



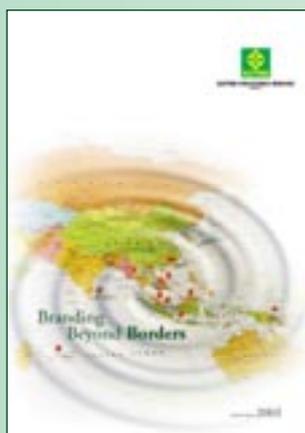
KOTRƏ INDUSTRIES BERHAD
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Branding Beyond Borders

annual report **2003**

Contents



Cover Rationale

When it comes to building brands, Kotra Industries Berhad knows no boundaries. As a successful home-grown pharmaceutical company with a proven track record in Malaysia and an established presence in the South East Asian region, the Group is well poised to blaze new trails in new global markets.

With the Group's focus on branding beyond borders and total commitment towards investing in research and development, Kotra Industries Berhad is moving ahead as an innovative player in the continued development of quality brands that benefit mankind, not just for today but tomorrow as well. Quality brands that include the ever-popular Appeton, Axcel, Vaxcel and Booster.

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APPETON®

Axcel

Vaxcel

Booster

Corporate Information



BOARD OF DIRECTORS

Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman
(Independent Non-Executive Chairman)

Piong Nam Kim @ Piong Pak Kim
(Deputy Chairman - Executive)

Piong Teck Onn
(Managing Director)

Piong Teck Min
(Non-Executive Director)

Piong Teck Yen
(Executive Director)

Chin Swee Chang
(Executive Director)

Omar bin Md. Khir
(Independent Non-Executive Director)

Koh Foo Ghe
(Independent Non-Executive Director)

Tan Choo Jow
(Independent Non-Executive Director)

Piong Teck They
(Alternate Director for Piong Nam Kim @ Piong Pak Kim)

Azman bin Ahmad
(Alternate Director for Omar bin Md. Khir)

COMPANY SECRETARIES

Ow Pee Juan
(MAICSA 7013304)

Mah Li Chen
(MAICSA 7022751)

AUDIT COMMITTEE

Koh Foo Ghe
(Independent Non-Executive Director)

Tan Choo Jow
(Independent Non-Executive Director)

Piong Teck Yen
(Executive Director)

REGISTERED OFFICE

535A, Jalan Merdeka
Melaka Raya
75000 Melaka
Tel : 06-2836620
Fax : 06-2836449

BUSINESS OFFICE

No. 1, Jalan TTC 12
Cheng Industrial Estate
75250 Melaka
Tel : 06-3362222
Fax : 06-3366122

REGISTRAR

Mega Corporate Services Sdn. Bhd.
Level 11-2, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03-26924271
Fax : 03-27325399/03-27325388

AUDITORS

Horwath
Level 16, Tower C
Megan Phileo Avenue
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : 03-21660000
Fax : 03-21661000

LEGAL ADVISORS

Chee Siah Le Kee & Partners
Advocates & Solicitors
105, Taman Melaka Raya
75000 Melaka
Tel : 06-2833423
Fax : 06-2847251

STOCK EXCHANGE LISTING

Kuala Lumpur Stock Exchange
MESDAQ Market

SPONSOR

Commerce International Merchant
Bankers Berhad
7th Floor, Bangunan CIMB
Jalan Semantan, Damansara Heights
50490 Kuala Lumpur
Tel : 03-20848888
Fax : 03-20938322

Board of Directors

- 1) *Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman*
- 2) *Piong Nam Kim @ Piong Pak Kim*
- 3) *Piong Teck Onn*
- 4) *Chin Swee Chang*
- 5) *Piong Teck Min*
- 6) *Tan Choo Jow*
- 7) *Piong Teck Yen*
- 8) *Omar bin Md. Khir*
- 9) *Koh Foo Ghe*



Directors' Profile

**Y. BHG. TAN SRI
DATUK DR. OMAR
BIN ABDUL
RAHMAN**
Chairman

Aged 70, is a graduate in Veterinary Science from Sydney University, Australia and holds a Ph.D from Cambridge University, UK. He started his professional career in 1960 in veterinary research, then in 1972 moved on to academic life at Universiti Pertanian Malaysia (UPM), now Universiti Putra Malaysia where he was the Founding Dean of the Faculty of Veterinary Medicine and Animal Sciences and the first professor appointed by the university. Y. Bhg. Tan Sri Datuk Dr. Omar played major roles in the establishment phase of the university and in the founding of several faculties and academic programmes. His last position at UPM was as Deputy Vice-Chancellor Academic Affairs.

In 1984, he was appointed Science Adviser in the Prime Minister's Department, the first person to hold the position. As Science Adviser, Y. Bhg. Tan Sri Datuk Dr. Omar served on a number of national committees including The National Development Planning Committee, The National Council for Scientific Research and Development, The National Information Technology Council and The National Telecommunication Council. He initiated a number of national programmes for enhancing research & development funding for commercialization of the results of research and for overall improvement of the national science & technology management processes. He is Founding Chairman of the Malaysian Technology Development Corporation (MTDC) and the Founding Chairman of Technology Park Malaysia Corporation. He is also the Founding Joint-Chairman of the Malaysian Industry-Government Group for High Technology (MIGHT) as well as the Founding President of the Academy of Sciences Malaysia. Tan Sri Omar also established Composite Technology (Research) Malaysia Sdn. Bhd. (CTRM) which promotes composite material products manufacturing and initiated the light aircraft industry in Malaysia.

He is the Founding and current Chairman of the Commonwealth Partnership for Technology Management (CPTM), a Founding Fellow of the Islamic Academy of Sciences and a Fellow of the Third World Academy of Sciences. Tan Sri Datuk Dr. Omar is also the Immediate-Past President of the newly established Science Council of Asia. He is one of the prime movers of the International Smart Partnership Dialogues regularly held in Langkawi (LID) and in Southern Africa (SAID) which promotes the ethos and the practice of Smart Partnership, the win-win philosophy for all forms of cooperative undertaking and multi-stakeholder partnering.

For his contributions, Tan Sri Datuk Dr Omar has received honorary doctorates from five overseas universities (Stirling, Melbourne, Guelph, Bristol and Queensland) and three Malaysian universities (Universiti Teknologi Malaysia, Universiti Kebangsaan Malaysia and Universiti Putra Malaysia). He received the Asean Achievement Award (Science) in 1993, the Fook Ying Tung South East Asia Prize in 1998 and the Tun Abdul Razak Award (International Category) in 2000. He is also the recipient of a state award (Darjah Mulia Seri Melaka) and three Federal awards : Johan Setia Mahkota, Johan Mangku Negara and Panglima Setia Mahkota.

He retired as Science Adviser in January 2001 but remains as Coordinator, Special Project, in the Office of the Prime Minister. Besides KOTRA, Tan Sri Datuk Dr. Omar also served as a Director of Malaysian Industrial Development Finance Berhad till 26 August 2003. He is also presently serving as a Director of Encorp Berhad.

Aged 71, was appointed to the Board as the Executive Deputy Chairman on 5 June 2000. Prior to operating the business in Kwong Onn Tong Sdn. Bhd. ("KOT"), he worked as an apprentice in a Chinese drug store. In 1954, he founded KOT, a company dealing in wholesale of pharmaceutical products. His vast experience in over-the-counter sales and marketing has given him a unique role as an advisor for KOTRA. Being an experienced and knowledgeable member as well as the Honorary Advisor of the Melaka Chinese Druggist Association (1962-1992), his presence on the Board has facilitated the acceptance of the Group by the traditional Chinese druggists throughout Malaysia, who represent a significant component in the distribution system for pharmaceutical products.

**PIONG NAM KIM
@ PIONG PAK KIM**
Deputy Chairman

Aged 45, graduated from the University of Wales in Cardiff, United Kingdom in 1982 with a Bachelor Degree of Science in Pharmacy. He started his career in the retail and wholesale pharmaceutical business at City Chemist & Asia Pharmacy. In January 1984, he joined KPM and started KOTRA's manufacturing department, which over the period of 19 years, has initiated the manufacturing of a range of conventional dosage forms ranging from tablets, capsules, creams and ointments, wet and dry syrups and lately, the injectables both aseptically and terminally filled.

He is currently an executive council member and vice-president of the Malaysian Organisation of Pharmaceutical Industries (MOPI), positions he held since 1998 and 2001 respectively.

Aged 51, was elected to the Board of Directors of KPM in September 1982. He holds a Malaysia Certificate of Education which he obtained in 1970. He joined KOT in 1970 and gained much experience in the pharmaceutical industry after assisting his father, Mr Piong Nam Kim, in handling KOT's pharmaceutical wholesale business. With more than 25 years in the pharmaceutical trade industry, he has ventured independently into the traditional medicine business and is currently the managing director of Welip (M) Sdn. Bhd., which produces traditional medicine. As a result of his many years in the industry, he is well versed with the intricacies of the pharmaceutical trade and his vast network with Malaysian wholesalers is an important marketing asset for the Group. He was elected to the Board as a Non-Executive Director on 5 June 2000.

Aged 36, was elected to the Board of Directors of KPM in July 1993. He did his studies at Lewisham College in United Kingdom. He started his career in sales and marketing with KOT in 1989 and was involved mainly in the wholesale of pharmaceuticals, before joining the Group in November 1989 as the Sales Manager. He is responsible for the marketing of the Group's "Appeton" range of products. By mid 1995, he was promoted to the present post of Marketing Director and was instrumental in formulating and implementing several large scale promotions aimed at creating brand awareness. He was elected to the Board as an Executive Director on 5 June 2000.

Aged 66, was appointed to the Board as a Non-Executive Director on 5 June 2000. After obtaining his Cambridge School Certificate in 1955, Encik Omar joined the Estate Management Course sponsored by MARA (formerly known as RIDA) for a two-year course from 1956 to 1957. He joined SOCFIN as an Assistant Estate Manager in 1958 and after serving his post in various rubber and palm oil estates, he was promoted to an Acting Manager in 1973. He left the company in 1992 while serving as Manager 1 (Senior Group Manager) in charge of over approximately 10,000 acres of rubber and palm oil estates in Batang Berjuntai. While serving the company, he was given the honour to become the company's representative for the Malaysian Employers Federation from 1978 to 1979. In 1980, he was appointed as a member of Employers Panel in the Industrial Court. He relinquished the position in 1981. From 1987 to 1990, Encik Omar was appointed as the chairman of the Selangor State Malaysian Agriculture Producers Association Advisory Panel and in 1988 to 1989, he was the Chairman of the Selangor Planters Association. Currently, he sits on the Board of Sumber Modal Satu Berhad.

Aged 49, was appointed to the Board as an Independent Non-Executive Director on 5 June 2000. Mr Koh is a fellow member of the Association of Chartered Certified Accountants, a member of the Malaysian Institute of Taxation, a member of the Malaysian Institute of Certified Public Accountants and a member of the Malaysian Institute of Accountants. He started his career with Othman Hew & Co., a chartered accountants' firm (now known as Moores Rowland Chartered Accountants) as an auditor in 1977. In 1982, Mr Koh started his own practice under the name of Owen Koh & Associates. In 1989, he was appointed by the Association of Chartered Certified Accountants (Malaysian Center) as the founder Co-ordinator for Melaka State, a position he held for approximately 10 years. He was also one of the founder committee member of the Negeri Sembilan and Melaka Branch of the Malaysian Institute of Accountants when the Branch was first set up in 1994. Later in 1998, he was elected as the Vice-Chairman of the Branch. Presently, Mr Koh is a committee member of the Melaka Branch of the Malaysian Institute of Accountants. He also holds directorship in Formosa Culture and Education Bhd..

PIONG TECK ONN
Managing Director

PIONG TECK MIN
Director

PIONG TECK YEN
Director

**OMAR BIN
MD. KHIR**
Director

KOH FOO GHE
Director

CHIN SWEE CHANG
Director

Aged 46, graduated from University of Leeds, United Kingdom in 1982 and holds a Bachelor of Science (Hons) in Data Processing. She is presently in charge of KOTRA's Information Technology ("IT") Department. She started her career as an analyst programmer in a software house, Systems Automation Sdn. Bhd., in Kuala Lumpur in 1982. Ms Chin was part of a team of systems analysts and programmers responsible for the development and customisation of an insurance software package for a particular client. In 1984, she joined Eastern Systems Design Sdn. Bhd., a computer vendor company marketing mini computers and peripherals, and application packages. Here, Ms Chin gained experience in the development and implementation of other types of software packages and in the marketing discipline. In 1987, she joined a German multinational company, Robert Bosch (South East Asia) Pte. Ltd. heading the Electronic Data Processing Department where she was responsible for supporting user requirements and setting up the dial-up connection for on-line access. In 1991, she helped to co-ordinate, convert and transfer the data from an old Nixdorf system to an IBM AS/400 system which was completed and running by September 1992. In 1993, she joined the Group as the IT Manager overseeing the computerisation of the business from a stand-alone personal computer ("PC") environment to a local area network PC multi-user system, with fully integrated material requirements planning, financial and distribution software, using an American Enterprise Resource Planning ("ERP") package called Frontstep SyteLine running on PROGRESS database. She was elected to the Board as an Executive Director on 5 June 2000.

TAN CHOO JOW
Director

Aged 60, was appointed to the Board as an Independent Non-Executive Director on 5 June 2000. Mr Tan graduated from the University of Singapore in 1966 with a Bachelor of Pharmacy. He carried out his housemanship in a retail pharmacy in Ipoh and was registered by the Pharmacy Board in 1967. From 1970 to 1987, he joined Malayan Pharmaceutical Sdn. Bhd. as a marketing manager. He then continued his career in Atlantic Laboratory Sdn. Bhd. as a manager in charge of marketing and manufacturing. From 1990 until his retirement in 1998, Mr Tan served as the Production Pharmacist of Dumex Malaysia Sdn. Bhd.. Additionally, Mr Tan was also an active member of the pharmacy profession. He was the President of Malaysian Pharmaceutical Society for about 20 years until 1995; Examiner in Forensic Pharmacy for the Pharmacy Board; External Examiner in Forensic Pharmacy for Universiti Sains Malaysia; Vice President of the Federation of Asian Pharmaceutical Associations from 1994 and now Honorary Bureau Member; and Founder President of the Malaysian Pharmaceutical Trade and Manufacturers Association. He was until 1996 a member of the Pharmacy Board and also a member of the Poisons Board of the Ministry of Health, Malaysia.

PIONG TECK THEY
Director

Aged 44, was elected to the Board of Directors of KPM on June 1996 as the alternate Director to Mr Piong Nam Kim. He holds a Malaysia Certificate of Education which he obtained in 1976. He joined KOT in 1977 and gained much experience in the pharmaceutical industry after assisting his father, Mr Piong Nam Kim, in handling KOT's pharmaceutical wholesale business. Currently, he is running KOT and his vast experience in the industry and his linkages with various other wholesalers is beneficial to the Group's current and future operations. He was elected to the Board as the alternate to Mr Piong Nam Kim on 5 June 2000.

AZMAN BIN AHMAD
Director

Aged 38, was appointed to the Board on 5 June 2000 as the alternate Director to Omar bin Md. Khir. He graduated from the University of Western Australia with a Bachelor of Commerce majoring in Accounting and Computer Science in 1985. He is an accountant by profession and is a member of the Malaysian Institute of Accountants and CPA Australia. He started his career with Coopers and Lybrand in 1986 as an audit assistant. After one and half years, he left Coopers and Lybrand and joined Hicom Holdings Berhad as Assistant Manager for seven years where he was involved in the privatisation and listing of Hicom Holdings Berhad, the preparation of feasibility reports, financial monitoring reports and annual reports. In 1994, he was seconded as the General Manager to Hicom Carriage Engineering Sdn. Bhd., a company involved in the manufacturing of buses. He was then responsible in setting up the company's operations, developing its business and achieving profit targets. In 1997, he joined EAC KIMS (Malaysia) Sdn. Bhd. as a Finance Manager, where he oversaw the overall accounting, project planning and project financing functions of the company. In 1999, he joined YPJ Holdings Sdn. Bhd. as Corporate Finance Consultant, responsible for corporate finance matters of the group, including evaluation of corporate exercises and restructuring. In 2002, he joined Malaysian Technology Development Corporation Sdn Bhd as Assistant General Manager and Head of Investment Division. He also holds a directorship in Sumber Modal Satu Berhad.



On behalf of the Board of Directors, I have great pleasure to present the Annual Report and Audited Financial Statements of the Kotra Group and Company for the financial year ended 30 June 2003.

Chairman's Statement

Review of Financial Results

Despite another challenging year for the global economy resulting from the aftermath of the Iraq war and the outbreak of the Severe Acute Respiratory Syndrome (SARS), Malaysia managed to achieve a commendable growth rate of 4.2% as opposed to 0.4% recorded in 2001. This was due to strong domestic spending and a recovery in the export market. Of significance to our Group was the fact that the pharmaceutical industry grew between 10% to 15% in 2002.

Correspondingly, the Group's performance has been remarkable considering the external constraints. The Group achieved new all-time high sales of RM38.77 million which represent an impressive growth rate of 21.7% as compared to sales of RM31.85 million achieved in the previous financial year.

In the midst of the double digit growth, our commitment to the Group's vision to be a respectable multinational pharmaceutical company with international brands offering a wide range of high quality and innovative products was put to a test.

In January 2003, the Group initiated a recall exercise on some of our products due to packaging defects of the common glass bottle used. We discovered that some of the Group's bottled products were not sufficiently airtight due to non-conforming glass bottles supplied by the vendor, resulting in premature oxidation of the contents in the bottles. This action has cost the group a loss of approximately RM1.0 million.

Despite the loss, the Board is of the opinion that this exercise is necessary to protect the interest of the Group's customers and also the reputation of the Group and its products. As a result, the Group's gross profit margin decreased from 54.5% to 44.8%.



The Group also has incurred an addition of approximately RM1.0 million production overheads (depreciation, payroll costs, upkeep and maintenance) for the year for the development of our injectable range of products. This range is meant to be a substitute for the injectable market which is currently dominated by products from a few pharmaceutical companies.



In line with our vision to develop an international brand, we have also, during the year under review, spent an additional RM2.0 million for advertising and promotional activities for the overseas market. The Directors are of the opinion that this is the right time to invest in such activities to prepare the Group to seize opportunities when the fast approaching Asean Free Trade Area (AFTA) is implemented. To get a head start, it is essential that the Group positions its products strategically now in these markets. Hence, the Group will continue to invest in the advertising and promotional activities for the export market.

Indeed, to ensure the Group's continuous annual growth of more than 20%, the export market is an area we cannot ignore; we should in fact increase our presence.

OPERATIONAL UPDATES

Domestic Sales

Domestic sales increased from RM26.0 million in the last financial year to RM30.2 million as a result of the increased sales of generic products to local general practitioners. This was mainly due to the launching of several new generic products which were well received by the local general practitioners' market.

Export Sales

As stated earlier, the Group is now beginning to reap the benefits from the efforts sown in the past in these markets through investment in advertising and promotional activities. Our export sale has increased by 46.6% as compared to the previous financial year. One of our brands, Appeton, has made a breakthrough in new markets in the region especially in Indonesia and Sri Lanka.

New Products

To secure our future growth, the Group is continuing to widen its product range through the development of innovative products for niche markets. During the year, the Group has submitted and registered not less than 15 products with the Ministry of Health.

COMMITMENT TO QUALITY

The Board views product quality as the main factor that will eventually set us apart from other players. We have therefore taken various measures to ensure that all our products meet world-class standards.

I am pleased to add that with diligence and strict adherence to quality standards, as at January 2003, our manufacturing subsidiary Kotra Pharma (M) Sdn. Bhd. was awarded the prestigious ISO9001:2000 certification for its Quality Manufacture, Design and Development of Pharmaceutical Products.

In 2002, Malaysia was admitted as a member country for Pharmaceutical Inspection Convention Scheme. During the process of admission, we were honoured that our Group's subsidiary, Kotra Pharma (M) Sdn. Bhd. was selected to be audited for the quality inspection on its facilities.

On behalf of the Board, I would like to take this opportunity to thank the Director of Pharmaceutical Services, Ministry of Health, Malaysia for the confidence given to Kotra.

DIVIDENDS

The Board of Directors has declared an interim tax exempt dividend of 5% per ordinary share amounting to RM1,406,046. The dividend was paid on 22 April 2003 to depositors who were registered in the record of depositors at the close of business on 27 March 2003.

The Board of Directors is now recommending a final dividend of 5% less income tax per ordinary share amounting to RM1,012,354 in respect of the financial year ended 30 June 2003, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

In summary, this would represent a total dividend of 4.3 sen per share for the financial year.

CORPORATE DEVELOPMENT

The quest for continued excellence will see the management investing even more time and resources into human resource development, as we believe that each and every employee, especially key personnel, need to have strong empathy and tie to the Company in order to give their very best.

In this report, the Board is pleased to announce the establishment of an Employee Share Option Scheme ("ESOS") of not more than 20% of the issued share capital of the company to eligible directors and employees of the Group which will be in force for a period of 10 years expiring in the year 2013. This is to accord our staff the opportunity to participate in the overall growth of the Group and, upon becoming shareholders, to participate in the Group's profit and development.





CORPORATE GOVERNANCE

The measures that have been implemented by the Group in relation to the Malaysian Code on Corporate Governance will be highlighted in the Corporate Governance Report.

The Board of Directors believes in continuously upholding the highest standards of corporate governance practice throughout the Group as a fundamental part of discharging our responsibilities to protect and maximize shareholders' value and enhancing the business prosperity of the Kotra Group.

FUTURE PROSPECT

While new products are being developed for future expansion, our immediate prospects hinges on fast economic recovery of the ASEAN region. Given that the foundation of the Group's Brand has already been laid in most of the ASEAN countries, a policy of incessant efforts and persistence advertising and promotion should ensure the Group's future strong position in the ASEAN region.



ACKNOWLEDGEMENTS

The Management and the employees of Kotra have worked extremely hard and displayed a high degree of commitment and dedication to face the overwhelming competition, difficult economic situations and stricter regulations while having to live up to the increasing demands expected of them as the company experience such a rapid growth in this financial year.

They have also shown their true professionalism in embracing the changes that took place in Kotra that is necessary for the Group's expansion.

To them, I extend my deepest appreciation. I would like to assure them that their commitment and perseverance will be duly rewarded.

To all our shareholders, customers, strategic business partners, thank you for your continuing support and confidence in our Group.

The Board also wishes to record here our appreciation to Mr. Koh Foo Gee who will retire and not seeking re-election at the forth coming Annual General Meeting. Mr. Koh, who chaired the Audit Committee since it was formed in year 2002, has led the team with integrity and vision. We would like to take this opportunity to thank him for his past services and wishes him well as he pursues his personal goals.

Tan Sri Datuk Dr Omar bin Abdul Rahman

Chairman of the Board of Directors

Corporate Governance Statement

The Board of Directors appreciates the importance of adopting high standards of corporate governance within the Group as a means for sustaining the Group's long term growth and increasing shareholders' value. The Group is currently moving towards compliance with the Principles and adoption of most of the Best Practices as recommended by the Malaysian Code of Corporate Governance ("The Code").

The Board is pleased to provide the following statement, which outlines the main corporate governance practices that were in place by the end of the financial year unless otherwise stated.

PRINCIPLES STATEMENT

The following statement sets out how the Group has applied the Principles in Part 1 of the Code:

A Board of Directors

Board Responsibilities

The Group acknowledges the importance of having an effective Board to lead and control the Group. While management is responsible for the day to day operations of the Group, the Board is ultimately responsible for the stewardship of the Group's strategic direction and development. The Board's responsibilities include reviewing and adopting the Group's goals, objectives and strategic plans set by management, monitoring the achievement of the goals and objectives, reviewing the performance and fixing the remuneration of key management staff (including the executive directors), identifying the Group's principal risks and reviewing the adequacy of the risk management system as well as the internal control system.

The Board has a formal schedule of matters reserved to itself for decision. These matters include decisions on the Group's overall business strategy, changes in the Group's equity, capital or corporate structure, acquisition of new businesses and divestment of existing businesses, major capital expenditures, related party transactions, borrowings from financial institutions beyond certain threshold and decisions on key management staff. This schedule of reserved matters ensures that the control of the Group is in the Board's hands.

To assist the Board in executing its responsibilities, the following committees have been established:

- Audit Committee
- Nomination Committee
- Remuneration Committee

The functions of these committees are detailed in the subsequent paragraphs. All committees have written terms of reference and the Board receives reports of their proceedings and deliberations which are signed by the Chairmen of the respective committees. These Committee papers form part of the Board meeting documents.

Meetings

During the financial year ended 30 June 2003, the Board met on 4 occasions. The Board meetings deliberated on a variety of matters including the Group's financial results, business plans & Group budgets, significant investments as well as corporate governance issues. Details of each director's meeting attendance are as follows:

Director	Position	Attendance of Board Meetings in 2003				Total
		Aug' 02	Oct' 02	Feb' 03	May' 03	
1. Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman	Independent Non-Executive Chairman	•	•	•	•	4
2. Piong Nam Kim @ Piong Pak Kim	Deputy Chairman-Executive	•			•	2
3. Piong Teck Onn	Managing Director	•	•	•	•	4
4. Piong Teck Yen	Executive Director	•	•	•	•	4
5. Chin Swee Chang	Executive Director	•	•	•	•	4
6. Piong Teck Min	Non-Executive Director	•	•		•	3
7. Omar bin Md. Khir	Independent Non-Executive Director	•	•	•	•	4
8. Koh Foo Ghe	Independent Non-Executive Director, Chairman of Audit Committee	•	•	•	•	4
9. Tan Choo Jow	Independent Non-Executive Director	•	•	•	•	4
10. Azman bin Ahmad	Alternate Director to Omar bin Md. Khir			•		1
11. Piong Teck They	Alternate Director to Piong Nam Kim @ Piong Pak Kim			•		1
	Total Attendance	9	8	9	9	

Board Balance

As at the date of this statement, the Board consist of nine (9) members comprising the following:

- One (1) independent non-executive Chairman
- Four (4) executive directors
- Three (3) independent non-executive directors
- One (1) non-independent non-executive director

A clear division of responsibilities at the head of the Group exists as the Board is led by Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman while the executive management is led by Mr Piong Teck Onn.

The presence of four (4) independent non-executive directors, including the Chairman, on the Board results in more than one third of the Board members being independent and facilitate the functioning of an effective Board. The independent non-executive directors comprise persons who are respectable, of high integrity and possess vast experience in their respective fields. The independent non-executive directors collectively bring with them a wide range of expertise in the areas of life sciences, pharmacy, finance and management. These expertise enable the independent non-executive directors to make objective and independent judgement to the decision making process of the Board and provide a sound check and balance for the executive Directors.

The Board is of the opinion that the current Board representation fairly reflects the investment of minority shareholders in the company and has incorporated a policy to consider offering Board seats to significant investors.

The Board has also appointed Mr Owen Koh Foo Ghe as the senior independent non-executive director to whom concerns of shareholders may be addressed via the company secretaries.

Supply of Information and Access to Advice

All directors have full and timely access to information required for decision making. The Board is ensured of receiving discussion papers in advance of meetings and have unhindered access to the Group's finance manager, any other management staff who function as a department head and the company secretaries for advice and information.

The Board has also put in place a procedure to be adhered to for any director or group of directors who wish to seek independent professional advice at the Company's expense in furtherance of their duties. The request will be granted if the Board is of the opinion that it is reasonable and appropriate.

Appointments to the Board

The Board is aware of the need to have a formal and transparent procedure for the appointment of new directors to the Board and as such, during the year, has set up the Nomination Committee to facilitate formality and transparency in respect of the appointment of new directors.

Nomination Committee

The members of the Nomination Committee from the date the Committee was set up to the end of the financial year are as follows:

Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman	Independent Non-Executive Director (Chairman of the Committee)
Omar bin Md. Khir	Independent Non-Executive Director
Piong Teck Min	Non-Independent Non-Executive Director

The Nomination Committee is responsible for the following:-

- (i) considering the quality, qualification and appropriateness of candidates nominated for directorships in the Company and make the appropriate recommendations to the Board; and
- (ii) carrying out an annual assessment of the effectiveness of the Board as a whole.

Since the date it was set up, the Nomination Committee carried out its first meeting on 22 October 2003. The Nomination Committee's power is restricted to that of making recommendations for the Board's decision as a whole and does not have the authority to make decisions on behalf of the Board.

Re-election

The procedure for re-election of directors by rotation is set out in the Articles No 106 and 145 of Company's Articles of Association ("the Articles"). Pursuant to the Articles, one-third of the directors, excluding the Managing Director, is required to retire and stand for re-election every year so that each and every director shall retire from office at least once every three (3) years. Article No.145 provides that the Managing Director shall not be subject to retirement by rotation so long as he continues to hold that post.

The Board is aware that the above is not in accordance with the Principles stipulated in the Code and wishes to clarify that the Listing Requirements of the MESDAQ Market allows for the Managing Director to be exempted from retirement by rotation.

B Directors' Remuneration

Remuneration Committee

Members of the Remuneration Committee during the financial year are as follows:-

Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman	Independent Non-Executive Director (Chairman of the Committee)
Omar bin Md. Khir	Independent Non-Executive Director
Piong Teck Min	Non-Independent Non-Executive Director
Piong Teck Onn	Managing Director

The Remuneration Committee is responsible for reviewing and recommending the remuneration of the executive and non-executive directors as well as the remuneration of management staff who function as department heads. In making its recommendations, the Remuneration Committee adheres to the principle of remunerating based on the Group's as well as the individual's performance. The Remuneration Committee's role is that of making recommendations for the Board's approval and does not have the authority to make decisions on behalf of the Board.

The Remuneration Committee met twice during the financial year and were attended by all members of the committee. Committee members who are executive directors did not participate in the discussion of their individual remuneration.

The annual remuneration of the directors in bands of RM50,000 is tabulated below:

Remuneration Band	Non-Executive Directors	Executive Directors
Below RM50,000	5	–
RM150,001 – RM200,000	–	3
RM300,001 – RM350,000	–	1

C Shareholders

The Company acknowledges the importance of communicating with its shareholders and does this through the Annual Reports and the Annual General Meetings. The Board encourages shareholders to participate in the question and answer session of the Annual General Meeting. The Board will try to respond to the shareholders questions during the meeting. In the event an immediate answer in the Annual General Meeting is not possible, the Chairman of the Board will arrange for a written answer to be given to the shareholder at a later date. It is the Board's policy to ensure the presence of a majority of the Board members at the Annual General Meetings to interact with the Company's shareholders.

The Group's corporate website, www.kotrpharma.com, is an effective means of communication with the Group's shareholders, stakeholders and the public as this website provides updated information on the Group's background, activities, corporate objectives, products, plant & facilities as well as the Group's financial and corporate announcements.

The Board is also aware of the importance of maintaining communications and receiving feedback from institutional investors and substantial shareholders (which the Board defines as shareholders with shareholding of 5% and above in the Company). While the Board has not established any formal communications policy with its stakeholders and shareholders, the executive directors have maintained an open door policy for meeting with institutional and substantial investors and have established the commitment to meet up with substantial investors at least once per annum. The executive directors have also met up with most investment analysts when requested to do so. Any feedback of an important nature will be communicated to the Board in the following Board meeting.

The Board has also appointed Mr Koh Foo Ghe as the senior independent non-executive director to whom concerns of shareholders may be conveyed via the company secretaries.

D Accountability and Audit

Financial Reporting

The Board aims to provide a balanced and understandable assessment of the Group's financial performance, financial position and prospects through the annual financial statements, Chairman's statements and announcement of quarterly results. In this respect, the Audit Committee assists the Board with the overseeing of the Group's financial reporting process and the quality of the financial reporting.

Internal Control

The Board is responsible for the Group's system of risk management and internal control which includes the establishment of an appropriate control environment and framework. The task of overseeing the risk management and internal control system and internal audit function is delegated to the Audit Committee which reports to the Board significant matters pertaining to the Group's internal control during the Board meetings. A risk management framework has been set up via the establishment of a risk management committee which comprises the executive directors, an independent non-executive director and heads of various departments within the Group. The internal audit function has been outsourced to a firm of internal audit specialists. Both the risk management committee and internal auditor reports to the Audit Committee. Further information on the Group's internal audit function is set out in the Audit Committee Report in pages 18 to 19 of the Annual Report. Due to the limitations inherent to any system of risk management and internal control, the system is meant to manage, but not eliminate the risk of failure to achieve the Group's corporate objectives.

Relationship with the External Auditors

The Group has established a formal arrangement to maintain an appropriate relationship with the external auditors through the Audit Committee. Key features underlying the relationship of the Audit Committee with the external auditors are set out in the Audit Committee's terms of reference in page 18 of the Annual Report.

Compliance Statement

As at the end of the financial year, the Board is of the opinion that the following Principles and Best Practices of the Code have not been complied with:

Reference to the Code	Summary of the Principle/Best Practice	Board Comments
Part 1 III	Disclosure of each director's remuneration	Details of the remuneration of each director are not disclosed in the Annual Report as the Board is of the opinion this infringes on the privacy of the individual directors. As an alternative, the Annual Report discloses the annual remuneration of directors in bands of RM50,000 and the number of executive/non-executive directors receiving annual remuneration in that particular band.
Part 2 AAVIII Part 2 AAIX Part 2 AAX	Establishment of Nominating Committee	<p>The Board established a Nomination Committee during the year. However, the first meeting of the Nomination Committee was carried out subsequent to the end of the financial year. In future, the Board expects the Nomination Committee to meet on an annual basis to carry out its functions.</p> <p>The Board is of the view that it is sufficient that the Nomination Committee assesses the effectiveness of the Board and the committees of the Board as a whole. It is the Board's opinion that individual directors be exempted from this process.</p>
Part 2 AAXIII	Company to provide orientation and education programme for new board members	The Group does not have a formal process for the orientation of newly appointed board members as orientation is conducted on an informal basis by the executive directors. The Board is of the opinion that the activities of the group are not so complex as to require a formal training.
Part 2 AAXVII	Provision of non-quantitative	At present, the Group's information system generates information which are predominantly financial based. The Board is aware of the increasing importance of having non-financial based information, represented as Key Performance Indicators ("KPI"), as the Group expands. The Board has resolved to perform a study in respect of the implementation of KPIs as a means of assessing individual management's performance as well as the performance of the Group as a whole and expects KPIs to be implemented progressively in the future.

Audit Committee

COMPOSITION AND DESIGNATION OF AUDIT COMMITTEE

1. Koh Foo Ghe (*Chairman*)
2. Tan Choo Jow
3. Piong Teck Yen

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Constitution

The Audit Committee was formed pursuant to a resolution passed by the Board of Directors on 12 September 2000 in accordance with Chapter 13 of the Listing Requirements of the Kuala Lumpur Stock Exchange for the MESDAQ Market. The terms of reference was subsequently amended on 14 October 2002 to achieve consistency with the Malaysian Code of Corporate Governance.

Membership

The Audit Committee shall be appointed by the Board of Directors from among their members and shall comprise no fewer than 3 members of whom a majority shall be Independent Non-Executive Directors. A quorum shall be 2 members.

The members of the Audit Committee shall elect a Chairman from among their member who is not an executive director or employee of the Company or any related corporation. The Chairman elected shall be subject to endorsement by the Board.

If a member of the Audit Committee retires, resigns, passes away or for any other reason ceases to be a member with the result that the number is reduced below 3, the Board of Directors shall, within 2 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.

Notice of Meeting and Attendance

The agenda for Audit Committee meetings shall be circulated before each meeting to members of the Committee. The Committee may require the external auditors and any officer of the Company to attend any of its meetings as it deems fit. The external auditors shall have the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Committee when required to do so by the Committee. The finance manager and internal auditor shall normally attend meetings at the invitation of the Audit Committee.

The Company Secretary of the Company shall be the Secretary of the Committee.

Authority

The Audit Committee is authorised by the Board to investigate any activity of the Company and its subsidiaries within its terms of reference and all employees shall be directed to co-operate with any request made by the Committee. The Committee shall have full access to any information within the Company and its subsidiaries which the Committee requires in the course of performing its duties and shall also have unrestricted access to the management staff. The Committee shall have all the resources it needs to perform its duties at the cost of the Company including the right to appoint independent professionals to advise the Committee.

Duties and Responsibilities

The duties and responsibilities of the Audit Committee shall be:-

- to consider the appointment of the external auditors, the audit fee and any issue of resignation or dismissal;
- to review with the external auditors, their audit plan, their evaluation of the effectiveness of the system of internal controls and their audit reports as well as any problems or reservations arising from the audit process which the external auditors wish to highlight;
- to review with the management and the external auditors, the financial statements of the Company and its subsidiaries as well as the Group's financial statements;
- to review the effectiveness of the risk management and internal audit function;
- to review the effectiveness of internal control systems and in particular, to review with management all areas of significant financial risks and the systems in place to contain those risks to acceptable levels;
- to review all related party transactions and situations that may give rise to potential conflict of interests.

Audit Committee Attendance Record

The Audit Committee met 6 times during the financial year ended 30 June 2003 and the attendance record is as follows:

Director	Position	Attendance at Audit Committee Meetings in 2003						Total
		Aug' 02	Nov' 02	Feb' 03	Mar'03	Apr'03	May'03	
1. Koh Foo Ghe	Independent Non-Executive Director & Chairman of Audit Committee	•	•	•	•	•	•	6
2. Tan Choo Jow	Independent Non-Executive Director	•	•	•	•	•	•	6
3. Piong Teck Yen	Executive Director	•	•	•	•	•	•	6

Directors' Report

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2003.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and the provision of management services. The principal activity of the subsidiary is set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	THE GROUP RM	THE COMPANY RM
Profit after taxation for the financial year	3,196,304	3,201,048

DIVIDENDS

Since the end of the previous financial year, the Company paid the following dividends:-

- (i) a final dividend of 2.5 sen per ordinary share less 28% tax amounting to RM1,012,354 in respect of the previous financial year as proposed in the directors' report of that financial year; and
- (ii) an interim tax-exempt dividend of 2.5 sen per ordinary share amounting to RM1,406,047 in respect of the current financial year.

The directors now recommend the payment of a final dividend of 2.5 sen per ordinary share less 28% tax amounting to RM1,012,354 in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUES OF SHARES AND DEBENTURES

During the financial year,

- (a) there were no changes in the authorised and issued and paid-up capital of the Company; and
- (b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

Directors' Report (cont'd)

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate allowance for doubtful debts has been made.

At the date of this report, the directors are not aware of any circumstances that would further require the writing off of bad debts, or additional allowance for doubtful debts in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, 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 which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities are set out in Note 35 to the financial statements. At the date of this report, there does not exist:-

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company 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 when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company, which would render any amount stated in the financial statements misleading.

Directors' Report (cont'd)

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year.

HOLDING COMPANY

The holding company is Piong Nam Kim Holdings Sdn. Bhd., a company incorporated in Malaysia.

DIRECTORS

The directors who served since the date of the last report are as follows:-

Y. BHG. TAN SRI DATUK DR. OMAR BIN ABDUL RAHMAN
PIONG NAM KIM @ PIONG PAK KIM
PIONG TECK MIN
PIONG TECK ONN
PIONG TECK YEN
CHIN SWEE CHANG
KOH FOO GHE
OMAR BIN MD. KHIR
TAN CHOO JOW
AZMAN BIN AHMAD (ALTERNATE DIRECTOR TO OMAR BIN MD. KHIR)
PIONG TECK THEY (ALTERNATE DIRECTOR TO PIONG NAM KIM @ PIONG PAK KIM)

Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman and Piong Nam Kim @ Piong Pak Kim retire at the forthcoming annual general meeting in accordance with Section 129(2) of the Companies Act, 1965 and offer themselves for re-election. The Board recommends that Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman and Piong Nam Kim @ Piong Pak Kim be re-appointed as directors of the Company pursuant to Section 129(6) of the Companies Act, 1965, to hold office until the conclusion of the next annual general meeting.

Pursuant to Article 106 of the Articles of Association of the Company, Koh Foo Ghe and Omar bin Md. Khir retire by rotation at the forthcoming annual general meeting. Omar bin Md. Khir being eligible, offers himself for re-election. Koh Foo Ghe has indicated that he shall not be seeking re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:-

THE COMPANY	NUMBER OF ORDINARY SHARES OF RM0.50 EACH			
	AT 1.7.2002	BOUGHT	SOLD	AT 30.6.2003
<i>DIRECT INTERESTS</i>				
Y. BHG. TAN SRI DATUK DR. OMAR BIN ABDUL RAHMAN	2,200	—	—	2,200
PIONG NAM KIM @ PIONG PAK KIM	1,196,042	—	—	1,196,042
PIONG TECK MIN	580,100	—	—	580,100
PIONG TECK YEN	—	1,000	—	1,000
OMAR BIN MD. KHIR	199,600	21,400	—	221,000
TAN CHOO JOW	75,000	26,000	—	101,000
AZMAN BIN AHMAD	114,000	—	—	114,000
PIONG TECK THEY	505,994	—	—	505,994

Directors' Report (cont'd)

DIRECTORS' INTERESTS (CONT'D)

	NUMBER OF ORDINARY SHARES OF RM0.50 EACH			
	AT 1.7.2002	BOUGHT	SOLD	AT 30.6.2003
<i>INDIRECT INTERESTS</i>				
PIONG NAM KIM @ PIONG PAK KIM	29,374,710	–	–	29,374,710
PIONG TECK MIN	29,374,710	–	–	29,374,710
PIONG TECK ONN	29,374,710	–	–	29,374,710
PIONG TECK YEN	29,374,710	–	–	29,374,710
PIONG TECK THEY	29,374,710	–	–	29,374,710
<i>DEEMED INDIRECT INTEREST</i>				
CHIN SWEE CHANG	29,374,710	–	–	29,374,710

HOLDING COMPANY

PIONG NAM KIM HOLDINGS SDN. BHD.

DIRECT INTERESTS

PIONG NAM KIM @ PIONG PAK KIM	11,375	–	–	11,375
PIONG TECK MIN	10,000	–	–	10,000
PIONG TECK ONN	51,000	–	–	51,000
PIONG TECK YEN	10,000	–	–	10,000
PIONG TECK THEY	6,250	–	–	6,250

DEEMED INTEREST

CHIN SWEE CHANG	51,000	–	–	51,000
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By virtue of their interests in the holding company, Piong Nam Kim @ Piong Pak Kim, Piong Teck Min, Piong Teck Onn, Piong Teck Yen, Piong Teck They and Chin Swee Chang are deemed to have interests in shares in the Company and its subsidiary to the extent of the holding company's interest in accordance with Section 6A of the Companies Act, 1965.

None of the other directors holding office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) 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 except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 33 to the financial statements.

Neither during nor at the end of the financial year was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the options granted to directors pursuant to the Employees' Share Option Scheme.

Directors' Report (cont'd)

SUBSEQUENT EVENT

The Employees' Share Option Scheme ("ESOS") was approved by the Securities Commission on 22 April 2003 and the shareholders at an Extraordinary General Meeting held on 10 July 2003.

The principal features of the ESOS are as follows:-

- a. The maximum number of new ordinary shares of RM0.50 each to be offered shall not exceed 20% of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS. As at the date of this report, the maximum number of such shares amounts to 11,248,371.
- b. Eligible directors or employees of the Group are directors or employees of the Group who have been confirmed in the service of the Group prior to the offer or, if the employee is employed under contract basis, the contract should be for a duration of at least one (1) year.
- c. No option shall be granted for less than 100 ordinary shares or more than 2,812,075 ordinary shares to any individual eligible employee.
- d. The option price may be subjected to a discount of not more than 10% of the average of the mean market quotation of the shares as shown in the daily official list issued by the Kuala Lumpur Stock Exchange for the five trading days immediately preceding the offer date, or at par value of the shares of the Company, whichever is the higher.
- e. An Option is personal to the Grantee. Save and except as provided in Clause 20.1 of the Bye-Laws, an Option shall be non-assignable and non-transferable.
- f. The ESOS shall be in force for a period of 10 years from the offer date.
- g. The ESOS expires on 24 July 2013.

The options granted, representing approximately 10.67% of the existing issued and paid-up shares of the Company, may be exercised in the following manner:-

Exercise Period	Exercise Price RM	Number of Share Options	%
After 24.07.2004	1.27	1,200,600	20
After 24.07.2006	1.27	2,401,200	40
After 24.07.2009	1.27	2,401,200	40
		<hr/>	<hr/>
		6,003,000	100

Options exercisable in a particular year but not exercised can be carried forward to the subsequent years subject to the time limit of the ESOS.

Directors' Report (cont'd)

SUBSEQUENT EVENT (CONT'D)

The following directors have been granted share options pursuant to the ESOS:-

NAME OF OPTION HOLDERS	NUMBER OF SHARE OPTIONS
Piong Nam Kim @ Piong Pak Kim	1,000,000
Piong Teck Onn	1,000,000
Piong Teck Yen	1,000,000
Chin Swee Chang	1,000,000
	<hr/>
	4,000,000
	<hr/>

AUDITORS

The auditors, Messrs. Horwath Mok & Poon, are retiring at the forthcoming annual general meeting. A shareholder has given notice to the Company of the nomination of Horwath as auditors of the Company in place of the retiring auditors and of the intention to propose the appointment of the new auditors, Horwath, at the forthcoming annual general meeting.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 22 OCTOBER 2003

Y. Bhg. Tan Sri Datuk Dr. Omar Bin Abdul Rahman

Piong Nam Kim @ Piong Pak Kim

Melaka
22 October 2003

Statement by Directors

We, Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman and Piong Nam Kim @ Piong Pak Kim, being two of the directors of Kotra Industries Berhad, state that, in the opinion of the directors, the financial statements set out on pages 28 to 51 are drawn up in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 30 June 2003 and of their results and cash flows for the financial year ended on that date.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 22 OCTOBER 2003

Y. Bhg. Tan Sri Datuk Dr. Omar Bin Abdul Rahman

Piong Nam Kim @ Piong Pak Kim

Statutory Declaration

I, Ng Shok Ping, I/C No. 640202-04-5668, being the officer primarily responsible for the financial management of Kotra Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 28 to 51 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)
by Ng Shok Ping,)
I/C No. 640202-04-5668,)
in the state of Melaka on this)
22 October 2003) **Ng Shok Ping**

Before me

Tan Siong Ou PJK (M 010)
Commissioner for Oaths

Melaka, Malaysia

Report of the Auditors

to the members of Kotra Industries Berhad (497632-P)

We have audited the financial statements set out on pages 28 to 51. The preparation of the financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors, as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
 - (i) the state of affairs of the Group and of the Company at 30 June 2003 and their results and cash flows for the financial year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiary of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

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

Our audit report on the financial statements of the subsidiary was not subject to any qualification and did not include any comment made under Subsection (3) of Section 174 of the Companies Act, 1965.

Horwath Mok & Poon
Firm No. : AF 0995
Chartered Accountants

Kuala Lumpur
22 October 2003

Poon Yew Hoe
Approval No : 956/04/04 (J)
Partner

Balance Sheets

at 30 June 2003

	NOTE	THE GROUP		THE COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
ASSETS					
Investment in a subsidiary	7	–	–	23,020,926	23,020,926
Property, plant and equipment	8	23,129,646	23,042,673	–	–
Development expenditure	9	765,097	646,212	–	–
		<u>23,894,743</u>	<u>23,688,885</u>	<u>23,020,926</u>	<u>23,020,926</u>
CURRENT ASSETS					
Inventories	10	11,118,059	9,226,607	–	–
Trade receivables	11	14,869,140	13,062,271	–	–
Other receivables, deposits and prepayments	12	1,434,669	440,607	88,444	47,722
Amount owing by subsidiary	13	–	–	11,448,894	10,699,972
Fixed deposits with licensed banks	14	1,243,013	2,359,208	–	–
Cash and bank balances		690,972	424,195	44,239	25,232
		<u>29,355,853</u>	<u>25,512,888</u>	<u>11,581,577</u>	<u>10,772,926</u>
LESS: CURRENT LIABILITIES					
Trade payables	15	5,200,978	2,482,774	–	–
Other payables and accruals	16	2,980,293	1,818,888	44,191	18,187
Amount owing to a director	17	–	7,336	–	–
Bank overdraft	18	106,784	163,137	–	–
		<u>8,288,055</u>	<u>4,472,135</u>	<u>44,191</u>	<u>18,187</u>
NET CURRENT ASSETS		<u>21,067,798</u>	<u>21,040,753</u>	<u>11,537,386</u>	<u>10,754,739</u>
		<u>44,962,541</u>	<u>44,729,638</u>	<u>34,558,312</u>	<u>33,775,665</u>
FINANCED BY:-					
Share capital	19	28,120,928	28,120,928	28,120,928	28,120,928
Share premium reserve (Non-distributable)	20	2,804,631	2,804,631	2,804,631	2,804,631
Retained profits	21	11,969,628	11,191,725	2,620,399	1,837,752
Dividend proposed		1,012,354	1,012,354	1,012,354	1,012,354
SHAREHOLDERS' EQUITY		<u>43,907,541</u>	<u>43,129,638</u>	<u>34,558,312</u>	<u>33,775,665</u>
DEFERRED LIABILITY					
Deferred taxation	22	1,055,000	1,600,000	–	–
		<u>44,962,541</u>	<u>44,729,638</u>	<u>34,558,312</u>	<u>33,775,665</u>
Net tangible assets per share	23	<u>76.7 sen</u>	<u>75.5 sen</u>		

The annexed notes form an integral part of these financial statements.

Income Statements

For The Financial Year Ended 30 June 2003

	NOTE	THE GROUP		THE COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
REVENUE	24	38,764,864	31,853,343	4,224,400	4,198,748
COST OF SALES		(21,379,331)	(14,501,911)	–	–
GROSS PROFIT		17,385,533	17,351,432	4,224,400	4,198,748
OTHER OPERATING INCOME		345,385	296,877	–	–
		17,730,918	17,648,309	4,224,400	4,198,748
SELLING AND DISTRIBUTION EXPENSES		(12,445,519)	(8,437,713)	–	–
ADMINISTRATIVE EXPENSES		(2,328,829)	(1,733,822)	(429,084)	(308,484)
OTHER OPERATING EXPENSES		(295,472)	(342,362)	–	–
PROFIT FROM OPERATIONS		2,661,098	7,134,412	3,795,316	3,890,264
FINANCE COSTS		(45,321)	(36,280)	(268)	(430)
PROFIT BEFORE TAXATION	25	2,615,777	7,098,132	3,795,048	3,889,834
TAXATION	26	580,527	(752,457)	(594,000)	(594,457)
NET PROFIT AFTER TAXATION		3,196,304	6,345,675	3,201,048	3,295,377
Earnings per share – basic	27	5.7 sen	11.3 sen		
– diluted	27	Not applicable	Not applicable		
Dividends per share – interim	28	2.5 sen	2.5 sen		
– final	28	2.5 sen	2.5 sen		

The annexed notes form an integral part of these financial statements.

Statements of Changes in Equity

For The Financial Year Ended 30 June 2003

THE GROUP	NOTE	SHARE CAPITAL RM	SHARE PREMIUM RM	RETAINED PROFITS RM	DIVIDEND PROPOSED RM	TOTAL RM
Balance at 1.7.2001		28,120,928	2,804,631	7,264,451	1,012,354	39,202,364
Profit after taxation for the financial year		–	–	6,345,675	–	6,345,675
Dividends						
– paid	28	–	–	(1,406,047)	(1,012,354)	(2,418,401)
– proposed	28	–	–	(1,012,354)	1,012,354	–
Balance at 30.6.2002/1.7.2002		28,120,928	2,804,631	11,191,725	1,012,354	43,129,638
Profit after taxation for the financial year		–	–	3,196,304	–	3,196,304
Dividends						
– paid	28	–	–	(1,406,047)	(1,012,354)	(2,418,401)
– proposed	28	–	–	(1,012,354)	1,012,354	–
Balance at 30.6.2003		28,120,928	2,804,631	11,969,628	1,012,354	43,907,541

The retained profits of the Group are attributable to:-

	2003 RM	2002 RM
The Company	2,620,399	1,837,752
Subsidiary	9,349,229	9,353,973
	<u>11,969,628</u>	<u>11,191,725</u>

THE COMPANY	NOTE	SHARE CAPITAL RM	SHARE PREMIUM RM	RETAINED PROFITS RM	DIVIDEND PROPOSED RM	TOTAL RM
Balance at 1.7.2001		28,120,928	2,804,631	960,776	1,012,354	32,898,689
Profit after taxation for the financial year		–	–	3,295,377	–	3,295,377
Dividends						
– paid	28	–	–	(1,406,047)	(1,012,354)	(2,418,401)
– proposed	28	–	–	(1,012,354)	1,012,354	–
Balance at 30.6.2002/1.7.2002		28,120,928	2,804,631	1,837,752	1,012,354	33,775,665
Profit after taxation for the financial year		–	–	3,201,048	–	3,201,048
Dividends						
– paid	28	–	–	(1,406,047)	(1,012,354)	(2,418,401)
– proposed	28	–	–	(1,012,354)	1,012,354	–
Balance at 30.6.2003		28,120,928	2,804,631	2,620,399	1,012,354	34,558,312

The annexed notes form an integral part of these financial statements.

Cash Flow Statements

For The Financial Year Ended 30 June 2003

NOTE	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	2,615,777	7,098,132	3,795,048	3,889,834
Adjustments for:-				
Allowance for doubtful debts	70,956	202,244	-	-
Bad debts written off	27,254	499	-	-
Depreciation of property, plant and equipment	1,751,449	1,353,771	-	-
Development expenditure				
– amortisation	54,454	48,491	-	-
– written off	-	32,628	-	-
Interest expense	1,234	1,589	-	-
Unrealised loss on foreign exchange				
– trade	75,597	24,086	-	-
Gain on disposal of plant and equipment	(63,784)	(4,866)	-	-
Interest income	(66,705)	(106,914)	-	-
Reversal of allowance for doubtful debts no longer required	(25,489)	-	-	-
Rental income	(148,700)	(145,200)	-	-
Operating profit before working capital changes	4,292,043	8,504,460	3,795,048	3,889,834
Increase in inventories	(1,891,452)	(2,513,399)	-	-
Increase in trade and other receivables	(1,963,728)	(2,022,113)	-	(1,000)
Increase/(Decrease) in trade and other payables	4,333,800	(904,098)	26,004	(10,862)
CASH FROM OPERATIONS	4,770,663	3,064,850	3,821,052	3,877,972
Interest paid	(1,234)	(1,589)	-	-
Tax paid	(949,994)	(1,220,464)	(634,722)	(655,179)
NET CASH FROM OPERATING ACTIVITIES CARRIED FORWARD	3,819,435	1,842,797	3,186,330	3,222,793

The annexed notes form an integral part of these financial statements.

Cash Flow Statements

For The Financial Year Ended 30 June 2003 (cont'd)

	NOTE	THE GROUP		THE COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
NET CASH FROM OPERATING ACTIVITIES BROUGHT FORWARD		3,819,435	1,842,797	3,186,330	3,222,793
CASH FLOWS FOR INVESTING ACTIVITIES					
Interest received		66,705	106,914	–	–
Development expenditure paid		(173,339)	(340,590)	–	–
Proceeds from disposal of plant and equipment	29	30,000	5,000	–	–
Purchase of property, plant and equipment		(2,258,829)	(1,855,054)	–	–
Rental received		148,700	145,200	–	–
NET CASH FOR INVESTING ACTIVITIES		(2,186,763)	(1,938,530)	–	–
CASH FLOWS FOR FINANCING ACTIVITIES					
Dividends paid		(2,418,401)	(2,418,401)	(2,418,401)	(2,418,401)
Repayment to the director		(7,336)	–	–	–
Net advances to subsidiary		–	–	(748,922)	(1,281,400)
NET CASH FOR FINANCING ACTIVITIES		(2,425,737)	(2,418,401)	(3,167,323)	(3,699,801)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(793,065)	(2,514,134)	19,007	(477,008)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		2,620,266	5,134,400	25,232	502,240
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	30	1,827,201	2,620,266	44,239	25,232

The annexed notes form an integral part of these financial statements.

Notes to the Financial Statements

For The Financial Year Ended 30 June 2003

1. GENERAL INFORMATION

The Company is incorporated as a public company limited by shares under the Malaysian Companies Act, 1965. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:-

Registered office : 535A, Jalan Merdeka
Melaka Raya, 75000 Melaka.

Principal place of business : No. 1, Jalan TTC 12
Cheng Industrial Estate
75250 Melaka.

2. PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and the provision of management services. The principal activity of the subsidiary is disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. HOLDING COMPANY

The holding company is Piong Nam Kim Holdings Sdn. Bhd., a company incorporated in Malaysia.

4. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its foreign currency, interest rate, market, credit, liquidity and cash flow risks. The Group operates within clearly defined guidelines that are established by the Audit Committee and approved by the Board.

(a) Foreign Currency Risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the Malaysian Ringgit. The currencies giving rise to this risk are disclosed in Notes 11 and 15 to the financial statements.

In respect of other monetary assets and liabilities held in foreign currencies, the Group carries out reviews periodically to ensure that the net exposure is kept at an acceptable level.

(b) Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and deposits, and is managed through the use of a mix of fixed and floating rate debts.

Investments in financial assets are short term in nature and are mostly placed as short term deposits with licensed financial institutions.

(c) Market Risk

The Group has exposure to market risks arising from fluctuations in the prices of key raw materials used in the operations. It manages these risks by putting in place appropriate policies.

Notes to the Financial Statements

For The Financial Year Ended 30 June 2003 (cont'd)

4. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(d) Credit Risk

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised by monitoring receivables regularly and by mostly trading with reputable and creditworthy customers.

The carrying amounts of cash and cash equivalents, trade receivables and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instrument, except for approximately 9% of the Group's debts which is due from certain overseas customers.

(e) Liquidity and Cash Flow Risks

The Group manages its liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet estimated commitments arising from operational expenditure and financial liabilities. The Group also has an effective control of cash management to ensure that the Group can pay its targeted dividends to shareholders at an appropriate time.

5. BASIS OF ACCOUNTING

The financial statements of the Group and of the Company have been prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

6. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies are adopted by the Group and the Company, and are consistent with those adopted in the previous financial years except for the adoption of the accounting treatment, presentation and disclosure requirements of the following Malaysian Accounting Standards Board (MASB) Standards:

MASB Standard 22 – Segmental Reporting
MASB Standard 23 – Impairment of Assets
MASB Standard 24 – Financial Instruments
MASB Standard 25 – Income Tax

The disclosures arising from the adoption of the above MASB Standards are disclosed in Note 38 (MASB Standard 22), Notes 11 and 15 (MASB Standard 24) and Notes 22 and 26 (MASB Standard 25).

(a) Financial Instruments

Financial instruments are recognised in the balance sheet when the Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expenses or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Notes to the Financial Statements

For The Financial Year Ended 30 June 2003 (cont'd)

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Financial Instruments (cont'd)

Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary made up to 30 June 2003.

A subsidiary is defined as an enterprise in which the Group has the power, directly or indirectly, to exercise control over the financial and operating policies so as to obtain benefits from its activities.

The merger method is used for consolidation of the results of the subsidiary acquired as the acquisition was by way of issue of shares which satisfies the requirements of Malaysian Accounting Standard No. 2. The resulting merger deficit arising from the difference between the acquisition cost and the normal value of share capital of the subsidiary is set off against the retained profits.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of the subsidiary to ensure consistency of accounting policies with those of the Group.

(c) Property, Plant and Equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and amortisation. Freehold land is stated at cost and is not depreciated.

Depreciation is calculated on the straight-line method to write off the cost of the assets over their estimated useful lives. The principal annual rates used for this purpose are:

	Previous Financial Years	For the Current Financial Year And Subsequent Financial Years
Long term leasehold land	Over the lease period of 99 years	Over the lease period of 99 years
Industrial buildings and installations	2% – 10%	2% – 10%
Machinery and equipment	10%	10%
Motor vehicles	10%	10%
Office equipment	10%	10%
Computer equipment	10%	20%
Furniture and fittings	10%	10%

During the financial year, the Group changed its depreciation rate for computer equipment. The new rate was applied retrospectively and any differences in the accumulated depreciation brought forward were included in the current year's depreciation. The change had the effect of decreasing the Group's profit before taxation for the current financial year by approximately RM224,149 of which RM184,000 relates to the financial year 2002 and earlier.

Notes to the Financial Statements

For The Financial Year Ended 30 June 2003 (cont'd)

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Impairment of Assets

The carrying values of assets, other than those which MASB Standard 23 Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

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

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(e) Research and Development Expenditure

Research expenditure is recognised as an expense when incurred. Costs incurred on developing new pharmaceutical products are recognised as development expenditure to the extent that such expenditure is expected to generate future economic benefits. Other development expenditure is recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development costs that have been capitalised are amortised from the commencement of the commercial production of the product to which they relate on a straight-line basis over the period of their expected benefit, but not exceeding 5 years. Where the future benefit is uncertain or cannot be reasonably assured, the cost is written off immediately to the income statement.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and includes the cost of materials and incidentals incurred in bringing the inventories to their present location and condition. For finished goods and work-in-progress, cost includes direct labour and an appropriate proportion of production overheads.

In arriving at net realisable value, due allowance is made for all obsolete, damaged and slow-moving items.

During the year, the Group adopted a new technique of measuring the cost of production of finished goods as the directors are of the opinion that the previous technique resulted in certain production inefficiencies being incorporated into the cost of finished goods which could be inaccurate for management decision making purposes. The adoption of the new technique had the effect of decreasing the Group's profit after tax for the current financial year by RM614,972 of which RM560,906 relates to the financial year 2002 and earlier.

(g) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

Notes to the Financial Statements

For The Financial Year Ended 30 June 2003 (cont'd)

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(i) Taxation

Taxation for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the balance sheet date.

Previously, deferred taxation was provided using the liability method on all material timing differences except where no liability was expected to arise in the foreseeable future. Deferred tax benefit was only recognised when there was reasonable expectation of realisation in the foreseeable future.

During the financial year, the accounting policy for deferred taxation has been changed to comply with MASB Standard 25 Income Taxes. Deferred tax is now provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The adoption of this new accounting standard has no significant effect on the Group's financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

(j) Equity Instruments

Ordinary shares are classified as equity. Dividend proposed on ordinary shares is recognised in equity in the period in which they are declared. Dividend proposed is recognised as a liability upon approval from the shareholders.

(k) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Financial Statements

For The Financial Year Ended 30 June 2003 (cont'd)

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Foreign Currencies

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

(m) Revenue Recognition

(i) Sales of Goods

Sales are recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

(ii) Dividend Income

Dividend income from investments is recognised when the right to receive dividend payment is established.

(iii) Interest income

Interest income is recognised on an accrual basis.

(iv) Management fee

Management fee is recognised on an accrual basis.

(v) Rental income

Rental income is recognised on an accrual basis.

(n) Segmental Information

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of property, plant and equipment (net of accumulated depreciation, where applicable), other investments, inventories, receivables, and cash and bank balances.

Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

7. INVESTMENT IN A SUBSIDIARY

	THE COMPANY	
	2003 RM	2002 RM
Unquoted shares, at cost	23,020,926	23,020,926

Notes to the Financial Statements

For The Financial Year Ended 30 June 2003 (cont'd)

7. INVESTMENT IN A SUBSIDIARY (CONT'D)

NAME OF COMPANY	PLACE OF INCORPORATION	ORDINARY PAID-UP CAPITAL RM	EFFECTIVE EQUITY INTEREST		PRINCIPAL ACTIVITY
			2003 %	2002 %	
Kotra Pharma (M) Sdn. Bhd.	Malaysia	2,222,222	100	100	Manufacturing and trading of pharmaceutical and healthcare products.

8. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	NET BOOK VALUE AS AT			RECLASSIFICATION RM	DEPRECIATION CHARGE RM	NET BOOK VALUE AS AT
	1 JULY 2002 RM	ADDITIONS RM	DISPOSALS RM			30 JUNE 2003 RM
Freehold land	809,984	-	-	-	-	809,984
Long term leasehold land	1,871,065	-	-	(1,500)	(20,328)	1,849,237
Industrial buildings and installations	12,952,418	102,718	(264,349)	1,500	(306,908)	12,485,379
Machinery and equipment	6,080,899	1,862,829	(132,853)	-	(950,342)	6,860,533
Motor vehicles	584,996	143,946	(23,205)	-	(126,183)	579,554
Office equipment	116,069	72,048	-	-	(29,696)	158,421
Computer equipment	442,807	51,662	-	-	(289,177)	205,292
Furniture and fittings	184,435	25,626	-	-	(28,815)	181,246
Total	23,042,673	2,258,829	(420,407)	-	(1,751,449)	23,129,646

THE GROUP

AT 30 JUNE 2003	AT COST RM	ACCUMULATED DEPRECIATION RM	NET BOOK VALUE RM
Freehold land	809,984	-	809,984
Long term leasehold land	2,012,812	(163,575)	1,849,237
Industrial buildings and installations	14,105,928	(1,620,549)	12,485,379
Machinery and equipment	10,646,690	(3,786,157)	6,860,533
Motor vehicles	1,386,796	(807,242)	579,554
Office equipment	436,654	(278,233)	158,421
Computer equipment	684,059	(478,767)	205,292
Furniture and fittings	509,755	(328,509)	181,246
Total	30,592,678	(7,463,032)	23,129,646

Notes to the Financial Statements

For The Financial Year Ended 30 June 2003 (cont'd)

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

AT 30 JUNE 2002	AT COST RM	ACCUMULATED DEPRECIATION RM	NET BOOK VALUE RM
Freehold land	809,984	–	809,984
Long term leasehold land	2,012,812	(141,747)	1,871,065
Industrial buildings and installations	14,285,932	(1,333,514)	12,952,418
Machinery and equipment	8,955,330	(2,874,431)	6,080,899
Motor vehicles	1,428,400	(843,404)	584,996
Office equipment	364,606	(248,537)	116,069
Computer equipment	632,397	(189,590)	442,807
Furniture and fittings	484,129	(299,694)	184,435
Total	28,973,590	(5,930,917)	23,042,673

Included in property, plant and equipment are the following fully depreciated plant and equipment which are still in use:-

	2003 RM	2002 RM
At Cost:-		
Machinery and equipment	566,146	452,848
Motor vehicles	168,030	39,700
Office equipment	93,503	81,290
Furniture and fittings	194,258	154,107
	<u>1,021,937</u>	<u>727,945</u>

9. DEVELOPMENT EXPENDITURE

	THE GROUP	
	2003 RM	2002 RM
Cost	876,758	703,419
Accumulated amortisation	(111,661)	(57,207)
	<u>765,097</u>	<u>646,212</u>
Balance at 1 July	646,212	386,741
Additional development expenditure capitalised	173,339	340,590
Development expenditure written off	–	(32,628)
Amortisation charge for the year	(54,454)	(48,491)
Balance at 30 June	<u>765,097</u>	<u>646,212</u>

Notes to the Financial Statements

For The Financial Year Ended 30 June 2003 (cont'd)

10. INVENTORIES

	THE GROUP	
	2003 RM	2002 RM
At Cost:-		
Raw materials	5,531,707	4,236,125
Work-in-progress	1,163,344	707,702
Finished goods	4,423,008	4,282,780
	<u>11,118,059</u>	<u>9,226,607</u>

None of the inventories are carried at net realisable value.

11. TRADE RECEIVABLES

	THE GROUP	
	2003 RM	2002 RM
Trade receivables	15,006,338	13,264,515
Allowance for doubtful debts		
Balance at 1 July 2002/2001	(202,244)	(56,286)
Allowance for the financial year	(70,956)	(202,244)
Written off	110,513	56,286
Reversal of allowance no longer required	25,489	–
Balance at 30 June	<u>(137,198)</u>	<u>(202,244)</u>
	<u>14,869,140</u>	<u>13,062,271</u>

Included in trade receivables of the Group is an amount of RM236,030 (2002 – RM137,882) owing by a related party. The nature of related party relationships and details of the transactions involved are disclosed in Note 33 to the financial statements.

The Group's normal trade credit terms range from 60 days to 120 days. Other credit terms are assessed and approved on a case-by-case basis.

The foreign currency exposure profile of trade receivables is as follows:-

	2003 RM	2002 RM
United States Dollar	3,092,194	3,579,832
Singapore Dollar	894,776	193,376
	<u>3,986,970</u>	<u>3,773,208</u>

Notes to the Financial Statements

For The Financial Year Ended 30 June 2003 (cont'd)

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Deposits	209,567	77,267	1,000	1,000
Other receivables	9,792	129,811	–	–
Prepayments	25,773	29,513	–	–
Tax recoverable	1,189,537	204,016	87,444	46,722
	<u>1,434,669</u>	<u>440,607</u>	<u>88,444</u>	<u>47,722</u>

Other receivables represent staff loans which are repayable within 2 years from the date of disbursement. Included in other receivables of the previous financial year was insurance claims amounting to approximately RM82,000 which has been received during the current financial year.

13. AMOUNT OWING BY SUBSIDIARY

The amount owing by the subsidiary is unsecured, interest-free and not subject to fixed terms of repayment.

14. FIXED DEPOSITS WITH LICENSED BANKS

The weighted average effective interest rate and weighted average maturity of deposits of the Group at the balance sheet date was 3.9% (2002 – 3.2%) per annum and 5.5 months (2002 – 2.0 months) respectively.

Included in fixed deposits of the Group in the previous financial year was RM400,000 pledged to a licensed bank for trade financing facilities extended to the subsidiary.

15. TRADE PAYABLES

Included in trade payables of the Group is an amount of RM22,436 (2002 – RM29,589) owing to a related party. The nature of related party relationships and details of the transactions involved are disclosed in Note 33 to the financial statements.

The normal trade credit terms granted to the Group range from 60 days to 90 days.

The foreign currency exposure profile of trade payables is as follows:-

	2003 RM	2002 RM
Euro	424,603	15,515
United States Dollar	236,231	25,368
Singapore Dollar	32,849	14,247
	<u>693,683</u>	<u>55,130</u>

Notes to the Financial Statements

For The Financial Year Ended 30 June 2003 (cont'd)

16. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Accrued expenses	641,590	31,760	6,000	6,000
Other payables	1,502,349	1,122,375	31,207	800
Payroll liabilities	836,354	664,753	6,984	11,387
	<u>2,980,293</u>	<u>1,818,888</u>	<u>44,191</u>	<u>18,187</u>

The normal credit terms granted to the Group by other payables range from 60 days to 90 days.

17. AMOUNT OWING TO A DIRECTOR

The amount owing to a director in the previous financial year was unsecured, interest-free and not subject to fixed terms of repayment.

18. BANK OVERDRAFT

The weighted average effective interest rate of the Group at the balance sheet date for borrowings which bear interest at floating rates was 8.0% (2002 – 8.4%) per annum. The bank overdraft is secured by a corporate guarantee extended by the Company in favour of the licensed bank.

19. SHARE CAPITAL

	THE COMPANY	
	2003 RM	2002 RM
Ordinary shares of RM0.50 each:-		
Authorised:	<u>50,000,000</u>	<u>50,000,000</u>
Issued and fully paid-up:	<u>28,120,928</u>	<u>28,120,928</u>

20. SHARE PREMIUM RESERVE (NON-DISTRIBUTABLE)

The share premium reserve arose from the issue of shares by way of private placement and public offer less listing expenses incurred.

21. RETAINED PROFITS

Subject to agreement with the tax authorities, at the balance sheet date, the Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax-exempt income account to enable the payment of dividends out of its entire retained profits without incurring any additional tax liabilities.

Notes to the Financial Statements

For The Financial Year Ended 30 June 2003 (cont'd)

22. DEFERRED TAXATION

	THE GROUP	
	2003 RM	2002 RM
Balance at 1 July 2002/2001	1,600,000	1,400,000
Transfer (to)/from income statement (Note 26)	(545,000)	200,000
Balance at 30 June	<u>1,055,000</u>	<u>1,600,000</u>
The deferred taxation arises as a result of:		
Deferred tax liabilities		
An excess of carrying value over tax base	1,628,000	1,443,000
Development expenditure capitalised	214,000	181,000
Gross deferred tax liabilities	<u>1,842,000</u>	<u>1,624,000</u>
Deferred tax assets		
Unutilised capital and industrial building allowances	(638,000)	–
Unrealised foreign exchange losses in respect of trade transactions	(21,000)	(9,000)
Other deferred tax assets	(128,000)	(15,000)
Gross deferred tax assets	<u>(787,000)</u>	<u>(24,000)</u>
Net deferred tax liability	<u>1,055,000</u>	<u>1,600,000</u>

The Directors are of the opinion that the deferred tax assets arising from unutilised capital and industrial building allowances will be utilised by future taxable profits in view of the Group's historical profit track record and the existence of a long term business plan.

As at the balance sheet date, the Group has potential deferred tax assets amounting to RM1,098,000 (2002 – Nil) relating to unutilised reinvestment allowances which have not been recognised as deferred tax assets due to paragraphs 23 and 36 of MASB Standard 25 which disallow such recognition.

23. NET TANGIBLE ASSETS PER SHARE

The net tangible assets per share of the Group is calculated based on the net tangible assets value of RM43,142,444 (2002 – RM42,483,426) attributable to ordinary shares divided by the number of ordinary shares in issue at the balance sheet date of 56,241,856 (2002 – 56,241,856) shares of RM0.50 each.

24. REVENUE

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Sales of goods	38,764,864	31,853,343	–	–
Dividend income	–	–	4,000,000	4,000,000
Interest income	–	–	–	4,348
Management fees	–	–	224,400	194,400
	<u>38,764,864</u>	<u>31,853,343</u>	<u>4,224,400</u>	<u>4,198,748</u>

Notes to the Financial Statements

For The Financial Year Ended 30 June 2003 (cont'd)

25. PROFIT BEFORE TAXATION

	NOTE	THE GROUP		THE COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
Profit before taxation is arrived at after charging/(crediting):-					
Allowance for doubtful debts		70,956	202,244	–	–
Audit fee		32,000	28,000	6,000	6,000
Bad debts written off		27,254	499	–	–
Depreciation of property, plant and equipment		1,751,449	1,353,771	–	–
Development expenditure					
– amortisation charge		54,454	48,491	–	–
– written off		–	32,628	–	–
Directors' remuneration	31	992,286	793,596	122,700	79,300
Interest expense		1,234	1,589	–	–
Loss/(Gain) on foreign exchange					
– realised		105,684	71,142	–	–
– unrealised		75,597	24,086	–	–
Rental expenses		69,627	61,000	–	–
Staff costs		5,899,624	4,806,413	127,315	109,634
Doubtful debts recovered		(25,489)	–	–	–
Gain on disposal of plant and equipment		(63,784)	(4,866)	–	–
Gross dividend income from subsidiary		–	–	(4,000,000)	(4,000,000)
Interest income		(66,705)	(106,914)	–	(4,348)
Management fee received from subsidiary		–	–	(224,400)	(194,400)
Rental income		(148,700)	(145,200)	–	–

26. TAXATION

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Malaysian Income Tax:-				
– Current year	1,556	611,000	594,000	603,000
– Overprovision of prior years	(37,083)	(58,543)	–	(8,543)
	(35,527)	552,457	594,000	594,457
Deferred tax expenses (Note 22)	(545,000)	200,000	–	–
	(580,527)	752,457	594,000	594,457

Notes to the Financial Statements

For The Financial Year Ended 30 June 2003 (cont'd)

26. TAXATION (CONT'D)

A reconciliation of the statutory tax rate to the Group's effective tax rate applicable to profit before taxation is as follows:-

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Profit before taxation for the year	2,615,777	7,098,132	3,795,048	3,889,834
Malaysian taxation at statutory rate of 28%	732,000	1,987,000	1,062,600	1,089,100
Tax effect of expenses that are not deductible in determining taxable profit:-				
Amortisation of leasehold land and building	5,700	5,000	-	-
Depreciation on non-qualifying assets	38,000	38,000	-	-
Expenses disallowed for tax purposes	49,700	21,000	29,200	11,700
Double taxation relief	(1,350,200)	(1,033,000)	-	-
Reinvestment allowance	-	(238,000)	-	-
Overprovision in prior years	(37,083)	(58,543)	-	(8,543)
Tax exempt dividend	-	-	(497,800)	(497,800)
Others	(18,644)	31,000	-	-
Current financial year's taxation charge	(580,527)	752,457	594,000	594,457

27. EARNINGS PER SHARE

The basic earnings per share for the financial year is arrived at by dividing the Group's profit after taxation of RM3,196,304 (2002 - RM6,345,675) by the number of ordinary shares of RM0.50 each in issue during the financial year of 56,241,856 (2002 - 56,241,856).

28. DIVIDENDS

	THE COMPANY	
	2003 RM	2002 RM
Interim		
- interim tax-exempt dividend of 2.5 sen per ordinary share	1,406,047	1,406,047
Proposed		
- final dividend of 2.5 sen per ordinary share less 28% tax	1,012,354	1,012,354
	<u>2,418,401</u>	<u>2,418,401</u>

Notes to the Financial Statements

For The Financial Year Ended 30 June 2003 (cont'd)

29. PROCEEDS FROM DISPOSAL OF PLANT AND EQUIPMENT

	THE GROUP	
	2003 RM	2002 RM
Gross proceeds from disposal of plant and equipment	484,191	5,000
Amount set off against other payables	(454,191)	–
	<u>30,000</u>	<u>5,000</u>

30. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statements, cash and cash equivalents comprise the followings:-

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Fixed deposits with licensed banks	1,243,013	2,359,208	–	–
Cash and bank balances	690,972	424,195	44,239	25,232
Bank overdraft (secured)	(106,784)	(163,137)	–	–
	<u>1,827,201</u>	<u>2,620,266</u>	<u>44,239</u>	<u>25,232</u>

Cash and cash equivalents as at the balance sheet date of the previous financial year included fixed deposits with a licensed bank of RM400,000 which have been pledged to the licensed bank as detailed in Note 14 to the financial statements.

31. DIRECTORS' REMUNERATION

The aggregate amount of emoluments received and receivable by directors of the Group and of the Company during the financial year are as follows:-

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Non-executive directors				
– fees	117,000	74,000	117,000	74,000
– estimated money value of benefits-in-kind	5,700	5,300	5,700	5,300
Executive directors				
– basic salaries, bonus, allowances and retirement benefit contribution	857,956	703,840	–	–
– estimated money value of benefits-in-kind	11,630	10,456	–	–
	<u>992,286</u>	<u>793,596</u>	<u>122,700</u>	<u>79,300</u>

Notes to the Financial Statements

For The Financial Year Ended 30 June 2003 (cont'd)

31. DIRECTORS' REMUNERATION (CONT'D)

The details of emoluments for the directors of the Group and of the Company received/receivable for the financial year by category and in bands of RM50,000 are as follows:-

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
Non-executive directors				
Below RM50,000	5	5	5	5
Executive directors				
RM100,000 – RM150,000	–	2	–	–
RM150,000 – RM200,000	3	1	–	–
RM250,000 – RM300,000	–	1	–	–
RM350,000 – RM400,000	1	–	–	–

32. RELATED COMPANY TRANSACTION

	THE COMPANY	
	2003 RM	2002 RM
Management fee received from subsidiary	224,400	194,400

33. RELATED PARTY TRANSACTIONS/BALANCES

Significant related party transactions are as follows:-

Name of related party	Nature of transaction	THE GROUP	
		2003 RM	2002 RM
Kwong Onn Tong Sdn. Bhd. (a)	Sales of goods	440,716	641,904
	Rental of premises	13,200	13,200
Thames Bioscience (M) Sdn. Bhd. (b)	Purchase of goods	136,920	207,074
	Rental of premises	14,400	14,400
Piong Nam Kim Holdings Sdn. Bhd. (c)	Dividends paid	1,263,113	1,468,736

(a) A company in which Piong Teck They, who is an alternate director of the Company, has a direct interest.

(b) A company in which Piong Nam Kim @ Piong Pak Kim and Piong Teck Onn, who are directors of the Company, have direct interests.

(c) The holding company in which Piong Nam Kim @ Piong Pak Kim, Piong Teck Min, Piong Teck Onn, Piong Teck Yen and Piong Teck They have direct interests.

In the opinion of the directors, the above transactions have been entered into in the ordinary course of business on terms established by arm's length negotiations between the parties.

Notes to the Financial Statements

For The Financial Year Ended 30 June 2003 (cont'd)

33. RELATED PARTY TRANSACTIONS/BALANCES (CONT'D)

The significant outstanding balances at the balance sheet date, arising from sales/purchases of goods during the financial year, are as follows:-

Name of related party	Nature of transaction	THE GROUP	
		2003 RM	2002 RM
Included in trade receivables (Note 11):- Kwong Onn Tong Sdn. Bhd.	Sales of goods	236,030	137,882
Included in trade payables (Note 15):- Thames Bioscience (M) Sdn. Bhd.	Purchase of goods	22,436	29,589

34. NUMBER OF EMPLOYEES

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
Number of employees (excluding directors) at the balance sheet date	298	272	2	3

35. CONTINGENT LIABILITIES

	THE COMPANY	
	2003 RM	2002 RM
Corporate guarantee given to licensed banks for credit facilities granted to the subsidiary	6,400,000	6,400,000

In the year 2000, a third party ("the plaintiff") initiated legal action against the subsidiary for alleged infringement of trade marks on two products sold by the subsidiary. As at the date of this report, the court has not completed its hearing on this litigation. Should the plaintiff succeed in this legal suit, the subsidiary is liable to court costs and legal fees of approximately RM300,000 and to pay the plaintiff for damages the quantum of which cannot be determined at the date of this report. The directors are of the opinion that the claims are without basis and hence no provision has been made for in the financial statements.

36. CURRENCY

All amounts are stated in Ringgit Malaysia.

Notes to the Financial Statements

For The Financial Year Ended 30 June 2003 (cont'd)

37. FOREIGN EXCHANGE RATES

The applicable closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of foreign currency balances at the balance sheet date are as follows:-

	THE GROUP	
	2003 RM	2002 RM
Euro	4.384	3.804
United States Dollar	3.825	3.825
Singapore Dollar	2.185	2.171

38. SEGMENTAL REPORTING

	THE GROUP	
	2003 RM	2002 RM
Sales revenue by geographical market:-		
Malaysia	30,162,377	26,036,007
Other ASEAN Countries	7,899,716	5,299,633
Others	702,771	517,703
	<u>38,764,864</u>	<u>31,853,343</u>

No other segmental information such as segment assets, liabilities and results is presented as the Group is principally engaged in a single pharmaceutical business and operates from Malaysia only.

39. COMPARATIVE FIGURES

The following comparative figures have been reclassified to ensure comparability with the current financial year's presentation:-

	THE GROUP	
	AS RESTATED 2002 RM	AS PREVIOUSLY REPORTED 2002 RM
Cash flow statement (extract):-		
Cash flows from operating activities:		
Rental income	(145,200)	-
Operating profit before working capital changes	8,504,460	7,258,235
Cash from operations	3,064,850	3,210,050
Development expenditure paid	-	(340,590)
Net cash from operating activities	1,842,797	1,647,407
Cash flows for investing activities:		
Development expenditure paid	(340,590)	-
Rental received	145,200	-
Net cash for investing activities	<u>(1,938,530)</u>	<u>(1,743,140)</u>

Notes to the Financial Statements

For The Financial Year Ended 30 June 2003 (cont'd)

40. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

- (i) Bank balances and other liquid funds and short-term receivables

The carrying amounts approximate the fair value due to the relatively short-term maturity of these instruments.

- (ii) Short-term borrowings and other current liabilities

The carrying amounts approximate the fair values because of the short period to maturity of these instruments.

There is no disclosure of fair value for investments in subsidiaries and associate, and borrowings under the basis of Islamic banking principles as these are excluded from MASB Standard 24 – Financial Instruments: Disclosure and Presentation.

List of Properties

Title/ Location	Description & Usage	Land area/ Existing Use	Tenure	Built-up area (sq. m.)	Approximate age of building	Net book value as at 30 June 2003 RM
H.S.(D) 35311 & H.S. (D) 35312. Lot Nos. PT 4239 & PT 4240, Mukim of Cheng, District of Melaka Tengah, Malacca.	Two joining plots of land with a single storey factory and two storey office block.	17,611 sq.m. / pharmaceutical manufacturing plant.	Leasehold expiring on 14/8/2096	5,120.04	6 years	13,314,326
	Warehouse and production area	Warehouse and production area		6,613.00	3 years	
GPP 7972 & GPP 5156, Lot Nos. 43 & 45, Town Area III(3), District of Melaka Tengah, Malacca	Two plots of land with a 2 ^{1/2} storey office building, a store and a warehouse	2,252.10 sq.m./office, warehouse	Freehold	1,539.31	Office & Store – 11 years Warehouse – 7 years	1,468,274
Geran 4612, Lot No. 42, Town Area III (3), District of Melaka Tengah, Malacca	Commercial site erected with a double storey shophouse cum storehouse	636.2 sq.m. / Double storey shophouse	Freehold	488.9	28 to 32 years	362,000
						15,144,600

Shareholding Statistics

as at 10 October 2003

Authorised Share Capital	:	RM50,000,000
Issued and Fully Paid-up Share Capital	:	RM28,120,928
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	1 vote per ordinary share

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shares held
Less than 100 shares	10	0.66	304	0.00
100 to 999 shares	171	11.24	52,200	0.09
1,000 to 4,999 shares	977	64.19	1,822,800	3.24
5,000 to 10,000 shares	211	13.86	1,493,400	2.66
10,001 to 100,000 shares	119	7.82	3,053,900	5.43
100,001 to 1,000,000 shares	30	1.97	12,266,906	21.81
Above 1,000,000 shares	4	0.26	37,552,346	66.77
Total	1,522	100.00	56,241,856	100.00

20 LARGEST SHAREHOLDERS (As per the Register of members)

No.	Shareholder	No. of Shares	%
1.	Piong Nam Kim Holdings Sdn. Bhd.	29,374,710	52.23
2.	Malaysian Technology Venture Two Sdn. Bhd.	3,651,782	6.49
3.	AMMB Nominees (Asing) Sdn. Bhd. – AMTrustee Berhad for Galleon Asset Ltd	2,784,274	4.95
4.	Malaysian Technology Development Corporation Sdn. Bhd.	1,741,580	3.10
5.	Chin Ai Mei	994,828	1.77
6.	HSBC Nominees (Tempatan) Sdn. Bhd. – HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust	974,800	1.73
7.	Yayasan Selangor	836,900	1.49
8.	Lembaga Tabung Amanah Warisan Negeri Terengganu	806,270	1.43
9.	Tan Lian See	700,000	1.24
10.	AMMB Nominees (Tempatan) Sdn. Bhd. – AMTrustee Berhad for Piong Nam Kim @ Piong Pak Kim	657,500	1.17
11.	AMMB Nominees (Tempatan) Sdn. Bhd. – AMTrustee Berhad for Yong Soon Moi	657,400	1.17
12.	AMMB Nominees (Tempatan) Sdn. Bhd. – AMTrustee Berhad for Lin Ah Lan	580,100	1.03
13.	AMMB Nominees (Tempatan) Sdn. Bhd. – AMTrustee Berhad for Piong Teck Min	580,100	1.03
14.	Ho Jonathan Lep Kee	550,000	0.98
15.	Piong Nam Kim @ Piong Pak Kim	538,542	0.96
16.	Platinum Essence Sdn. Bhd.	490,200	0.87
17.	Lin Ah Lan	395,800	0.70
18.	AMMB Nominees (Tempatan) Sdn. Bhd. – AMTrustee Berhad for Piong Teck They	367,400	0.65
19.	Lee Chow	350,000	0.63
20.	Piong Teck Wah	315,100	0.56
	Total	47,347,286	84.18

Shareholding Statistics

as at 10 October 2003 (cont'd)

SUBSTANTIAL SHAREHOLDERS

No.	Shareholder	No. of Shares Held			
		Direct	%	Indirect	%
1.	Piong Nam Kim Holdings Sdn. Bhd.	29,374,710	52.23	–	–
2.	Malaysian Technology Development Corporation Sdn. Bhd.*	1,921,580	3.42	3,651,782	6.49
3.	Yayasan Terengganu*	–	–	3,651,782	6.49
4.	Perbadanan Kemajuan Negeri Kedah*	–	–	3,651,782	6.49
5.	Malaysian Technology Venture Two Sdn. Bhd.	3,651,782	6.49	–	–
6.	Piong Nam Kim @ Piong Pak Kim**	1,196,042	2.13	29,374,710	52.23
7.	Piong Teck Onn**	–	–	29,374,710	52.23
8.	Piong Teck Min**	580,100	1.03	29,374,710	52.23
9.	Piong Teck They**	505,994	0.90	29,374,710	52.23
10.	Piong Teck Yen**	1,000	*	29,374,710	52.23
11.	Yong Soon Moi**	855,942	1.52	29,374,710	52.23
12.	Chin Swee Chang***	–	–	29,374,710	52.23

Notes:

* Less than 0.01%

* Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Malaysian Technology Venture Two Sdn. Bhd.

** Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Piong Nam Kim Holdings Sdn. Bhd.

*** Deemed interested by virtue of her husband's (Piong Teck Onn) interest in Piong Nam Kim Holdings Sdn. Bhd.

DIRECTORS' SHAREHOLDINGS (as per the register of directors' shareholdings)

No.	Directors	No. of Shares Held			
		Direct	%	Indirect	%
1.	Y.Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman	2,200	*	–	–
2.	Piong Nam Kim @ Piong Pak Kim*	1,196,042	2.13	29,374,710	52.23
3.	Piong Teck Onn*	–	–	29,374,710	52.23
4.	Piong Teck Min*	580,100	1.03	29,374,710	52.23
5.	Piong Teck They*	505,994	0.90	29,374,710	52.23
6.	Piong Teck Yen*	1,000	*	29,374,710	52.23
7.	Chin Swee Chang**	–	–	29,374,710	52.23
8.	Omar bin Md. Khir	299,700	0.53	–	–
9.	Azman bin Ahmad	114,000	0.20	–	–
10.	Koh Foo Ghe	–	–	–	–
11.	Tan Choo Jow	86,000	0.15	–	–

Notes:

* Less than 0.01%

* Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Piong Nam Kim Holdings Sdn. Bhd.

** Deemed interested by virtue of her husband's (Piong Teck Onn) interest in Piong Nam Kim Holdings Sdn. Bhd.

PIONG NAM KIM HOLDINGS SDN. BHD.

(442194-M)

(Incorporated in Malaysia)

No. 1, Jalan TTC 12

Cheng Industrial Estate

75250 Melaka

Tel : 06-3362222 Fax : 06-3366122

Date: 10 October 2003

The Board of Directors
KOTRA INDUSTRIES BERHAD
535A Jalan Merdeka
Melaka Raya
75000 Melaka

Dear Sirs

NOTICE OF NOMINATION OF MESSRS HORWATH AS AUDITORS

We hereby give notice, pursuant to Section 172(11) of the Companies Act, 1965 of our nomination of Messrs Horwath as Auditors of the Company in place of the retiring auditors and of our intention to propose the following resolution as an ordinary resolution at the forthcoming Fourth Annual General Meeting of the Company:

"THAT Messrs Horwath be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs Horwath Mok & Poon, and are to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

Yours faithfully
for **PIONG NAM KIM HOLDINGS SDN. BHD.**

PIONG TECK ONN
Director

Notice of Annual General Meeting

NOTICE IS HEREBY

GIVEN that the

Fourth Annual

General Meeting of

the Company will be

held at Bunga Melati

Room, Level 7,

Renaissance Melaka

Hotel, Jalan

Bendahara, 75100

Melaka on 2

December 2003 at

11.30 a.m. to transact

the following

business: -

AGENDA

ORDINARY BUSINESS

- 1) To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2003 together with the reports of the Directors and Auditors thereon.

RESOLUTION 1

- 2) To declare a final dividend of 5% per ordinary share, less income tax at 28%, in respect of the year ended 30 June 2003.

RESOLUTION 2

- 3) To approve the payment of Directors' fees amounting to RM 117,000 for the year ended 30 June 2003.

RESOLUTION 3

- 4) To pass the following resolution with or without modifications, as an Ordinary Resolution of the Company:-

"That, the vacancy created by Mr Koh Foo Ghe's retirement pursuant to Article 106 of the Company's Articles of Association and his not seeking re-election as Director of the Company, shall hereby not be filled pursuant to Article 108 of the Company's Articles of Association."

RESOLUTION 4

- 5) To re-elect Encik Omar bin Md. Khir, a Director who retires by rotation in accordance with Article 106 of the Company's Articles of Association and being eligible offers himself for re-election.

RESOLUTION 5

- 6) To consider and, if thought fit, to pass the following resolutions pursuant to Section 129 (6) of the Companies Act, 1965:-

i) "That Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman, a Director who retires in accordance with Section 129 (2) of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting."

RESOLUTION 6

ii) "That Piong Nam Kim @ Piong Pak Kim, a Director who retires in accordance with Section 129 (2) of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting."

RESOLUTION 7

- 7) To appoint Auditors and to authorise the Directors to fix their remuneration.

Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is attached and marked "Appendix A" had been received by the Company for the nomination of Messrs Horwath who have given their consent to act, for appointment as Auditors of the Company in place of the retiring Auditors, and of the intention to propose the following Ordinary Resolution:

"THAT Messrs Horwath be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs Horwath Mok & Poon, and are to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

RESOLUTION 8

SPECIAL BUSINESS

8) To consider and if thought fit, to pass the following Ordinary Resolution: -

Authority pursuant to Section 132D of the Companies Act, 1965 for the Directors to issue shares

"That pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue new shares in the Company at any time until the conclusion of the next Annual General Meeting upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being, subject always to the approval of all the relevant authorities being obtained for such allotment and issue."

RESOLUTION 9

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN that a Final Dividend of 5% per ordinary share, less income tax at 28% in respect of the year ended 30 June 2003 will be payable on 10 February 2004 to depositors who are registered in the Record of Depositors at the close of business on 18 December 2003, if approved by members at the Fourth Annual General Meeting on 2 December 2003. A Depositor shall qualify for entitlement only in respect of: -

- a) shares transferred into Depositor's Securities Account before 4.00 p.m. on 18 December, 2003 in respect of ordinary transfers; and
- b) shares bought on the MESDAQ Market on a cum entitlement basis according to the Listing of Requirements of the Kuala Lumpur Stock Exchange for the MESDAQ Market.

By order of the Board

OW PEE JUAN
(MAICSA 7013304)
Company Secretary

MAH LI CHEN
(MAICSA 7022751)
Company Secretary

MELAKA
Date : 7 November 2003

Note :

1. A member entitled to attend and vote at the general meeting is entitled to appoint a proxy/proxies who may but need not be a member of the Company to vote in his/her stead. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
2. Where a member appoints two proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 535A Jalan Merdeka, Melaka Raya, 75000 Melaka, not less than 48 hours before the time for holding the meeting or any adjournment thereof.

Explanatory Note to Ordinary Resolution No. 8 under Special Business:

5. The proposed Ordinary Resolution under Special Business, if passed, will give the Directors of the Company authority to issue shares of the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

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Proxy Form

KOTRA INDUSTRIES BERHAD
(Company No. 497632-P)
Incorporated in Malaysia

*I/We _____ NRIC No. _____
(Full Name in Capital Letters)

of _____
(Full Address in Capital Letters)

being a *member/members of Kotra Industries Berhad hereby appoint _____ NRIC No. _____
(Full Name in Capital Letters)

of _____
(Full Address in Capital Letters)

or failing him, the Chairman of the meeting as *my/our proxy to vote for *me/us on *my/our behalf, at the Fourth Annual General Meeting of the Company to be held at Bunga Melati Room, Level 7, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on 2 December 2003 at 11.30 a.m. for the following purposes.

The proportion of *my/our holding to be represented by *my/our proxies are as follows:
(The next paragraph must be completed if two proxies are appointed)

		No. of Shares Held
First Proxy _____ %	Second Proxy _____ %	

No.	Resolution	FOR	AGAINST
	ORDINARY BUSINESS		
1.	To receive and adopt the Audited Financial Statement for the financial year ended 30 June 2003 together with the reports of the Directors and Auditors thereon.		
2.	To declare a final dividend of 5% per ordinary share, less income tax at 28%, in respect of the year ended 30 June 2003.		
3.	To approve the payment of Directors' fees amounting to RM 117,000 for the year ended 30 June 2003.		
4.	To approve the vacancy created by Mr Koh Foo Ghe's retirement and his not seeking re-election as Director of the Company, shall not be filled pursuant to Article 108 of the Company's Articles of Association.		
5.	To re-elect Encik Omar bin Md. Khir, a Director who retires by rotation in accordance with Article 106 of the Company's Articles of Association and being eligible offers himself for re-election.		
6.	To re-appoint the following Directors who retire in accordance with Section 129 (6) of the Companies Act:- (i) Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman (ii) Piong Nam Kim @ Piong Pak Kim		
7.	To appoint Messrs Horwath in place of the retiring Auditors, Messrs Horwath Mok & Poon as auditors of the Company and to authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
8.	Authority pursuant to Section 132D of the Companies Act, 1965 for the Directors to issue shares		

Please indicate with an "X" how you wish to cast your vote.

Signed this _____ day of _____ 2003.

Signature/Common Seal of Shareholder(s)

Note :

1. A member entitled to attend and vote at the general meeting is entitled to appoint a proxy/proxies who may but need not be a member of the Company to vote in his/her stead. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
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**AFFIX
STAMP**

**KOTRA INDUSTRIES BERHAD
535A, Jalan Merdeka, Melaka Raya
75000 Melaka**

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