves, TRP and Cleanroom. All three segments have growth potential however they have a different set of requirements and challenges.</p>
6.	<p><b>Any door gifts for shareholders?</b></p> <p>[Response]</p> <p>Shareholders, proxies and company representatives who had participated and casted their votes during the AGM are entitled for a set of Virtual Door Gift. An email notification on the Virtual Door Gift together with the terms and conditions had been sent to the shareholders, proxies and corporate representatives based on the AGM attendance record.</p>
7.	<p><b>Would suggest to continue virtual AGM. If physical AGM must be held in city center for the convenience of major shareholders.</b></p> <p>[Response]</p> <p>The Board took note of the comment and will consider the mode of AGM again next year.</p>
8.	<p><b>What measures taken to comply with the global clean environment policy?</b></p> <p>[Response]</p> <p>Our approach is guided at the higher level by our environment management system (EMS) Framework which is based on ISO14001 environmental management system standards. EMS contains of six key components i.e., environment policy, environment competent persons, environment assessment, environment objective and target, environment audit as well as</p>

No.	Questions and Answers
	environment training and awareness. All six components drive a robust approach to manage our environmental impact. This is the holistic approach to address the issue on environment.
9.	<p><b>What is the capacity utilisation YTD (year-to-date) 2023? What is the utilisation level necessary for breakeven? What do you expect the capacity utilization level for 2H23 and 2024? How is the forecast utilisation rate currently and coming second half of 2023 half against the order book?</b></p> <p>[Response]</p> <p>We are running between 40-50% utilisation rate at the moment. Breakeven is not merely about utilisation rate as we are also looking at reducing costs. We expect utilisation rate to be between 40-50% by end of the year. 2024 we believe might be slightly better. If we reduce our capacity to 24.5 billion pieces per annum by the end of this year, then utilisation rate could be 60-70% or higher in 2024. Our focus is on sustainability and profitability instead of capacity.</p>
10.	<p><b>(a) Please touch on the latest progress and future plan for 5 billion pieces capacity for Meru, originally scheduled for 2023.</b></p> <p><b>(b) Building is "under construction" for the Bidor site. What is the latest progress with this long-term capacity expansion plan at Bidor?</b></p> <p>[Response]</p> <p>The Meru land is located next to one of our existing plants and is intended for two plants. The building for one plant has been completed while the other plant is kept in view. The capex for the production lines for the first plant will be about RM30 million.</p> <p>For Bidor, we have completed the land clearing. The Bidor expansion plan has been placed on hold in line with the prevailing market conditions.</p>
11.	<p><b>What is the group's strategy way forward? Any bonus issue to reward loyal shareholders? Do you foresee a rise in profit for the next few years? What are you doing to ensure you can get better results?</b></p> <p>[Response]</p> <p>The Group has always emphasised long-term sustainable growth. At the moment, we are focused on our transformation plans and laying the foundation for our next phase of growth. As for corporate exercises such as bonus issues, we are always looking at ways to reward shareholders and will continue to do so moving forward.</p>
12.	<p><b>What are the main internal control issues and risks that have been highlighted by the internal auditors for the financial year 2022 and was there any issue that the Audit Committee ("AC") felt require further emphasis?</b></p> <p>[Response]</p> <p>The activities of the AC for the financial year ended 31 December 2022 were reported on page 95 of the 2022 Integrated Annual Report ("IAR 2022"). The AC was pleased to report that there were no major issues that required to be further emphasised in the IAR 2022.</p>

No.	Questions and Answers
13.	<p><b>Is there any plan by management to enhance market share for technical rubber products (“TRP”)?</b></p> <p>[Response]</p> <p>The TRP segment is divided into infrastructure and automotive. Automotive is stable. For seismic bearings, it is tied to infrastructure and we are working to grow that segment as it is a specialised product with very few players.</p>
14.	<p><b>Is there a plan to use more renewable energy while keeping the cost of energy down?</b></p> <p>[Response]</p> <p>Being a responsible corporate citizen, the Group is constantly on the lookout to improve and implement renewable energy and cost efficiency initiatives.</p>
15.	<p><b>May I know what is the supply demand condition of glove currently?</b></p> <p>[Response]</p> <p>The overall gloves market is in an oversupply situation. However, it does not apply equally across the entire spectrum of products. For example, during the Covid-19 pandemic, the supply of generic 3-3.5g nitrile gloves surged and this category is especially impacted.</p>
16.	<p><b>Despite revenue has normalised back to pre-covid level, but the profit is below pre-covid level. What will you do to have profit back to pre-covid level.</b></p> <p>[Response]</p> <p>Gloves are in an oversupply situation. We believe certain China manufacturers are aggressively pricing their gloves to gain market share. We believe this is temporary and unsustainable in the long run as the losses they have incurred cannot continue indefinitely. We have taken this opportunity to accelerate our transformation and revamp our processes to strengthen our base and provide the platform for our continued long-term growth.</p>
17.	<p><b>Is there decrease of foreign unskilled worker in term of ratio against all your employee?</b></p> <p>[Response]</p> <p>The ratio of foreign workers to local employees have been steadily decreasing from before the Covid-19 pandemic to the present, where local employees now make up the majority of our workforce. The ratio of foreign workers to locals as at the financial year ended 31 December 2022 is 49:51.</p>
18.	<p><b>What is the current excess manufacturing capacity? If the pandemic return, is the company operation ready to go for another abundance profit?</b></p> <p>[Response]</p> <p>Our current plant utilisation rate is at 40-50%. The Group does not hope for a return of a pandemic. Profits like what we have seen are unlikely as there are a lot of players such as China which has a lot of capacity. Nevertheless, the Group will continue to take this opportunity to</p>

No.	Questions and Answers
	enhance our internal operations and accelerate our transformation initiatives to prepare the Group for its next phase of growth.
19.	<p><b>How do you see the prospects of the company this year? Will it start to recover? Compared to last year, are the challenges not as significant this year? Is the glove industry already saturated? I noticed that the stock price has started to rise recently, does your management team have confidence it will return to 2?</b></p> <p>[Response]</p> <p>We still expect FY2023 to be challenging. Moving forward, the glove industry is still growing and we have confidence that it will improve.</p>
20.	<p><b>Good to see that you have more money in hand. Congratulations. Why is the dividend given now less than before the years prior to pandemic even though the profit is higher (not taking into account the high profit during pandemic years)?</b></p> <p>[Response]</p> <p>The Group's Dividend Policy is to pay out not less than 30% of the Group's annual profit after tax and minority interest excluding any exceptional items. The total dividend payout for financial year 2022 was RM63.8 million or a payout ratio of 40.6%. The Group needs to conserve the remaining cash for expansion, investment and working capital.</p>
21.	<p><b>How much of Kossan's automation technology is developed in house versus purchased off the shelf. Does proprietary technology gives an edge?</b></p> <p>[Response]</p> <p>Most of our automation technology is developed in-house specific to our requirements for example SCADA line system, auto-stripping, auto layering, packing whilst for the digitalisation and ERP are purchase from well-known software provider.</p>
22.	<p><b>What is the succession plan for your top management especially on Tan Sri?</b></p> <p>[Response]</p> <p>The emphasis is on having the right people at the right positions. The Group believes in having the right structure and systems in place so as to allow it to run on auto-pilot. The Group is focused on its transformation and building the required systems in place to ensure continuity and stability.</p>
23.	<p><b>Currently any action for covid 19 after pandemic? Does the company do weekly/monthly covid testing? What is the number of positive cases per month currently?</b></p> <p>[Response]</p> <p>The Group remains vigilant on the recent development of Covid-19 and puts priority to employees' health and safety. We abide by the Governments directive with regards to Covid-19. Sanitisation and disinfection at the affected premises will be carried out whenever there are reported cases of Covid-19. Employees are strongly encouraged to continue to wear mask and to comply with the existing guidelines on Covid-19. Though the Group does not insist all employees to do weekly or monthly test, however, if an employee does not feel well, we will require the</p>



No.	Questions and Answers
	employee to perform the test and notify the company of the outcome. If confirm positive, the employee will be home quarantined.
24.	<p><b>Any plan to improve your investor relationship to enhance the share price now below NTA of the company?</b></p> <p>[Response]</p> <p>We are open to engagement from all parties, whether current or potential shareholders. However, share prices are subject to market forces and are beyond our control. Our focus is on the business.</p>
25.	<p><b>Is that visible to setup production site having flexibility to switch to Cleanroom product and vice versa while cleanroom product having higher ASP/profit margin?</b></p> <p>[Response]</p> <p>Cleanroom products require secondary processes that are off-line. It is a controlled process, very different than those for examination gloves and more complicated.</p>
26.	<p><b>Do you foresee that cost of your material to continue come down in the next few quarters? What is the raw material price currently, increase/decrease compare previous quarter?</b></p> <p>[Response]</p> <p>The price of raw material nitrile butadiene rubber (NBR) has been coming down from the highs of the pandemic.</p>

### **Appendix 3: Poll Results**

**KOSSAN RUBBER INDUSTRIES BERHAD**

43rd Annual General Meeting

Broadcast Venue at Training Centre Ownership Room, 2nd Floor, Kossan R&D Centre

Thursday, 25 May 2023 at 10.30 a.m.

**Polling Results**

RESOLUTION	Vote FOR			Vote AGAINST			TOTAL Vote	
	NO. OF			NO. OF			NO. OF	
	RECORDS	SHARES	%	RECORDS	SHARES	%	RECORDS	SHARES
ORDINARY RESOLUTION 1	941	1,849,897,121	99.9898	107	189,141	0.0102	1,048	1,850,086,262
ORDINARY RESOLUTION 2	911	1,820,683,108	98.4167	132	29,291,354	1.5833	1,043	1,849,974,462
ORDINARY RESOLUTION 3	953	1,825,419,595	98.6874	89	24,278,859	1.3126	1,042	1,849,698,454
ORDINARY RESOLUTION 4	908	1,709,464,066	93.8724	114	111,587,496	6.1276	1,022	1,821,051,562
ORDINARY RESOLUTION 5	938	1,808,107,166	99.2892	85	12,944,396	0.7108	1,023	1,821,051,562
ORDINARY RESOLUTION 6	962	1,847,673,347	99.8905	80	2,025,515	0.1095	1,042	1,849,698,862
ORDINARY RESOLUTION 7	930	1,809,928,843	99.3714	92	11,449,719	0.6286	1,022	1,821,378,562
ORDINARY RESOLUTION 8 - TIER 1	1	1,250,222,620	100.0000	0	0	0.0000	1	1,250,222,620
ORDINARY RESOLUTION 8 - TIER 2	944	462,510,705	77.1103	98	137,293,537	22.8897	1,042	599,804,242
ORDINARY RESOLUTION 9	939	1,803,529,575	97.4866	105	46,499,287	2.5134	1,044	1,850,028,862
ORDINARY RESOLUTION 10	970	585,096,103	99.4268	69	3,372,835	0.5732	1,039	588,468,938
ORDINARY RESOLUTION 11	983	1,849,841,972	99.9926	60	137,290	0.0074	1,043	1,849,979,262

