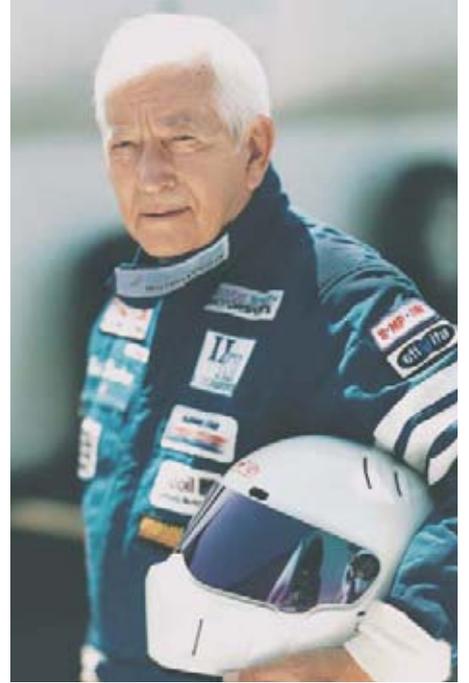


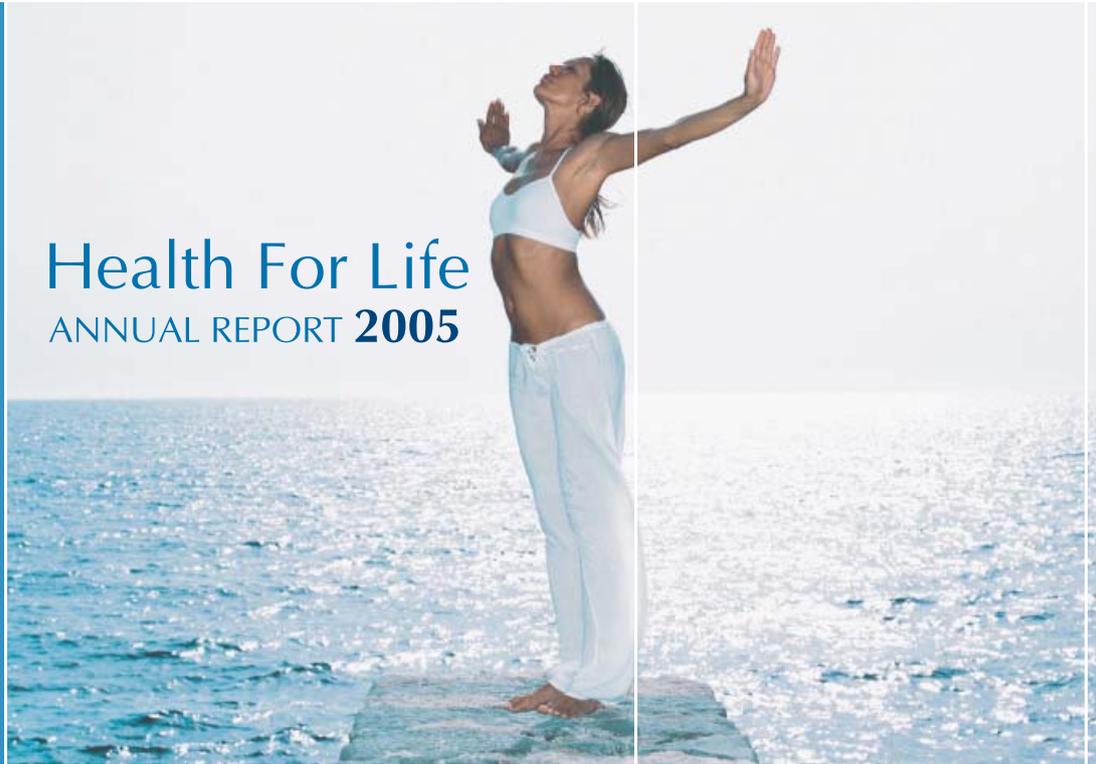


KOTRA

KOTRA INDUSTRIES BERHAD
(497632-P)



Health For Life
ANNUAL REPORT **2005**



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Health
for Life

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)

Chin Swee Chang
(Executive Director)

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

Piong Yew Peng
(Independent Non-Executive Director)

Tan Choo Jow
(Independent Non-Executive Director)

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

Company Secretaries

Ow Pee Juan (MAICSA 7013304)

Mah Li Chen (MAICSA 7022751)

Audit Committee

Piong Yew Peng (Chairman)

Tan Choo Jow

Piong Teck Yen

Remuneration Committee

Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman
(Chairman)

Omar bin Md. Khir

Piong Teck Min

Piong Teck Onn

Nomination Committee

Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman
(Chairman)

Omar bin Md. Khir

Piong Teck Min

ESOS Committee

Tan Choo Jow (Chairman)

Piong Yew Peng

Piong Teck Onn

Registered Office

535B 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 15-2, Faber Imperial Court

Jalan Sultan Ismail

50250 Kuala Lumpur

Tel : 03-26924271

Fax : 03-27325399/03-27325388

Auditors

Horwath

535 Jalan Merdeka

Melaka Raya

75000 Melaka

Tel : 06-2825995

Fax : 06-2836449

Legal Advisors

Chee Siah Le Kee & Partners

Advocates & Solicitors

105, Taman Melaka Raya

75000 Melaka

Tel : 06-2833423

Fax : 06-2847251

Stock Exchange Listing

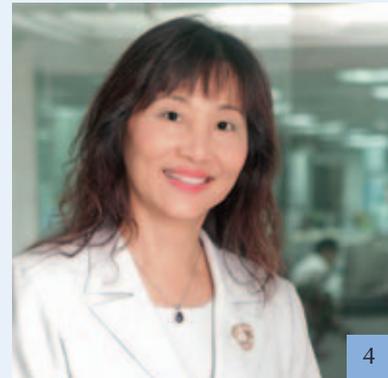
Bursa Malaysia Securities Berhad

MESDAQ Market

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 Piong Yew Peng

DIRECTORS' PROFILE

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

(Chairman)

Y. Bhg. Tan Sri Datuk Dr. Omar, aged 72, was appointed to the Board of Kotra on 5 June 2000. Tan Sri Omar started his professional career in 1960 in veterinary research after graduating in veterinary science from the University of Sydney and obtaining a Ph.D. from the University of Cambridge.

In 1972, he was appointed the Founding Dean of the Faculty of Veterinary Medicine and Animal Sciences and the first professor at the newly established Universiti Pertanian Malaysia (UPM), now University Putra Malaysia. He played a major role in the establishment phase of the university. His last position was as Deputy Vice Chancellor Academic Affairs.

In 1984, Tan Sri Omar was appointed to the new position of Science Advisor in the Prime Minister's Department. As Science Advisor, he served on a number of national committees and initiated many programmes for enhancing technology management, increasing funding for R&D and for commercialisation of the result of research. He was the founder chairman of Technology Park Malaysia Corporation, the Malaysian Industry-Government Group for High Technology (MIGHT), Composite Technology (Research) Malaysia Sdn. Bhd. (CTRM) and Malaysian Technology Development Corporation (MTDC).

Tan Sri Omar is the founding and current chairman of the London-based Commonwealth Partnership for Technology Management Ltd. (CPTM), Founding Fellow of the Islamic Academy of Sciences, a Fellow of the Third World Academy of Sciences, an Hon. Fellow of the Academy of Science Kyrgyzstan and the Founding and Immediate Past President of the Academy of Sciences Malaysia. He was a member of the United Nations Advisory Committee on Science and Technology for Development, the Executive Committee for OIC Ministerial Standing Committee on Scientific and Technological Cooperation and of the UNESCO's International Scientific Council for Science and Technology Policy Development.

Besides Kotra, Tan Sri Omar is currently on the Board of ENCORP Bhd., Green Packet Berhad and OSK Ventures International Bhd.. He is also the Executive Chairman of Kumpulan Modal Perdana Sdn. Bhd., a government owned venture capital company.

Piong Nam Kim @ Piong Pak Kim

(Deputy Chairman)

Mr. Piong Nam Kim was appointed to the Board as the Executive Deputy Chairman on 5 June 2000. Prior to operating 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 immense experience in over-the-counter sales and marketing has given him a unique role as advisor for Kotra. At the age of 73, experienced and knowledgeable, as well as the Honorary Advisor to the Melaka Chinese Druggist Association (1962-1992); his presence on the Board has facilitated the acceptance of the Group by the traditional Chinese druggist throughout Malaysia, a significant component in the distribution system for pharmaceutical products.

Piong Teck Onn

(Managing Director)

After graduating from the University of Wales, Cardiff, United Kingdom in 1982 with a Bachelor's Degree of Science in Pharmacy, Mr. Piong Teck Onn began a career in 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 21 years, has initiated the manufacturing 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.

At 47, he is currently an Executive Council Member and the Vice President of the Malaysian Organisation of Pharmaceutical Industries (MOPI); positions he has held since 1998 and 2001 respectively.

Piong Teck Min

(Non-Executive Director)

Aged 53, Mr. Piong Teck Min was elected to the Board of Directors of KPM in September 1982. He holds a Malaysian Certificate of Education, which he obtained in 1970. He joined KOT in 1970 and gained invaluable experience in the pharmaceutical industry after assisting his father, Mr. Piong Nam Kim, in handling KOT's pharmaceutical wholesale business.

Equipped with more than 25 years of knowledge and experience in the pharmaceutical trade industry, Mr. Piong Teck Min ventured independently into traditional medicine business and is currently the Managing Director of Welip (M) Sdn. Bhd., of 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.

Piong Teck Yen

(Executive Director)

Upon completion of his studies at Lewisham College, United Kingdom, Mr. Piong Teck Yen commenced a career in sales and marketing with KOT in 1989, involved mainly in the wholesale of pharmaceuticals, before joining the Group in November of the same year as the Sales Manager. In July 1993, he was elected to the Board of Directors of KPM. Here, he was responsible for the marketing of the Group's "Appeton" range of products, and by mid 1995 was made KPM's Marketing Director. Since instated, he has instrumentally formulated and implemented several large-scale promotions aimed at creating brand awareness. In 2005, he was promoted as Business Director of KPM to develop new markets for KPM. He was elected to the Board as an Executive Director on 5 June 2000 and at age 38 still retains this above position. He was conferred with a PJK medal on 13 October 2001 and the Justice of Peace (JP) on 9 October 2004 by the Yang Di Pertua Negeri Melaka.

Piong Yew Peng

(Independent Non-Executive Director)

At age 35, Piong Yew Peng was elected into the Board of Directors on 19 January 2004. He obtained a Bachelor of Business (Accounting) from RMIT University, Melbourne and subsequently became a member of the CPA Australia. He is also a member of the Malaysian Institute of Accountants; has been working for the past 12 years in the field of auditing, tax advisory and corporate finance and is currently employed as a Director in an international accounting firm. At present, he is also the Chairman of the Audit Committee at Kotra.

Omar bin Md. Khir

(Independent Non-Executive Director)

Aged 68 at present, Encik Omar bin Md. Khir, 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 in 1973 to an Acting Manager. He left the company in 1992 while serving as Manager 1 (Senior Group Manager) in charge of 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 the 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 also the Chairman of the Selangor Planters Association. At present, he sits on the Board of Sumber Modal Satu Berhad.

Chin Swee Chang

(Executive Director)

Chin Swee Chang, aged 48, graduated from the 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 system's analyst 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 a dial-up connection for online accesses.

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 LAN system, with fully integrated material requirements planning, financial and distribution software, using an American Enterprise Resource Planning (ERP) package called SyteLine running on SQL database. She was elected to the Board as an Executive Director on 5 June 2000.

Tan Choo Jow

(Independent Non-Executive Director)

Aged 62, Tan Choo Jow 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 in Pharmacy. He carried out his housemanship in a retail pharmacy in Ipoh and was registered by the Pharmacy Board in 1967. From 1973 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, he was also an active member of the pharmacy profession. He was the President of the 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 Association from 1994 and is now Honourary Bureau member; Founder President of the Malaysian Pharmaceutical Trade and Manufacturers Association (now Pharma). He was until 1996, a member of the Pharmacy Board and also a member of the Poisons Board of the Ministry of Health, Malaysia.

In July 2005, Mr. Tan had been admitted as a member of the Institute of Internal Auditors Malaysia and received the designation of Chartered Audit Committee Director.

Piong Teck They

(Alternate Director to Piong Nam Kim @ Piong Pak Kim)

Aged 46, Piong Teck They was elected to the Board of Directors of KPM in June 1996 as the Alternate Director to Mr. Piong Nam Kim. He holds a Malaysian 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 of KIB as the alternate to Mr. Piong Nam Kim on 5 June 2000.



DEAR SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS OF KOTRA INDUSTRIES BERHAD (KOTRA), I HAVE THE PLEASURE IN PRESENTING THE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005.

Tan Sri Datuk Dr. Omar Bin Abdul Rahman

Chairman of the Board of Directors

REVIEW OF FINANCIAL PERFORMANCE

For this financial year, the Group recorded an increase of 24.4% in revenue compared to the previous financial year. This is attributable to the effective implementation of the Group's strategy by our management team and the commitment of our workforce which have strived hard to increase our market share in the local and foreign markets through brand building, introduction of new products and continuous quality improvement of the Group's products. The result of these efforts is a revenue growth in excess of 20% in respect of both local and export sales compared to the previous financial year. During the year, approximately 65% of KOTRA'S products were sold locally while the remaining 35% were exported to various countries within the Asia Pacific region.

The increase in demand from both the local and export market has enabled the Group to utilise its capacity more efficiently and leverage further on economies of scale thus reducing the overall production cost. As a result of these favourable factors, the Group's gross profit margin has increased from 47.7% to 48.7% while profit before taxation increased by RM3.2 million to RM10.2 million or 46.4% compared to RM6.9 million in 2004.

The year also witnessed a lower increase in operational cost for selling, distribution and administration, including advertisement and promotional expenditure, compared to the increase in sales. This was due to the adoption and implementation of various strategies to enhance the cost management system of the Group.

OPERATIONAL UPDATES

Domestic Sales

Local sales for all products have increased by RM7.08 million or 22.4% compared to the previous year. This increase is attributed to two main factors, firstly being the Group's launching of new products that are user-friendly and in accordance with today's market trend. The other growth factor is mainly due to continuous strategic brand building activities that create strategic awareness and brand presence of our Appeton and Axcel brands. The Company in the 3rd Quarter had undergone a strategic review of its Advertising and Promotional plans to carry out more effective and coherent advertisements and promotions for the forthcoming financial year.



Export Sales

The export sales derived from the overseas market experienced a growth of RM4.65 million or 28.4% as compared to year 2004. The Group's penetration into the foreign markets in the past especially the Asia Pacific region has established a firm foundation for further sales growth of the Group's Appeton products.

New Products

During the year under review, the Group had launched a new product namely, Axcel Cefuroxime- 250 Capsules. The Group also introduced a new packaging presentation by the name of Axcel DispenPak which complies with the current international dispensing practices. Conceived with the world market in mind, the new DispenPak is an ideal product for general practitioners and pharmacists as it provides them with a convenient method of dispensing medication to their patients and/or customers.

Changes were also introduced to the packaging of the Group's new products with the introduction of the new "Alu-alu" packs. This new way of packaging is not only safe but also improves the product's stability and overall presentation. Currently the new packaging is only available to newly launched products. In the near future, this new packaging is expected to be gradually introduced to other existing products.

COMMITMENT TO QUALITY

As quality is a major factor in determining Kotra's success, the Group has made considerable effort to implement measures to ensure that all products manufactured meet world-class standards.

DIVIDENDS

In view of the Group's notable performance, the Board of Directors, on 18 August 2005 proposed a final dividend in respect of financial year ended 30 June 2005 of 2.5 sen per ordinary share less tax at 28% amounting to RM1,012,354.

The dividend recommended is subject to the approval of the members of the Company at the forthcoming Annual General Meeting on 22 November 2005.

CORPORATE DEVELOPMENT

In January 2005, KOTRA launched its very first website dedicated to its renowned brand name, Appeton. The website www.appeton.com enables potential buyers and consumers alike to access information relating to the Appeton range of products while offering useful advice and health tips. With its consumer friendly features, the website also offers the latest promotions for the various products.

In the pursuit of continuous excellence, the management has been investing more time and resources towards human resource development in order to align staff performance to the Group's vision and objectives; hence giving their very best towards achieving the Group's goals.





CORPORATE GOVERNANCE

The Group has benefited from the dedication of the Board of Directors who has constantly shown their commitment through their consistent support and attendance at Board meetings. As members of various Sub-Committees, they have provided invaluable input to ensure that the Company practices the highest level of responsibility to shareholders. The Directors have also participated in professional programmes mandated by the regulators to ensure that the Company complies at all times with the Listing Requirements.

These high standards have indeed enabled the Group to function and act upon in the best interests of shareholders of the Group.

EXPIRY OF MANDATORY SPONSORSHIP PERIOD

Subsequent to 30 October 2005, the Company would have been listed on the MESDAQ Market for more than five (5) years. Following this, in accordance to the provision of Paragraph 2.20.1 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market, the Company will no longer be required to retain the services of a sponsor.

With regards to the above, the Board has decided not to retain the services of a sponsor after 30 October 2005. The Board is of the opinion that the Company possesses adequate ability to comply and abide by the rules and regulations of the Securities Commission and those of Bursa Malaysia Securities Berhad without the need for a sponsor's services.

This decision had been made known to our sponsors and the announcement was made through Bursa Malaysia Securities Berhad website on 2 September 2005.





FUTURE PROSPECT

Growing to meet the increasing market demands, the Group has initiated a brand new tagline which depicts the commitment and tireless efforts of the Group towards consumer wellness, i.e. "Health for Life". This tagline reflects a simple, but sincere promise from the Group to its consumers of its commitment to always provide the best quality healthcare products.

In view of the improving sales, the Group has acquired additional factory land with the intention to expand its production capacity in the near future.

These are investments which the Group is prepared to make to defend its market share. By developing better infrastructure, the Group hopes to possess a greater edge to compete in a very competitive environment. While profit margin may be pressured by higher operating expenses as a result of these strategic imperatives, the Board recognises that these are essential catalysts for growth in the longer term.

The year ahead will also see the Group's continuous focus on product development activities to create and enhance its niche market locally and overseas.

ACKNOWLEDGEMENTS

I would like to take this opportunity to extend my deepest appreciation to the Board of Directors for their unwavering support and diligent engagement. I believe that the Company has greatly benefited from their insight and guidance.

My heartfelt thanks go out also to the management and staff whose endeavour for excellence has yielded a year of impressive achievements.

On behalf of my fellow Directors, I would also like to thank all our suppliers, principals, customers, business partners and especially our shareholders for their loyalty and support. I look forward to another mutually beneficial year of growth together.

Tan Sri Datuk Dr. Omar Bin Abdul Rahman
Chairman of the Board of Directors

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is committed to ensuring that a high standard of corporate governance is practiced throughout the Group as a fundamental aspect of discharging its responsibilities to protect and enhance shareholders' value.

We are pleased to report that the Board has within the past year complied with most of the recommended Best Practices stipulated by the Malaysian Code on Corporate Governance (the "Code") and will continue to practice good governance in the years to come.

Hence, 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.

THE BOARD OF DIRECTORS

Board Responsibilities

The Board retains full and effective control of the Group. This includes the responsibility for determining the Group's overall strategic direction as well as development to enhance the

long-term shareholders' value and sustaining the long-term growth of the Group

Key matters such as the Groups' overall business strategy, approval of annual and interim results, major capital expenditures, related party transactions, acquisitions and disposals of assets, investments and new businesses, changes in the Group's equity, budgets and material agreements are some of the matters reserved for the Board's review and decision.

The Board of Directors meets on quarterly basis with additional meetings held where urgent issues need to be addressed or important decisions are required to be taken.

During the financial year ended 30 June 2005, the Board convened five (5) times to deliberate and consider a variety of matters including the Group's financial results, business plans, proposals as well as corporate plans and announcements of financial results prior to public release. The details of each Director's meeting attendance during the year are as follows:

Director	Position	Attendance of Board Meetings in 2005					Total
		Aug'04	Oct'04	Nov'04	Feb'05	May'05	
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	•			•	•	3
3. Piong Teck Onn	Managing Director	•	•	•	•	•	5
4. Piong Teck Yen	Executive Director	•	•	•	•	•	5
5. Chin Swee Chang	Executive Director	•	•		•	•	4
6. Piong Teck Min	Non-Executive Director	•	•	•	•	•	5
7. Omar bin Md. Khir	Independent Non-Executive Director	•	•	•	•	•	5
8. Piong Yew Peng	Independent Non-Executive Director & Chairman of Audit Committee	•		•	•	•	4
9. Tan Choo Jow	Independent Non-Executive Director	•	•	•	•	•	5
10. Piong Teck They	Alternate Director to Piong Nam Kim @ Piong Pak Kim						0
Total Attendance		8	7	7	9	9	

Scheduled Board meetings are structured with pre-set agenda. Prior to the meetings, all Directors are provided with the agenda, previous minutes of meeting and Board papers containing information relevant to the business of the meeting, so as to give Directors time to consider and deliberate on the issues to be raised during the Board meetings.

The Board has also put in place a procedure to be adhered to for any director of the 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.

The following are three (3) principal Board committees that have been established to assist the Board in executing its responsibilities:

- o Audit Committee
- o Nomination Committee
- o Remuneration Committee

Specific responsibilities have been delegated to the Board Committees, all of which have their written terms of reference. These Committees have the authority to examine particular issues and report to the Board with their recommendations. Nonetheless, the ultimate responsibility for the final decision on matters lies with the Board. The functions of these committees are detailed in the subsequent paragraphs.

Board Balance

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

- o One (1) Independent Non-Executive Chairman
- o Four (4) Executive Directors
- o Three (3) Independent Non-Executive Directors
- o One (1) Non-Independent Non-Executive Director

There is a clear division of responsibilities, whereby the Board is led by Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman while Mr. Piong Teck Onn, the Managing Director leads the executive management.

The Board composition is made up of Executive and Non-Executive Directors with more than one third of the Board members being independent, thus facilitating an effective functioning Board. These Directors with their different backgrounds and specialisation collectively bring a wide and vast range of experience and expertise in areas of management, finance, life sciences and pharmacy, thus enabling the Board to lead the Group effectively. As individuals who are respectable and of high integrity, the Board members are independent and objective in their decision making process within the Board while providing a check and balance for the Executive Directors.

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

Appointment to the Board

The Nomination Committee recommends the appointment of new directors to the Board.

There is an informal familiarisation programme in place for new Board members, including visits to the Group's factories and offices and meetings with senior management as appropriate, to facilitate the new Board members' understanding of the Group's operations.

NOMINATION COMMITTEE

The Nomination Committee comprises three (3) Non-Executive Directors, one of whom is the Board's Chairman. As it is the duty for the Committee to recommend the appointment of new directors to the Board, the Committee is responsible for the following:

- (i) Identify and recommend to the Board candidates for directorship of the Company;
- (ii) Recommend to the Board, directors to fill the seats on Board Committees; and
- (iii) Evaluate the effectiveness of the Board as a whole and of the Board Committees.

The members of the Nomination Committee met once during the year, and their attendance at the meetings were as follows:

NAME	ATTENDANCE (Oct'04)
1. Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman (Chairman)	•
2. Piong Teck Min	•
3. Omar bin Md. Khir	•

Re-election of Directors

In accordance with the Company's Articles of Association or simply known as the "The Articles", one third of the Directors who are appointed by the Board are subject to retire and stand for re-election by shareholders at the Company's AGM. This however, does not apply to the Managing Director, whom according to Article No. 145 shall not be subjected 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 Bursa Securities for the MESDAQ Market ("MMLR") allows for the Managing Director to be exempted from retirement by rotation.

REMUNERATION COMMITTEE

The objective of the Group's policy on Directors' remuneration is to ensure that the Group attracts and retains directors of the calibre needed to run the Group successfully.

The Remuneration Committee is responsible for reviewing and recommending the remuneration of the Executive and Non-Executive Directors as well as the remuneration of senior management staff. In making its recommendation, the Remuneration Committee adheres to the principle of remunerating based on the Group's performance as well as individual performance. The Remuneration Committee does not possess the authority to make decisions on behalf of the Board. Its role is merely that of making recommendations for the Board's approval.

The Remuneration Committee met twice (2) during the year. Committee members who are Executive Directors did not participate in the discussion of their individual remuneration.

NAME	ATTENDANCE	
	(Nov'04)	(May'05)
1. Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman (Chairman)	•	•
2. Piong Teck Min	•	•
3. Omar bin Md. Khir	•	•
4. Piong Teck Onn	•	•

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		1
RM200, 001-RM250, 000		2
RM350, 001-RM400, 000		1

INVESTOR RELATION AND SHAREHOLDERS COMMUNICATION

As the Board values the importance of maintaining effective communications and appreciates the keen interests of its shareholders, it strives to ensure timely and accurate disclosure of information on the Group's performance. In addition to various announcements made during the year, the timely release of annual reports, quarterly financial results and research reports are announced via Bursa Malaysia Securities Berhad's website (www.bursamalaysia.com). The Company website (www.kotrapharma.com) is also apprised with up-to-date overview of the Group's performance and operations.

The Annual General Meeting is the principle forum for dialogue with shareholders. Here, shareholders are encouraged to raise questions pertaining to the operations and financials of the Group. The shareholders are also able to put questions to the Company through the Company's Secretary.

The Board has also appointed Mr. Piong Yew Peng as the Independent Non-Executive Director to whom concerns of shareholders' may be conveyed via the Company Secretary.

ACCOUNTABILITY & AUDIT

Financial Reporting

The Board is responsible to present a true and fair assessment of the Company's position while ensuring the proper maintenance of the accounting records of the Company. The Company's financial reporting in the form of quarterly and annual financial statements present a balanced and understandable assessment of the Company's position and prospects.

The Audit Committee also plays an important role in ensuring that the information disclosed is accurate and adequate. The primary responsibilities of the Audit Committee are set out in the Report of the Audit Committee in pages 18-20 of the Annual Report.

Internal Control

The Code requires the Board to maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets. The Statement of Internal Control furnished on page 17 of the Annual Report provides an overview of the state of internal control within the Group.

Relationship with the External Auditors

The Group has always maintained a transparent relationship with its auditors through the Audit Committee in seeking professional advice and ensuring compliance with the appropriate accounting standards. Key features underlying the relationship of the Audit Committee with the external auditors are set out in the Report of the Audit Committee.

CORPORATE GOVERNANCE STATEMENT cont'd

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 director. 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 each particular band. The audited financial statements also discloses the total remuneration received by the executive and non-executive directors in separate categories.
Part 2 AAVIII Part 2 AAIX Part 2 AAX	Establishment of Nomination Committee	The Board is of view that it is sufficient for the Nomination Committee to assess the effectiveness of the Board and the committees of the Board as a whole. It is the Board's opinion that individual directors should be exempted from this process.
Part 2 AAXIII	Company to provide orientation and education programmes for new board members	The Group does not have a formal process for the orientation of newly appointed members as orientation is conducted on an informal basis by the executive directors. The Board is of opinion that the activities of the Group are not so complex as to require a formal training.
Part 2 AAXVII	Provision of non-quantitative information	At present the Group's information system generates information which is predominantly financial based. The Board is aware of the increasing importance of having non-financial based information, represented as Key Performance Indicators ("KPIs"), as the Group expands. The Board had performed a study in respect of the implementation of KPIs as 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 near future.

ADDITIONAL COMPLIANCE INFORMATION

The following information is provided to comply with the MMLR:

Recurrent Related Party Transactions ("RRPT")

The shareholders of the Company has ratified and approved a mandate for RRPT of a revenue or trading nature during the Company's Annual General Meeting held on 30 November 2004. The aggregate values as well as the identity of the related parties involved in each type of RRPT made during the financial year are disclosed in note 32 to the financial statements. The Company is seeking for shareholders' approval on the renewal of the shareholders' mandate for RRPT at the forthcoming Annual General Meeting of the Company to be held on 22 November 2005. The details of the new mandate to be sought are furnished in the Circular to Shareholders dated 28 October 2005, which is dispatched together with the Annual Report of the Company.

STATEMENT OF INTERNAL CONTROL

Preamble

The Board of Directors subscribes to the Malaysian Code on Corporate Governance to maintain a sound system of internal control in the Group to safeguard shareholders' investments and the Group's asset. The Board is continuously taking appropriate initiatives to further strengthen the transparency, accountability and efficiency of the Group's operations.

Responsibility

The Board acknowledges its stewardship responsibility for maintaining a sound system of internal control and for reviewing its adequacy and integrity to safeguard shareholder's investment and the Group's assets.

However, it should be noted that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Internal Control Systems

The embedded control system is designed to facilitate achievement of the Group's business objectives. It comprises the underlying control environment, control process, communication and monitoring systems.

The organisational structure has well defined lines of responsibility, delegation of authority, segregation of duties and information flow. The Audit Committee also assists the Board to be properly apprised and maintain effective supervision over the Group's operations.

Well-documented Group wide policies, procedures and standards have been established, periodically reviewed and updated in accordance with changes in operating environment.

In addition, the Group has in place a comprehensive budgeting process for all operating units with periodical monitoring of performance so that management action is taken on major variances.

The functional limits of authority for revenue and capital expenditure for all operating units serves to facilitate the approval process whilst keeping potential risk exposure in check.

Detailed justification and approval process for major projects and acquisitions are imposed to ensure congruence with the Group's strategic objectives

The Group's computerised information systems are also being streamlined to ensure compliance with the Group's hardware and software policy and guidelines for system integrity, effectiveness and efficiency.

Independent appraisals by internal and external auditors ensure ongoing compliance with policies, procedures, standards and legislations whilst assessing the effectiveness of the Group's system of financial, compliance and operational controls.

Risk Management Framework

Besides primary ownership over effectiveness of the Group's internal control systems, the Board recognises its responsibility over the principal risks of various aspects of the Group's business. For long-term viability of the Group, it is crucial to achieve a critical balance between risks incurred and potential returns.

In response to the above challenge, the Group has, during the year under review, initiated an in-house structured risk management framework thereby, laying the foundation for an ongoing process for identifying, evaluating, treating, reporting and monitoring the significant risks faced by the Group.

A database of all risks and controls has been created, and information filtered to produce a detailed risk register for the Group. Key risks to each business unit's objectives are identified and scored for likelihood of the risks occurring and the magnitude of impact.

The consolidated risk profiles of the various business units would be reported to the Audit Committee in due course.

Internal Audit function

The internal audit function is outsourced to an Internal Audit specialist firm who supports the Audit Committee, and by extension, the Board, by providing independent assurance on the effectiveness of the Group's system of internal control.

In particular, internal audit appraises and contributes towards improving the Group's risk management and control systems and reports to the Audit Committee on a quarterly basis.

The internal audit work plan, which reflects the risk profile of the Group's major business sectors is routinely reviewed and approved by the Audit Committee. The scope of the internal audit function covered the audit of all business units and operations.

Internal Control Issues

For the financial year under review, after due and careful inquiry and based on the information and assurance provided, the Board is satisfied that there were no material losses as a result of weakness in the system of internal control, that would require separate disclosure in the Company's Annual Report.

REPORT OF THE AUDIT COMMITTEE

COMPOSITION AND DESIGNATION OF AUDIT COMMITTEE

The Audit Committee consists of three (3) members, majority of whom are Independent Non-Executive Directors. The Chairman is also an Independent Non-Executive Director and is a member of the Malaysian Institute of Accountants.

The members of the Audit Committee who served during the financial year ended 30 June 2005 were:

1. Piong Yew Peng (*Chairman*) - Independent Non-Executive Director
2. Tan Choo Jow - Independent Non-Executive Director
3. Piong Teck Yen - Executive Director

AUDIT COMMITTEE ATTENDANCE RECORD

The Audit Committee met four (4) times during the financial year ended 30 June 2005 and the attendance record is tabulated as follows:

Director	Position	Attendance of Board Meetings in 2005				Total
		Aug'04	Nov'04	Feb'05	May'05	
1. Piong Yew Peng	Independent Non-Executive Director & Chairman of Audit Committee	•	•	•	•	4
2. Tan Choo Jow	Independent Non-Executive Director	•	•	•	•	4
3. Piong Teck Yen	Executive Director	•	•	•	•	4
Total Attendance		3	3	3	3	

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 Bursa Securities for the MESDAQ Market. The terms of reference was subsequently amended on 14 October 2002 to achieve consistency with the Malaysian Code on Corporate Governance.

Membership

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

- o The elected Chairman shall be subject to endorsements by the Board.
- o 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 required to make up the minimum number of members.

Notice of Meeting and Attendance

- o 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.
- o 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, external auditors and internal auditors shall normally attend meetings at the invitation of the Audit Committee.
- o The Company Secretary shall be the Secretary for the Committee and will be responsible for co-ordination of administrative details including calling the meeting, voting and keeping minutes.
- o The Audit Committee shall meet at least 4 times a year and such additional meetings as the Chairman shall decide in order to fulfil its duties. However, at least once a year the Audit Committee shall meet with the external auditors without Executive Board members present.
- o In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, the Company's Managing Director or the internal or external auditors.

Authority

The Committee is authorised by the Board to carry out the following: -

- o It has unrestricted access to all of the Group's records, resources and personnel to enable it to discharge its duties. It is also authorised by the Board to seek outside legal or other independent advice to secure the attendance of experts if it considers necessary.

- o The Committee is empowered to convene meetings with the external auditors without the presence of the Executive members of the Committee, whenever deemed necessary. The Committee shall have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.
- o 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.

Duties and Responsibilities

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

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

ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 30 June 2005, the Audit Committee in the discharge of its duties and functions carried out the following activities:

- (i) Reviewed the Annual Audit Plan for the year ended 30 June 2005 with the external auditors to ensure adequate scope and coverage over the activities of the Group.
- (ii) Reviewed the quarterly and annual financial statements to ensure that they are in compliance with the requirements of relevant authorities, prior to approval for release to Bursa Malaysia Securities Berhad by the Board of Directors.
- (iii) Final review of all internal audit findings and recommendations by the incumbent Internal Auditors for financial year 2005.
- (iv) Evaluated and recommended the change of the current Internal Auditors.
- (v) Review of new proposals for internal audit outsourcing from various professional firms for subsequent financial years.
- (vi) Reviewed all related party transactions and potential conflict of interest situation that may arise within the Company or Group.
- (vii) Reviewed the draft Statement of Internal Control to be incorporated into the 2005 Annual Report.

INTERNAL AUDIT FUNCTION

During the financial year ended 30 June 2005, the activities of the internal audit function were as follows:

- o Reviewed the operations and the internal controls of the Group, in accordance with the approved internal audit plan. During the financial year 2005, the internal auditors conducted their review as well as follow-up reviews of previous findings and recommendations of the following departments:

DEPARTMENT

1	Quality Assurance (QA)
2	Production
3	Materials Planning
4	Sales & Marketing
5	Finance
6	Inventory
7	Administration, IT & Human Resource

- o Tabled the internal audit findings and recommendations at the meetings of the Audit Committee for the Committee's deliberation.

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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 2005.

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	9,387,872	3,944,258

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 except for the share options granted pursuant to the Employees' Share Option Scheme.

EMPLOYEES' SHARE OPTION SCHEME

An 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 amount 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.

EMPLOYEES' SHARE OPTION SCHEME (cont'd)

- 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 Bursa Malaysia Securities Berhad for the five trading days immediately preceding the offer date, or at par value of the shares of the Company, whichever is 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 is in force for a period of 10 years from 24 July 2003 and expires on 23 July 2013.

The movements in the share options during the financial year are as follows:

Date of Offer	Exercise period	Exercise price per ordinary share	Balance At 1.7.2004	← During the year →			Balance At 30.6.2005
				Granted	Exercised	Lapsed	
24.7.2003	24.7.2004	1.27	1,157,200	-	-	(55,600)	1,101,600
24.7.2003	24.7.2006	1.27	2,314,400	-	-	(111,200)	2,203,200
24.7.2003	24.7.2009	1.27	2,314,400	-	-	(111,200)	2,203,200
15.6.2004	15.6.2005	1.12	172,200	-	-	(17,000)	155,200
15.6.2004	15.6.2007	1.12	344,400	-	-	(34,000)	310,400
15.6.2004	15.6.2010	1.12	344,400	-	-	(34,000)	310,400
			6,647,000	-	-	(363,000)	6,284,000

Options exercisable in a particular year but not exercised can be carried forward to the subsequent years provided they are exercised prior to the expiry date of the ESOS on 23 July 2013.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the list of option holders holding share options of less than 200,000 shares.

The eligible employees who have been granted share options of 200,000 or more are as follows:-

No.	Name of Options Holders	Number of Share Options
1.	Piong Nam Kim @ Piong Pak Kim	1,000,000
2.	Piong Teck Onn	1,000,000
3.	Piong Teck Yen	1,000,000
4.	Chin Swee Chang	1,000,000
5.	Hiew Mein Foong	200,000

The external auditors have verified the allocation of options granted during the financial year.

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 34 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.

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, which the directors also regard as the ultimate holding company.

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

CHIN SWEE CHANG

OMAR BIN MD. KHIR

PIONG TECK MIN

PIONG TECK ONN

PIONG TECK YEN

PIONG YEW PENG

TAN CHOO JOW

PIONG TECK THEY

(ALTERNATE DIRECTOR TO PIONG NAM KIM @ PIONG PAK KIM)

AZMAN BIN AHMAD

(ALTERNATE DIRECTOR TO OMAR BIN MD. KHIR)

(RESIGNED ON 30 NOVEMBER 2004)

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 Articles 106 of the Articles of Association of the Company, Chin Swee Chang and Tan Choo Jow retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

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:-

	NUMBER OF ORDINARY SHARES OF RM0.50 EACH			
	AT 1.7.2004	BOUGHT	SOLD	AT 30.6.2005
THE COMPANY				
<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	388,500	8,000	-	396,500
TAN CHOO JOW	95,500	-	-	95,500
PIONG TECK THEY	505,994	-	-	505,994
<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

DIRECTORS' INTERESTS (cont'd)

	OPTIONS OVER ORDINARY SHARES OF RM0.50 EACH			
	AT 1.7.2004	ADDITION	EXERCISED	AT 30.6.2005
PIONG NAM KIM @ PIONG PAK KIM	1,000,000	-	-	1,000,000
PIONG TECK ONN	1,000,000	-	-	1,000,000
PIONG TECK YEN	1,000,000	-	-	1,000,000
CHIN SWEE CHANG	1,000,000	-	-	1,000,000
HOLDING COMPANY				
PIONG NAM KIM HOLDINGS SDN. BHD.				
<i>DIRECT INTERESTS</i>				
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
<i>DEEMED INTEREST</i>				
CHIN SWEE CHANG	51,000	-	-	51,000

The other directors holding office at the end of the financial year did not have 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 Note 26 to 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 certain directors and with companies in which certain directors have substantial financial interests as disclosed in Note 32 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.

AUDITORS

The auditors, Messrs. Horwath, have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS

DATED 11 OCTOBER 2005

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

Piong Nam Kim @ Piong Pak Kim

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 29 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 2005 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 11 OCTOBER 2005

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 29 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 11 October 2005

Ng Shok Ping

Before me

REPORT OF THE AUDITORS to the members of Kotra Industries Berhad (497632-P)

We have audited the financial statements set out on pages 29 to 51. The preparation of the financial statements is the responsibility of the Company's directors.

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

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 2005 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 by 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

Firm No. : AF 1018
Chartered Accountants

Melaka
11 October 2005

Wong Tak Mun

Approval No : 1793/09/06 (J)
Partner

BALANCE SHEETS at 30 June 2005

	NOTE	THE GROUP		THE COMPANY	
		2005 RM	2004 RM	2005 RM	2004 RM
NON-CURRENT ASSETS					
Investment in a subsidiary	7	-	-	23,020,926	23,020,926
Property, plant and equipment	8	26,092,815	22,445,007	-	-
Development expenditure	9	439,787	649,861	-	-
		26,532,602	23,094,868	23,020,926	23,020,926
CURRENT ASSETS					
Inventories	10	14,211,428	9,133,870	-	-
Trade receivables	11	23,984,478	18,895,620	-	-
Other receivables, deposits and prepayments	12	199,947	229,489	1,000	1,000
Tax recoverable		1,142,025	1,740,134	18,122	103,041
Amount owing by subsidiary	13	-	-	13,851,573	12,339,296
Fixed deposits with licensed banks	14	-	1,252,576	-	-
Cash and bank balances		1,925,167	2,448,581	145,755	35,856
		41,463,045	33,700,270	14,016,450	12,479,193
CURRENT LIABILITIES					
Trade payables	15	7,739,065	3,935,220	-	-
Other payables and accruals	16	2,845,649	3,147,305	33,996	22,596
		10,584,714	7,082,525	33,996	22,596
NET CURRENT ASSETS					
		30,878,331	26,617,745	13,982,454	12,456,597
	-	57,410,933	49,712,613	37,003,380	35,477,523
FINANCED BY:-					
Share capital	17	28,120,928	28,120,928	28,120,928	28,120,928
Share premium reserve (Non-distributable)	18	2,804,631	2,804,631	2,804,631	2,804,631
Retained profits	19	24,118,652	17,149,181	5,065,467	3,539,610
Dividend proposed		1,012,354	1,012,354	1,012,354	1,012,354
SHAREHOLDERS' EQUITY					
		56,056,565	49,087,094	37,003,380	35,477,523
NON-CURRENT LIABILITIES					
Deferred income	20	150,368	176,519	-	-
Deferred taxation	21	1,204,000	449,000	-	-
		57,410,933	49,712,613	37,003,380	35,477,523
NET TANGIBLE ASSETS PER SHARE (SEN)					
	22	98.9 SEN	86.1 SEN		

INCOME STATEMENTS

 for the financial year ended 30 June 2005

	NOTE	THE GROUP		THE COMPANY	
		2005 RM	2004 RM	2005 RM	2004 RM
REVENUE	23	59,704,875	47,974,708	4,300,000	4,300,000
OTHER OPERATING INCOME	24	244,693	340,725	-	143
RAW MATERIALS AND CONSUMABLES USED		(26,036,057)	(17,305,555)	-	-
CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS		4,820,722	(955,092)	-	-
STAFF COSTS	25	(9,739,162)	(7,424,317)	(91,818)	(90,813)
DEPRECIATION		(1,794,247)	(1,645,339)	-	-
OTHER OPERATING EXPENSES	24	(16,935,466)	(13,967,788)	(254,501)	(262,526)
PROFIT FROM OPERATIONS		10,265,358	7,017,342	3,953,681	3,946,804
FINANCE COSTS		(99,990)	(73,485)	(117)	(67)
PROFIT BEFORE TAXATION		10,165,368	6,943,857	3,953,564	3,946,737
TAXATION	27	(777,496)	654,097	(9,306)	(609,125)
PROFIT AFTER TAXATION		9,387,872	7,597,954	3,944,258	3,337,612
EARNINGS PER SHARE - BASIC	28	16.69 sen	13.51 sen		
- DILUTED	28	16.57 sen	13.49 sen		
DIVIDENDS PER SHARE - INTERIM	29	2.5 sen	2.5 sen		
- FINAL	29	2.5 sen	2.5 sen		

STATEMENT OF CHANGES IN EQUITY for the financial year ended 30 June 2005

THE GROUP	NOTE	SHARE CAPITAL RM	SHARE PREMIUM RM	RETAINED PROFITS RM	DIVIDEND PROPOSED RM	TOTAL RM
Balance at 1.7.2003		28,120,928	2,804,631	11,969,628	1,012,354	43,907,541
Profit after taxation for the financial year		-	-	7,597,954	-	7,597,954
Dividends						
- paid	29	-	-	(1,406,047)	(1,012,354)	(2,418,401)
- proposed	29	-	-	(1,012,354)	1,012,354	-
Balance at 30.6.2004/1.7.2004		28,120,928	2,804,631	17,149,181	1,012,354	49,087,094
Profit after taxation for the financial year		-	-	9,387,872	-	9,387,872
Dividends						
- paid	29	-	-	(1,406,047)	(1,012,354)	(2,418,401)
- proposed	29	-	-	(1,012,354)	1,012,354	-
Balance at 30.6.2005		28,120,928	2,804,631	24,118,652	1,012,354	56,056,565

The retained profits of the Group are attributable to:-

	2005 RM	2004 RM
The Company	5,065,467	3,539,610
Subsidiary	19,053,185	13,609,571
	24,118,652	17,149,181

THE COMPANY	NOTE	SHARE CAPITAL RM	SHARE PREMIUM RM	RETAINED PROFITS RM	DIVIDEND PROPOSED RM	TOTAL RM
Balance at 1.7.2003		28,120,928	2,804,631	2,620,399	1,012,354	34,558,312
Profit after taxation for the financial year		-	-	3,337,612	-	3,337,612
Dividends						
- paid	29	-	-	(1,406,047)	(1,012,354)	(2,418,401)
- proposed	29	-	-	(1,012,354)	1,012,354	-
Balance at 30.6.2004/1.7.2004		28,120,928	2,804,631	3,539,610	1,012,354	35,477,523
Profit after taxation for the financial year		-	-	3,944,258	-	3,944,258
Dividends						
- paid	29	-	-	(1,406,047)	(1,012,354)	(2,418,401)
- proposed	29	-	-	(1,012,354)	1,012,354	-
Balance at 30.6.2005		28,120,928	2,804,631	5,065,467	1,012,354	37,003,380

CASH FLOW STATEMENTS for the financial year ended 30 June 2005

	NOTE	THE GROUP		THE COMPANY	
		2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		10,165,368	6,943,857	3,953,564	3,946,737
Adjustments for:-					
Amortisation of deferred income		(26,151)	(84,991)	-	-
Allowance for doubtful debts		1,051	150,725	-	-
Bad debts written off		2,055	11,733	-	-
Depreciation of property, plant and equipment		1,794,247	1,645,339	-	-
Development expenditure					
- amortisation		168,153	135,914	-	-
- written off		57,230	28,050	-	-
Unrealised loss on foreign exchange-trade		98,333	-	-	-
Unrealised gain on foreign exchange-trade		-	(10,896)	-	-
Interest income		(60,950)	(70,953)	-	-
Rental income		(138,600)	(149,400)	-	-
Operating profit before working capital changes		12,060,736	8,599,378	3,953,564	3,946,737
(Increase)/Decrease in inventories		(5,077,558)	1,984,189	-	-
Increase in trade and other receivables		(5,160,755)	(4,162,399)	-	-
Increase/(Decrease) in trade and other payables		3,502,189	(1,098,746)	11,400	(21,595)
CASH FROM OPERATIONS		5,324,612	5,322,422	3,964,964	3,925,142
Tax refund/(paid)		575,613	(502,500)	75,613	(624,722)
NET CASH FROM OPERATING ACTIVITIES CARRIED FORWARD		5,900,225	4,819,922	4,040,577	3,300,420

	NOTE	THE GROUP		THE COMPANY	
		2005 RM	2004 RM	2005 RM	2004 RM
NET CASH FROM OPERATING ACTIVITIES BROUGHT FORWARD		5,900,225	4,819,922	4,040,577	3,300,420
CASH FLOWS FOR INVESTING ACTIVITIES					
Interest received		60,950	70,953	-	-
Development expenditure paid		(15,309)	(48,728)	-	-
Purchase of property, plant and equipment		(5,442,055)	(960,700)	-	-
Rental received		138,600	149,400	-	-
NET CASH FOR INVESTING ACTIVITIES		(5,257,814)	(789,075)	-	-
CASH FLOWS FOR FINANCING ACTIVITIES					
Dividends paid		(2,418,401)	(2,418,401)	(2,418,401)	(2,418,401)
Government grant received		-	261,510	-	-
Net advances to subsidiary		-	-	(1,512,277)	(890,402)
NET CASH FOR FINANCING ACTIVITIES		(2,418,401)	(2,156,891)	(3,930,678)	(3,308,803)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,775,990)	1,873,956	109,899	(8,383)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		3,701,157	1,827,201	35,856	44,239
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	30	1,925,167	3,701,157	145,755	35,856

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	:	535B, Jalan Merdeka Melaka Raya, 75000 Melaka.
Principal place of business	:	No. 1, Jalan TTC 12 Cheng Industrial Estate 75250 Melaka.

The financial statements were authorised for issue by the Board of Directors on 11 October 2005.

2. 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.

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 defined guidelines that are established by the Board.

a. Foreign Currency Risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in currencies 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.

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 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.

4. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

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

a. Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary made up to 30 June 2005.

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.

Prior to the adoption of MASB 21, Business Combinations, the consolidation of the Group has been accounted for using the merger method of accounting. Under the merger method of accounting, the differences between the cost of acquisition and nominal value of the share capital and reserves of the subsidiaries are taken to merger reserves/(deficit). The accumulated merger deficit prior to the adoption of MASB 21, Business Combination has been set off against the retained earnings.

Upon the adoption of MASB 21, Business Combinations, which was applied prospectively, subsequent consolidation of subsidiary is accounted using the acquisition method of accounting.

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.

b. 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.

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.

c. Investments

The investment in subsidiary is held on a long term basis and is stated at cost less impairment at the end of the financial year if events or changes in circumstances indicate that its carrying value may not be recoverable.

6. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d. Property, Plant and Equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation, amortisation and impairment loss, if any. 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 other assets over their estimated useful lives. The principal annual rates used for this purpose are:

Long term leasehold land	Over the lease ranging from 92 to 99 years
Industrial buildings and installations	2% - 10%
Machinery and equipment	10% - 20%
Motor vehicles	10%
Office equipment	10%
Computer equipment	20%
Furniture and fittings	10%

e. 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.

f. Research and Development Expenditure

Research expenditure is recognised as an expense when incurred. Costs incurred on developing new pharmaceutical products or significant improvement to existing 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 in the income statement.

6. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

g. 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.

h. 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.

i. 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.

j. 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 substantially enacted at the balance sheet date.

Deferred tax is 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.

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.

k. Government Grants

Government grants are recognised at fair value when there is reasonable assurance that the Company will comply with the conditions attaching to them and the grants will be received. Grants related to purchase of assets are treated as deferred income and allocated to income statement over the useful lives of the related assets.

l. Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as liabilities when declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date but as an appropriation from retained earnings and treated as a separate component of equity. Upon the shareholders' approval of the proposed dividend, it will be accounted for as a liability.

6. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

m. 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.

n. 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 rates ruling as of that date. All exchange differences are taken to the income statement.

o. 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.

p. Employee Benefits

(i) Short term benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plans

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further liabilities in respect of the defined contribution plans.

(iii) Equity Compensation Benefits

The Company's Employees' Share Option Scheme ("ESOS") allows the Group's employees to acquire shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

q. 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.

7. INVESTMENT IN A SUBSIDIARY

	THE COMPANY	
	2005 RM	2004 RM
Unquoted shares, at cost	23,020,926	23,020,926

Name Of Company	Effective Equity Interest		Principal Activity
	2005	2004	
Kotra Pharma (M) Sdn. Bhd.	100%	100%	Manufacturing and trading of pharmaceutical and healthcare products.

8. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	NET BOOK VALUE AS AT		DEPRECIATION CHARGE	NET BOOK VALUE AS AT	
	1 JULY 2004 RM	ADDITIONS RM		30 JUNE 2005 RM	RM
Freehold land	809,984	-	-	809,984	
Long term leasehold land	1,828,905	2,878,872	(53,665)	4,654,112	
Industrial buildings and installations	12,175,941	630,740	(332,947)	12,473,734	
Machinery and equipment	6,523,557	1,749,317	(1,125,860)	7,147,014	
Motor vehicles	459,472	-	(111,296)	348,176	
Office equipment	154,561	29,065	(29,907)	153,719	
Computer equipment	273,043	89,039	(99,006)	263,076	
Furniture and fittings	219,544	65,022	(41,566)	243,000	
Total	22,445,007	5,442,055	(1,794,247)	26,092,815	

THE GROUP

AT 30 JUNE 2005	ACCUMULATED		NET BOOK VALUE RM
	AT COST RM	DEPRECIATION RM	
Freehold land	809,984	-	809,984
Long term leasehold land	4,891,684	(237,572)	4,654,112
Industrial buildings and installations	14,729,307	(2,255,573)	12,473,734
Machinery and equipment	13,109,978	(5,962,964)	7,147,014
Motor vehicles	1,386,796	(1,038,620)	348,176
Office equipment	437,064	(283,345)	153,719
Computer equipment	984,094	(721,018)	263,076
Furniture and fittings	646,526	(403,526)	243,000
Total	36,995,433	(10,902,618)	26,092,815

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

THE GROUP

AT 30 JUNE 2004	AT COST RM	ACCUMULATED DEPRECIATION RM	NET BOOK VALUE RM
Freehold land	809,984	-	809,984
Long term leasehold land	2,012,812	(183,907)	1,828,905
Industrial buildings and installations	14,098,567	(1,922,626)	12,175,941
Machinery and equipment	11,360,661	(4,837,104)	6,523,557
Motor vehicles	1,386,796	(927,324)	459,472
Office equipment	407,999	(253,438)	154,561
Computer equipment	895,055	(622,012)	273,043
Furniture and fittings	581,504	(361,960)	219,544
Total	31,553,378	(9,108,371)	22,445,007

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

	THE GROUP	
	2005 RM	2004 RM
At Cost:-		
Machinery and equipment	1,360,598	917,679
Motor vehicles	247,330	207,630
Office equipment	601,806	413,816
Furniture and fittings	210,011	126,889
	2,419,745	1,666,014

9. DEVELOPMENT EXPENDITURE

	THE GROUP	
	2005 RM	2004 RM
Cost	855,337	897,436
Accumulated amortisation	(415,550)	(247,575)
	439,787	649,861
	THE GROUP	
	2005 RM	2004 RM
Balance at 1 July 2004/2003	649,861	765,097
Additional development expenditure capitalised	15,309	48,728
Development expenditure written off	(57,230)	(28,050)
Amortisation charge for the year	(168,153)	(135,914)
Balance at 30 June	439,787	649,861

10. INVENTORIES

	THE GROUP	
	2005 RM	2004 RM
AT COST:-		
Raw materials	4,759,446	4,502,610
Work-in-progress	127,603	341,360
Finished goods	9,324,379	4,289,900
	14,211,428	9,133,870

None of the inventories are carried at net realisable value.

11. TRADE RECEIVABLES

	THE GROUP	
	2005 RM	2004 RM
Trade receivables	24,249,605	19,164,100
Allowance for doubtful debts		
Balance at 1 July 2004/2003	(268,480)	(137,198)
Allowance for the financial year	(1,051)	(150,725)
Written off	4,404	19,443
Balance at 30 June	(265,127)	(268,480)
	23,984,478	18,895,620

Included in trade receivables of the Group is an amount of RM251,404 (2004 - RM167,905) owing by a related party. The nature of related party relationships and details of the transactions involved are disclosed in Note 32 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:-

	2005 RM	2004 RM
United States Dollar	10,164,732	7,940,669
Singapore Dollar	829,286	52,693
	10,994,018	7,993,362

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP		THE COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Deposits		77,017	81,318	1,000
1,000				
Other receivables		55,440	41,248	--
Prepayments		67,490	106,923	--
	199,947	229,489	1,000	1,000

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 Nil (2004 - 3.9%) per annum and Nil (2004 - 281 days) respectively.

15. TRADE PAYABLES

Included in trade payables of the Group is an amount of RM11,062 (2004 - RM19,688) owing to a related party. The nature of related party relationships and details of the transactions involved are disclosed in Note 32 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:-

	2005 RM	2004 RM
Euro	1,481,146	781,298
United States Dollar	127,485	61,301
Indonesian Rupiah	170,049	292,243
Singapore Dollar	12,883	12,195
	1,791,563	1,147,037

16. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Accrued expenses	28,000	690,886	-	-
Other payables	1,527,701	1,550,220	33,996	22,596
Payroll liabilities	1,289,948	906,199	-	-
	2,845,649	3,147,305	33,996	22,596

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

17. SHARE CAPITAL

	2005	2004	2005	2004
	NUMBER OF SHARES		RM	RM
ORDINARY SHARES OF RM0.50 EACH:-				
AUTHORISED:	100,000,000	100,000,000	50,000,000	50,000,000
ISSUED AND FULLY PAID-UP:	56,241,856	56,241,856	28,120,928	28,120,928

An 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:-

- 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 amount to 11,248,371.
- 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.
- No option shall be granted for less than 100 ordinary shares or more than 2,812,075 ordinary shares to any individual eligible employee.
- 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 Bursa Malaysia Securities Berhad for the five trading days immediately preceding the offer date, or at par value of the shares of the Company, whichever is higher.
- 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.
- The ESOS is in force for a period of 10 years from 24 July 2003 and expires on 23 July 2013.

The movements in the share options during the financial year are as follows:

Date of Offer	Exercise period	Exercise price per ordinary share	Balance At 1.7.2004	← During the year →			Balance At 30.6.2005
				Granted	Exercised	Lapsed	
24.7.2003	24.7.2004	1.27	1,157,200	-	-	(55,600)	1,101,600
24.7.2003	24.7.2006	1.27	2,314,400	-	-	(111,200)	2,203,200
24.7.2003	24.7.2009	1.27	2,314,400	-	-	(111,200)	2,203,200
15.6.2004	15.6.2005	1.12	172,200	-	-	(17,000)	155,200
15.6.2004	15.6.2007	1.12	344,400	-	-	(34,000)	310,400
15.6.2004	15.6.2010	1.12	344,400	-	-	(34,000)	310,400
			6,647,000	-	-	(363,000)	6,284,000

Options exercisable in a particular year but not exercised can be carried forward to the subsequent years provided they are exercised prior to the expiry date of the ESOS on 23 July 2013.

18. 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.

19. 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.

20. DEFERRED INCOME

	THE GROUP	
	2005	2004
	RM	RM
Cost	261,510	261,510
Less: Deferred income recognised to date	(111,142)	(84,991)
	<u>150,368</u>	<u>176,519</u>
Balance at 1 July 2004/2003	176,519	261,510
Recognised as income during the year	(26,151)	(84,991)
Balance at 30 June	<u>150,368</u>	<u>176,519</u>

Deferred income relates to government grant received by the Company in respect of purchase of plant and equipment.

21. DEFERRED TAXATION

	THE GROUP	
	2005	2004
	RM	RM
Balance at 1 July 2004/2003	449,000	1,055,000
Transfer to income statement (Note 27)	755,000	(606,000)
Balance at 30 June	<u>1,204,000</u>	<u>449,000</u>

The deferred taxation arises as a result of:

Deferred tax liabilities

An excess of carrying value over tax base	1,967,000	1,690,000
Development expenditure capitalised	123,000	182,000
Gross deferred tax liabilities	<u>2,090,000</u>	<u>1,872,000</u>

Deferred tax assets

Unutilised capital and industrial building allowances	(178,000)	(799,000)
Unabsorbed tax losses	(514,000)	(548,000)
Other deferred tax assets	(194,000)	(76,000)
Gross deferred tax assets	<u>(886,000)</u>	<u>(1,423,000)</u>
Net deferred tax liability	<u>1,204,000</u>	<u>449,000</u>

22. NET TANGIBLE ASSETS PER SHARE

The net tangible assets per share of the Group is calculated based on the net tangible assets value of RM55,616,778 (2004 - RM48,437,233) attributable to ordinary shares divided by the number of ordinary shares in issue at the balance sheet date of 56,241,856 (2004 - 56,241,856) shares of RM0.50 each.

23. REVENUE

	THE GROUP		THE COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Sales of goods	59,704,875	47,974,708	-	-
Dividend income	-	-	4,000,000	4,000,000
Management fees	-	-	300,000	300,000
	59,704,875	47,974,708	4,300,000	4,300,000

24. OTHER OPERATING INCOME/(EXPENSES)

	THE GROUP		THE COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Included in other operating income/(expenses) are the following:				
Amortisation of deferred income	26,151	84,991	-	-
Gross dividend income from subsidiary	-	-	4,000,000	4,000,000
Interest income	60,950	70,953	-	-
Management fee received from subsidiary	-	-	300,000	300,000
Rental income	138,600	149,400	-	-
Allowance for doubtful debts	(1,051)	(150,725)	-	-
Audit fee	(34,000)	(34,000)	(6,000)	(6,000)
Bad debts written off	(2,055)	(11,733)	-	-
Depreciation of property, plant and equipment	(1,794,247)	(1,645,339)	-	-
Development expenditure				
- amortisation charge	(168,153)	(135,914)	-	-
- written off	(57,230)	(28,050))	-	-
(Loss)/Gain on foreign exchange				
- realised	(64,110)	(39,016)	-	-
- unrealised	(98,333)	10,896	-	-
Non-executive directors' fees (Note 26)	(117,000)	(114,096)	(117,000)	(114,096)
Rental expenses	(27,713)	(65,147)	-	-

25. STAFF COSTS

	THE GROUP		THE COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Salaries and wages	7,382,556	5,318,872	76,421	74,286
Bonus	575,970	196,936	4,426	4,526
Employees Provident Fund	787,851	665,014	9,184	9,495
Social Security Contribution	79,702	63,183	767	769
Other staff related expenses	913,083	1,180,312	1,020	1,737
	9,739,162	7,424,317	91,818	90,813

Included in the staff costs of the Group is remuneration paid to directors of the Group of RM1,044,440 (2004 - RM918,275) as further disclosed in Note 26 to the financial statements.

26. 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	
	2005 RM	2004 RM	2005 RM	2004 RM
Non-executive directors				
- fees	117,000	114,096	117,000	114,096
- salaries	-	-	-	-
- bonus	-	-	-	-
- Employees Provident Fund	-	-	-	-
- estimated money value of benefits-in-kind	5,700	5,700	5,700	5,700
- other emoluments	-	-	-	-
	122,700	119,796	122,700	119,796
Executive directors				
- salaries	806,960	728,000	-	-
- bonus	135,520	100,667	-	-
- Employees Provident Fund	89,640	78,408	-	-
- estimated money value of benefits-in-kind	11,630	11,630	-	-
- other emoluments	12,320	11,200	-	-
	1,056,070	929,905	-	-
	1,178,770	1,049,701	122,700	119,796

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	
	2005	2004	2005	2004
Non-executive directors				
Below RM50,000	5	5	5	5
Executive directors				
RM100,000 - RM150,000	-	1	-	-
RM150,001 - RM200,000	1	1	-	-
RM200,001 - RM250,000	2	1	-	-
RM250,001 - RM300,000	-	-	-	-
RM300,001 - RM350,000	-	-	-	-
RM350,001 - RM400,000	-	1	-	-
RM400,001 - RM450,000	1	-	-	-

27. TAXATION

	THE GROUP		THE COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Malaysian Income Tax:-				
- Current year	13,000	6,778	-	615,000
- Under/(Over)provision in prior years	9,496	(54,875)	9,306	(5,875)
	22,496	(48,097)	9,306	609,125
Deferred tax expenses (Note 21)				
- Relating to origination of temporary difference	629,000	24,000	-	-
- Under/(Over)provision in prior year	126,000	(630,000)	-	-
	755,000	(606,000)	-	-
Total tax expense	777,496	(654,097)	9,306	609,125

Subject to agreement with the tax authorities, the Group has unabsorbed tax losses of RM1,835,000 (2004 - RM1,957,000) and unutilised capital and industrial building allowances of RM635,000 (2004 - RM2,477,000) available at the balance sheet date to be carried forward for offset against future taxable business income.

Also, subject to agreement with the tax authorities, the Group has unutilised reinvestment allowance of RM2,797,000 (2004 - RM1,871,000) available at the balance sheet date to be carried forward for offset against future taxable business income.

The subsidiary's corporate tax rate on the first RM500,000 of chargeable income was reduced to 20%. The rate applicable to the balance of the chargeable income remained unchanged at 28%.

Tax savings during the year due to the utilisation of unabsorbed tax losses brought forward amounted to RM24,000 (2004 - RM27,000).

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

	THE GROUP		THE COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit before taxation for the year	10,165,368	6,943,857	3,953,564	3,946,737
Malaysian taxation at statutory rate	2,846,000	1,944,000	1,107,000	1,105,000
Tax effect of :-				
Amortisation of leasehold land and building	11,400	5,700	-	-
Depreciation on non-qualifying assets	32,600	27,000	-	-
Expenses disallowed for tax purposes	42,000	52,778	13,000	7,800
Double deduction incentives	(2,290,000)	(1,998,700)	-	-
Under/(Over)provision of deferred tax in prior year	126,000	(630,000)	-	-
Under/(Over)provision of Malaysian Income Tax in prior years	9,496	(54,875)	9,306	(5,875)
Tax exempt dividend	-	-	(1,120,000)	(497,800)
Current financial year's taxation charge	777,496	(654,097)	9,306	609,125

28. EARNINGS PER SHARE

The basic earnings per share for the financial year is arrived at by dividing the Group's profit after taxation of RM9,387,872 (2004 - RM7,597,954) by the weighted average number of ordinary shares of RM0.50 each in issue during the financial year of 56,241,856 (2004 - 56,241,856).

The diluted earnings per share is arrived at by dividing the Group's profit after taxation of RM9,387,872 (2004 - RM7,597,954) by the weighted average number of ordinary shares in issue during the financial year of 56,241,856 plus the number of dilutive potential ordinary shares of 415,134 (2004 - 88,470).

29. DIVIDENDS

	THE COMPANY	
	2005	2004
	RM	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
	2,418,401	2,418,401

30. CASH AND CASH EQUIVALENTS

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

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Fixed deposits with licensed banks	-	1,252,576	-	-
Cash and bank balances	1,925,167	2,448,581	145,755	35,856
	1,925,167	3,701,157	145,755	35,856

31. RELATED COMPANY TRANSACTION

	THE COMPANY	
	2005	2004
	RM	RM
Management fee received from subsidiary	300,000	300,000

32. RELATED PARTY TRANSACTIONS/BALANCES

Significant related party transactions are as follows:-

NAME OF RELATED PARTY	NATURE OF TRANSACTION	THE GROUP	
		2005 RM	2004 RM
Alaf Ekuiti Sdn. Bhd. (a)	Rental of premises	18,000	-
Appeton Laboratory Sdn. Bhd. (b)	Renting of premises as hostel for staff	6,000	6,000
Kwong Onn Tong Sdn. Bhd. (c)	Sales of goods	(448,783)	(590,395)
	Rental of premises	(13,200)	(13,200)
Thames Bioscience (M) Sdn. Bhd. (d)	Purchase of goods	121,530	91,181
	Rental of premises	(14,400)	(14,400)
Piong Nam Kim Holdings Sdn. Bhd. (e)	Dividends paid	1,263,113	1,263,113
Piong Nam Kim @ Piong Pak Kim	Renting of premises as hostel for staff	19,200	19,200

- (a) A company in which Piong Nam Kim @ Piong Pak Kim and Piong Teck Yen, who are directors of the Company, have direct interests.
- (b) A company in which Piong Nam Kim @ Piong Pak Kim, Piong Teck Min, Piong Teck Onn, Piong Teck Yen and Piong Teck They, who are directors of the Company, have direct interests.
- (c) A company in which Piong Teck They, who is an alternate director of the Company, has a direct interest.
- (d) A company in which Piong Nam Kim @ Piong Pak Kim and Piong Teck Onn, who are directors of the Company, have direct interests.
- (e) The holding company in which Piong Nam Kim @ Piong Pak Kim, Piong Teck Min, Piong Teck Onn, Piong Teck Yen and Piong Teck They, who are directors of the Company, 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.

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	
		2005 RM	2004 RM
Included in trade receivables (Note 11):-			
Kwong Onn Tong Sdn. Bhd.	Sales of goods	251,404	167,905
Included in trade payables (Note 15):-			
Thames Bioscience (M) Sdn. Bhd.	Purchase of goods	11,062	19,688

33. NUMBER OF EMPLOYEES

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
Number of employees (excluding directors) at the balance sheet date	452	314	2	2

34. CONTINGENT LIABILITIES

- a. Corporate guarantee given to a licensed bank for credit facilities granted to the subsidiary amounted to RM7,730,000 (2004 - RM7,730,000).
- b. 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. Since the end of the previous financial year until to-date, there is no new court hearing on this case. The directors are of the opinion that the claims are without basis and hence no provision has been made for in the financial statements.

35. CURRENCY

All amounts are stated in Ringgit Malaysia.

36. 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	
	2005 RM	2004 RM
Euro	4.593	4.641
United States Dollar	3.800	3.825
Indonesian Rupiah	0.039	0.040
Singapore Dollar	2.214	2.193

37. SEGMENTAL REPORTING

	THE GROUP	
	2005 RM	2004 RM
SALES REVENUE BY GEOGRAPHICAL MARKET:-		
Malaysia	38,666,883	31,590,715
Other countries in Asia Pacific	21,037,992	16,383,993
	59,704,875	47,974,708

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

38. 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 values 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 investment in subsidiary as this is excluded from MASB Standard 24 - Financial Instruments: Disclosure and Presentation.

39. COMPARATIVE FIGURES

During the current financial year, the Company changed its presentation of the income statement from function of expense method to nature of expense method. As such, the comparative income statement and certain comparative figures of the Company have been reclassified to conform with the current year's 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 2005 RM
H.S.(D) 35311 & H.S. (D) 35312. Lot Nos. PT4239 & PT 4240, Mukim of Cheng, District of Melaka Tengah, Malacca	Two joined 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	8 years	13,313,807
	Warehouse and production area	Warehouse and production area		6,613.00	5 years	
GPP 7972 & GPP 5156, Lot Nos. 43 & 45, Town Area III(3), District of Melaka Tengah, Malacca	Two plots of land with a 2½ storey office building, a store and a warehouse	2,252.10 sq.m./office, store & warehouse	Freehold	1,539.31	Office & Store - 13 years Warehouse - 9 years	1,422,482
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	30 to 34 years	356,000
H.S (D) 35316 & H.S (D) 35317. Lot Nos. PT 4244 & PT 4245, Mukim of Cheng, District of Melaka Tengah	Two plots of land	23,614 sq.m	Leasehold expiring on 15.8.2096	-	-	2,845,541
						17,937,830

SHAREHOLDING STATISTICS as at 30 September 2005

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	76	5.94	6,904	0.01
100 to 999 shares	99	7.73	40,300	0.07
1,000 to 4,999 shares	777	60.70	1,470,300	2.61
5,000 to 10,000 shares	173	13.52	1,238,300	2.20
10,001 to 100,000 shares	109	8.52	2,762,800	4.91
100,001 to 1,000,000 shares	40	3.13	12,026,778	21.39
Above 1,000,000 shares	6	0.46	38,696,474	68.81
Total	1,280	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. AMMB Nominees (Asing) Sdn. Bhd. - AMTrustee Berhad for Galleon Asset Ltd.	2,784,274	4.95
3. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad	2,012,300	3.58
4. Malaysian Technology Development Corporation Sdn. Bhd.	1,741,580	3.10
5. Malaysian Technology Venture Two Sdn. Bhd.	1,651,782	2.94
6. Chin Ai Mei	1,131,828	2.01
7. Tan Lian See	700,000	1.24
8. Platinum Essence Sdn. Bhd.	691,200	1.23
9. AMMB Nominees (Tempatan) Sdn. Bhd. - AMTrustee Berhad for Piong Nam Kim @ Piong Pak Kim	657,500	1.17
10. AMMB Nominees (Tempatan) Sdn. Bhd. - AMTrustee Berhad for Yong Soon Moi	657,400	1.17
11. AMMB Nominees (Tempatan) Sdn. Bhd. - AMTrustee Berhad for Piong Teck Min	580,100	1.03
12. AMMB Nominees (Tempatan) Sdn. Bhd. - AMTrustee Berhad for Lin Ah Lan	580,100	1.03
13. Ho Jonathan Lep Kee	550,000	0.98
14. Piong Nam Kim @ Piong Pak Kim	538,542	0.96
15. Lee Chow	513,300	0.91
16. Lin Ah Lan	428,300	0.76
17. Omar bin Md. Khir	420,600	0.75
18. Lembaga Tabung Amanah Warisan Negeri Terengganu	383,470	0.68
19. AMMB Nominees (Tempatan) Sdn. Bhd. - AMTrustee Berhad for Piong Teck They	367,400	0.65
20. Piong Teck Wah	322,100	0.57
Total	46,086,486	81.94

SHAREHOLDING STATISTICS as at 30 September 2005

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	1,651,782	2.94
3. Piong Nam Kim @ Piong Pak Kim**	1,196,042	2.13	29,374,710	52.23
4. Piong Teck Onn**	-	-	29,374,710	52.23
5. Piong Teck Min**	580,100	1.03	29,374,710	52.23
6. Piong Teck They**	505,994	0.90	29,374,710	52.23
7. Piong Teck Yen**	1,000	†	29,374,710	52.23
8. Yong Soon Moi**	855,942	1.52	29,374,710	52.23
9. 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	425,600	0.75	-	-
9. Piong Yew Peng	-	-	-	-
10. Tan Choo Jow	95,500	0.17	-	-

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.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of the Company will be held at Bunga Melati Room, Level 7, Renaissance Hotel Melaka, Jalan Bendahara, 75100 Melaka, on Tuesday, 22 November 2005 at 2.30 p.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 2005 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 2005. **RESOLUTION 2**
3. To approve the payment of Directors' fees amounting to RM117,000 for the year ended 30 June 2005. **RESOLUTION 3**
4. To re-elect the following Directors who retire by rotation in accordance with Article 106 of the Company's Articles of Association and being eligible offer themselves for re-election:-
 - (i) Chin Swee Chang **RESOLUTION 4**
 - (ii) Tan Choo Jow **RESOLUTION 5**
5. 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**
6. To re-appoint Messrs Horwath as auditors of the Company and to authorise the Directors to fix their remuneration. **RESOLUTION 8**

SPECIAL BUSINESS

7. To consider and if thought fit, to pass the following Ordinary Resolutions with or without modifications: -
 - a. **Ordinary Resolution 1- 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**
 - b. **Ordinary Resolution 2- Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature**

"That, subject always to the compliance with the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market, the Company and its subsidiary shall be mandated to enter into the category of recurrent related party transactions of a revenue or trading nature as specified in section 2.3.1 of the Circular to the shareholders of the Company dated 28 October 2005 ("the Circular") to be conducted with those related parties as specified in section 2.3 of the Circular (Shareholders' Mandate) subject to the following :-

 - (i) the recurrent related party transactions are carried out in the ordinary course of business and on terms not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders of the Company; and
 - (ii) disclosure is made in the annual report of the aggregate value of all the recurrent related party transactions conducted pursuant to the shareholders' mandate during the financial year in the manner required under the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market;

NOTICE OF ANNUAL GENERAL MEETING cont'd

THAT

the Shareholders' Mandate shall continue to be in force until:

- a. the conclusion of the next Annual General Meeting of the Company following this Annual General Meeting at which the ordinary resolution for the shareholders' mandate is passed, at which time it will lapse, unless a resolution passed at the next Annual General Meeting, whereby the authority is renewed;
- b. the expiration of the period within which the next Annual General Meeting after the date it is required to be held pursuant to Section 143 (1) of the Companies Act, 1965 (but shall not extend to such extensions as may be allowed pursuant to Section 143 (2) of the Companies Act, 1965); or
- c. revoked or varied by resolutions passed by the shareholders in a general meeting;

whichever is the earliest;

AND THAT

the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by the Shareholders' Mandate."

RESOLUTION 10

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 2005 will be payable on 20 December 2005 to depositors who are registered in the Record of Depositors at the close of business on 7 December 2005, if approved by members at the Sixth Annual General Meeting on 22 November 2005. A Depositor shall qualify for entitlement only in respect of: -

- a. shares transferred into Depositor's Securities Account before 4.00 p.m. on 7 December 2005 in respect of ordinary transfers; and
- b. shares bought on the MESDAQ Market on a cum entitlement basis according to the Listing Requirements of the Bursa Malaysia Securities Berhad 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 : 28 October 2005

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 535B Jalan Merdeka, Melaka Raya, 75000 Melaka, not less than 48 hours before the time for holding the meeting or any adjournment thereof.

EXPLANATION NOTES

Resolution 9

The proposed Ordinary Resolution No. 9 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.

Resolution 10

Please refer to the Circular to the shareholders of the Company dated 28 October 2005 which is despatched together with the Annual Report.

KOTRA INDUSTRIES BERHAD

(Company No. 497632-P)

Incorporated in Malaysia

PROXY FORM

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

of _____ (Full Address in Capital Letters)

being a member/members of Kotra Industries Berhad hereby appoint _____

_____ (Full Name in Capital Letters) NRIC No. _____

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 Sixth Annual General Meeting of the Company to be held at Bunga Melati Room, Level 7, Renaissance Hotel Melaka, Jalan Bendahara, 75100 Melaka, on Tuesday, 22 November 2005 at 2.30 p.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)

First Proxy _____ %

Second Proxy _____ %

No. of Shares Held

No.	Resolution	FOR	AGAINST
ORDINARY BUSINESS			
1.	To receive and adopt the Audited Financial Statement for the financial year ended 30 June 2005 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 2005.		
3.	To approve the payment of Directors' fees amounting to RM117,000 for the year ended 30 June 2005.		
4.	To re-elect Ms. Chin Swee Chang as Director.		
5.	To re-elect Mr. Tan Choo Jow as Director.		
6.	To re-appoint Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman who retires in accordance with Section 129 (6) of the Companies Act.		
7.	To re-appoint Piong Nam Kim @ Piong Pak Kim who retires in accordance with Section 129 (6) of the Companies Act.		
8.	To re-appoint Messrs Horwath as auditors of the Company and to authorise the Directors to fix their remuneration.		
SPECIAL BUSINESS			
9.	Authority pursuant to Section 132D of the Companies Act, 1965 for the Directors to issue shares.		
10.	Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature.		

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

Signed this _____ day of _____ 2005.

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.
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.
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4. The instrument appointing a proxy must be deposited at the Registered Office of the company at 535B Jalan Merdeka, Melaka Raya, 75000 Melaka, not less than 48 hours before the time for holding the meeting or any adjournment thereof.

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AFFIX STAMP

KOTRA INDUSTRIES BERHAD

535B Jalan Merdeka, Melaka Raya

75000 Melaka

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