

KOTRA INDUSTRIES BERHAD
(497632-P)



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ANNUAL REPORT

2007

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KOTRA INDUSTRIES BERHAD (497632-P)

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Contents

Corporate Information	2
Board of Directors	3
Directors' Profile	4
Chairman's Statement	10
Corporate Governance Statement	13
Statement on Internal Control	20
Report of the Audit Committee	22

Financial Statements

Directors' Report	26
Statement by Directors	33
Statutory Declaration	33
Report of the Auditors	34
Balance Sheets	35
Income Statements	37
Statements of Changes in Equity	38
Cash Flow Statements	39
Notes to the Financial Statements	41
List of Properties	71
Notice of Annual General Meeting	72

Shareholding Statistics

Analysis of Shareholdings and Substantial Shareholders	82
Directors' Shareholdings	83
30 Largest Shareholders	84
Form of Proxy	

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)
Datuk Piong Teck Yen <small>DMSM, DSM, PJK, JP</small>	(Executive Director)
Chin Swee Chang	(Executive Director)
Omar bin Md. Khir	(Independent Non-Executive Director)
P'ng Beng Hoe <small>BKT, PJK, JP</small>	(Independent Non-Executive Director)
Azhar bin Hussain	(Independent Non-Executive Director)
Tan Choo Jow <small>PPN</small>	(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

P'ng Beng Hoe BKT, PJK, JP (Chairman)
Azhar bin Hussain
Piong Teck Min

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 PPN (Chairman)
P'ng Beng Hoe BKT, PJK, JP
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
Main Board

BOARD OF DIRECTORS



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



Piong Nam Kim @ Piong Pak Kim



From left to right: Tan Choo Jow, Chin Swee Chang, Piong Teck Min, Piong Teck Onn, Datuk Piong Teck Yen, P'ng Beng Hoe, Omar bin Md. Khir

DIRECTORS' PROFILE

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

Age: 74.
Nationality: Malaysian.
Position on the Board: Independent Non-Executive Director, Chairman.

Date Appointed to the Board: 5 June 2000.

Qualifications

- Bachelor of Veterinary Science, Sydney University (1958).
- Certificate of Pathology, University of Queensland (1959).
- Doctor of Philosophy, Cambridge University (1966).
- Honorary Doctorates from the Universities of Sterling, Melbourne, Guelph, Bristol and Queensland and UTM, UKM, and UPM.

Occupation and Working Experience

- Began career as Veterinary Research Officer with Veterinary Research Institute, Ipoh in 1960.
- Promoted to Senior Research Officer before assuming the position of Deputy Director of Veterinary Research Institute in 1971.
- From 1972 to 1987, seconded to Universiti Pertanian Malaysia (now Universiti Putra Malaysia) as Professor of Animal Pathology and Founding Dean of Faculty of Veterinary Medicine and Animal Science, later became the Deputy Vice-Chancellor, Academic Affairs.
- Appointed Science Advisor in the Prime Minister's Department in 1984 and served until 2001.
- Served as Founding Chairman of Technology Park Malaysia Corporation, Founding Joint Chairman of the Malaysian Industry-Government Group for High Technology ("MIGHT"), Founding Chairman of Composite Technology ("Research") Malaysia Sdn. Bhd. ("CTRM") and of the Malaysian Technology Development Corporation ("MTDC").
- Founding and current Chairman, London-based Commonwealth Partnership for Technology Management Ltd. ("CPTM").
- Founding and Executive Chairman of Kumpulan Modal Perdana Sdn. Bhd. from 2001 to 2007.
- Current position: President and CEO, Malaysia University of Science and Technology ("MUST").

National and International Committees

- Served on national committees including MITI's Consultative Panel on Trade and Industry, National Council for Scientific Research and Development, National Development Planning Committee, National Information Technology Council, National Telecommunication Council and Malaysian Veterinary Council.

- Served on a number of international committees including United Nation's Council for Science and Technology for Development ("UNCSTD"), O.I.C. Ministerial Committee on Science and Technology Cooperation ("COMSTECH").
- Served as Joint Convener of the Langkawi International Smart Partnership Dialogues ("LID") and Chairman of the Joint-Executive Group for the Southern Africa International Dialogues ("SAID").

Membership of Associations and Academies

- Senior Fellow and First President, Academy of Sciences Malaysia.
- Board Member, Past President, Fellow and Advisor, Malaysian Scientific Association.
- Past President, Association of Veterinary Surgeons Malaysia.
- Fellow, Academy of Sciences for the Developing World ("TWAS").
- Founding Fellow, Islamic World Academy of Sciences.
- Honorary Fellow, National Academy of Science Republic of Kyrgyzstan.
- Past president, Science Council of Asia.
- Past President, Third World Network of Scientific Organisations, Asia Region.
- Current President, Federation of Asian Scientific Academies and Associations ("FASAs").

Awards

- JSM, JMN, DMSM, PSM.
- Asean Achievement Award (Science), 1993.
- Fook Ying Tung South-east Asia prize, 1998.
- Tun Abdul Razak Award (International Category), 2000.

Directorship of Other Public Companies

- Directorships in Encorp Berhad, Great Wall Plastic Industries Berhad, OSK Ventures International Berhad, Green Packet Berhad and BCT Technology Berhad.

Membership of Board Committees

- Chairman, Nomination and Remuneration Committee.

Securities Holdings in the Company and its Subsidiaries

- 4,840 shares directly.

Family Relationship with any Director and/or Major Shareholder

- None.

Conflict of Interest with the Company

- None.

List of Convictions for Offences within the past 10 years other than Traffic Offences

- None.

DIRECTORS' PROFILE

Piong Nam Kim @ Piong Pak Kim

Age: 75.
Nationality: Malaysian.

Position on the Board: Executive Director,
Deputy Chairman.

Date Appointed to the Board: 5 June 2000.

Occupation and Working Experience

- Before setting up Kwong Onn Tong Sdn. Bhd. ("KOT"), apprenticed in a Chinese drug store.
- Set up KOT in 1954, a company dealing in the wholesale of pharmaceutical products.
- Vast experience in Over The Counter ("OTC") sales and marketing gives him a unique role as advisor of the Group.
- With in-depth knowledge of and experience in the traditional Chinese medicine network throughout Malaysia, laid a solid foundation for the Group's formation in later years.

Membership of Associations and Academies

- Secretary, Melaka Chinese Druggist Association from 1962-1992.
- Honorary Permanent Advisor, Melaka Chinese Druggist Association since 1993.

Directorship of Other Public Companies

- None.

Membership of Board Committees

- None.

Securities Holdings in the Company and its Subsidiaries

- 2,631,292 shares directly.
- 64,624,362 shares indirectly.

Family Relationship with any Director and/or Major Shareholder

- Father of Piong Teck Min, Piong Teck Onn, Piong Teck They and Datuk Piong Teck Yen.

Conflict of Interest with the Company

- None.

List of Convictions for Offences within the past 10 years other than Traffic Offences

- None.

Piong Teck Onn

Age: 49.
Nationality: Malaysian.

Position on the Board: Managing Director.

Date Appointed to the Board: 5 June 2000.

Qualifications

- Bachelor of Science in Pharmacy, University of Wales, United Kingdom (1982).

Occupation and Working Experience

- Started career in retail and wholesale pharmaceutical business at City Chemist & Asia Pharmacy.
- In January 1984, started Kotra (M) Sdn. Bhd.'s (which subsequently changed its name to Kotra Pharma (M) Sdn. Bhd. ("KPM")) manufacturing department.
- By 1986, has had accumulated hands-on experience in most major aspects of pharmaceutical manufacturing from Research & Development ("R&D") to marketing.
- With continued involvement in upgrading Good Manufacturing Practice ("GMP") standards, developed in-depth knowledge of manufacturing technical aspects.
- Through his protracted effort over a period of 10 years (1985-1995), introduced many conventional dosage forms ranging from tablets, capsules, creams and ointments, wet and dry syrups and injectables, both aseptically and terminally filled.
- From 1997 onwards, has been involved in KPM's export sales and exploration of the full potential of pharmaceutical products in the international market place.
- As Managing Director, responsible for the Group's overall operations, business strategic directions and driving the Group's initiatives towards achieving its various set goals.

National and International Committees

- Current Chairman, ASEAN Pharmaceutical Industry Club ("APC").

Membership of Associations and Academies

- Executive Council Member and President of Malaysian Organisation of Pharmaceutical Industries ("MOPI").

Directorship of Other Public Companies

- None.

Membership of Board Committees

- Remuneration and Employees' Share Option Scheme ("ESOS") Committee.

Securities Holdings in the Company and its Subsidiaries

- 64,624,362 shares indirectly.

Family Relationship with any Director and/or Major Shareholder

- Son of Piong Nam Kim @ Piong Pak Kim, husband of Chin Swee Chang and brother of Piong Teck Min, Piong Teck They and Datuk Piong Teck Yen.

Conflict of Interest with the Company

- None.

List of Convictions for Offences within the past 10 years other than Traffic Offences

- None.

DIRECTORS' PROFILE

Piong Teck Min

Age: 55.
Nationality: Malaysian.

Position on the Board: Non-Independent
Non-Executive Director.

Date Appointed to the Board: 5 June 2000.

Qualifications

- Malaysian Certificate of Education (1970).

Occupation and Working Experience

- In 1970, involvement with the pharmaceutical industry began with KOT. Handled KOT's pharmaceutical wholesale business and was exposed to many complex facets of the business.
- After being in the business for 37 years, ventured independently into traditional medicine business and is currently Managing Director of Lonnix (M) Sdn. Bhd., specialising in a broad range of traditional medicine. Experience with intricacies of local pharmaceutical trade and networking with Malaysian wholesalers has clearly benefited the Group.

Membership of Associations and Academies

- Treasurer of Chinese Medicines Manufacturers Association of Malaysia.

Directorship of Other Public Companies

- None.

Membership of Board Committees

- Audit, Nomination and Remuneration Committee.

Securities Holdings in the Company and its Subsidiaries

- 1,276,220 shares directly.
- 64,624,362 shares indirectly.

Family Relationship with any Director and/or Major Shareholder

- Son of Piong Nam Kim @ Piong Pak Kim and brother of Piong Teck Onn, Piong Teck They and Datuk Piong Teck Yen.

Conflict of Interest with the Company

- None.

List of Convictions for Offences within the past 10 years other than Traffic Offences

- None.

Datuk Piong Teck Yen

Age: 40.
Nationality: Malaysian.

Position on the Board: Executive Director.

Date Appointed to the Board: 5 June 2000.

Qualifications

- Completed studies at Lewisham College, United Kingdom (1989).

Occupation and Working Experience

- Commenced work with KOT in 1989, responsible for the company's marketing and sales activities of the wholesale of pharmaceuticals. Became Sales Manager of KPM in November of the same year.
- Responsible for the marketing of KPM's Appeton range of products.
- Promoted to Marketing Manager in mid-1995 and was instrumental in formulating and implementing promotions aimed at creating brand awareness.
- Currently, Business Director and responsible for the development of overseas sales and marketing activities of the Group.

Membership of Associations and Academies

- None.

Awards

- DMSM, DSM, PJK, JP.

Directorship in Other Public Companies

- None.

Membership of Board Committees

- None.

Securities Holdings in the Company and its Subsidiaries

- 2,200 shares directly.
- 64,624,362 shares indirectly.

Family Relationship with any Director and/or Major Shareholder

- Son of Piong Nam Kim @ Piong Pak Kim and brother of Piong Teck Min, Piong Teck Onn and Piong Teck They.

Conflict of Interest with the Company

- None.

List of Convictions for Offences within the past 10 years other than Traffic Offences

- None.

DIRECTORS' PROFILE

Omar bin Md. Khir

Age: 70.
Nationality: Malaysian.
Position on the Board: Independent Non-Executive Director.
Date Appointed to the Board: 5 June 2000.

Qualifications

- Cambridge School Certificate (1955).
- Estate Management Course sponsored by MARA (formerly RIDA) (1956 to 1957).

Occupation and Working Experience

- Assistant Estate Manager with SOCFIN in 1958. Devoted attention to various rubber and oil palm estates. Promoted to Acting Manager in 1973.
- Had a 4 years working experience in Human Resource Management and Public Relations from 1977 to 1981.
- When he retired from the company in 1992, as Manager 1 (Senior Group Manager), he was in charge of approximately 10,000 acres of rubber and oil palm estates in Batang Berjuntai, Selangor.

Membership of Associations and Academies

- Committee member, Malaysian Employers Federation (1978 to 1981).
- Member, Employers Panel in the Industrial Court (1980 to 1981).
- Chairman, Selangor State Malaysian Agriculture Producers Association Advisory Panel (1987 to 1990).
- Chairman, Selangor Planters Association (1988 to 1989).
- Council Member of Zoo Negara (1993-1997).

Directorship of Other Public Companies

- None.

Membership of Board Committees

- Nomination and Remuneration Committee.

Securities Holdings in the Company and its Subsidiaries

- 1,089,560 shares directly.

Family Relationship with any Director and/or Major Shareholder

- None.

Conflict of Interest with the Company

- None.

List of Convictions for Offences within the past 10 years other than Traffic Offences

- None.

Chin Swee Chang

Age: 50.
Nationality: Malaysian.
Position on the Board: Executive Director.
Date Appointed to the Board: 5 June 2000.

Qualifications

- Bachelor of Science (Hons) in Data Processing, University of Leeds, United Kingdom (1982).

Occupation and Working Experience

- Started career in 1982 as Programmer with Systems Automation Sdn. Bhd. which specializes in customized insurance software. Was involved in development, implementation, user-training and maintenance of insurance software sub-systems.
- In 1984, joined Eastern Systems Design Sdn. Bhd., a computer vendor company in hardware, peripherals and application packages.
- As an Analyst Programmer, was responsible in development and maintenance of General Accounting, Insurance Broking, Hire Purchase/Leasing software.
- In 1987, worked in Robert Bosch (South East Asia) Pte. Ltd. heading the Electronic Data Processing Department and was responsible for users support system coordination; coordination/liaison of system information with regional office and headquarters in Germany. A dial-up connection was set-up for this need.
- Helped to coordinate, convert, transfer data and system migration from Nixdorf to IBM AS/400 system in 1991.
- Joined KPM in 1993 as IT Manager overseeing computerisation of the business from a stand-alone personal computer (PC) environment to a local area network environment.
- In 1997, coordinated and implemented a new, fully integrated Symix MRP (US) package on PROGRESS database platform.
- In 2001, set-up an in-house IT team to support the growing number of users and computer systems. Since then, Symix system has gone through two rounds of upgrades and currently, Syteline MRP has been converted to SQL database.
- Has been serving as Executive Director of the Group since 2000 and currently oversees the Administration, IT and Ordering Departments to ensure the smooth running of and improvement in their operations.

Directorship of Other Public Companies

- None.

Membership on Board Committees

- None.

Securities Holdings in the Company and its Subsidiaries

- 64,624,362 shares indirectly.

Family Relationship with any Director and/or Major Shareholder

- Wife of Piong Teck Onn, daughter-in-law of Piong Nam Kim @ Piong Pak Kim and sister-in-law of Piong Teck Min, Piong Teck They and Datuk Piong Teck Yen.

Conflict of Interest with the Company

- None.

List of Convictions for Offences within the past 10 years other than Traffic Offences

- None.

DIRECTORS' PROFILE

Tan Choo Jow

Age: 64.
Nationality: Malaysian.

Position on the Board: Independent
Non-Executive Director.

Date Appointed to the Board: 5 June 2000.

Qualifications

- Bachelor of Pharmacy, University of Singapore (1966).

Working Experience and Occupation

- Registered with Pharmacy Board in 1967.
- From 1970 to 1987, Marketing Manager with Malayan Pharmaceutical Sdn. Bhd. Later as Manager in charge of marketing and manufacturing at Atlantic Laboratory Sdn. Bhd.
- From 1990 until retirement in 1998, served as Production Pharmacist for Dumex Malaysia Sdn. Bhd.
- Involved in the writing of the Pharmaceutical Industries Chapter of Third Industrial Masterplan for Malaysia.

Membership of Associations and Academies

- President of Malaysian Pharmaceutical Society ("MPS") for about 20 years until 1995.
- During his tenure, appointed as Examiner in Forensic Pharmacy for the Pharmacy Board and External Examiners in Forensic Pharmacy for Universiti Sains Malaysia until retirement.
- Vice President of the Federation of Asian Pharmaceutical Association from 1994 until 2002 and today remains an Honorary Bureau member.
- Founder President of the Malaysian Pharmaceutical Trade and Manufacturers Association (now "PhAMA").
- For about 20 years till 1996, a member of the Pharmacy Board and a member of the Poisons Board of the Ministry of Health.
- Upon his retirement from the Presidency of the Society, bestowed the honour of Fellow of the Malaysian Pharmaceutical Society ("FMPS"). Currently the Consultant of the Malaysian Organisation of Pharmaceutical Industries ("MOPI"), a position he had held for many years. Since 2005, he has been a Chartered Audit Committee Director ("CACD") in the Institute of Internal Auditors of Malaysia ("IIAM").

Awards

- PPN.

Directorship of Other Public Companies

- None.

Membership of Board Committees

- Chairman, ESOS Committee.

Securities Holdings in the Company and its Subsidiaries

- 241,900 shares directly.

Family Relationship with any Director and/or Major Shareholder

- None.

Conflict of Interest with the Company

- None.

List of Convictions for Offences within the past 10 years other than Traffic Offences

- None.

P'ng Beng Hoe

Age: 62.
Nationality: Malaysian.

Position on the Board: Independent
Non-Executive Director.

Date Appointed to the Board: 22 August 2007.

Qualifications

- Chartered Accountant.

Occupation and Working Experience

- Has had more than 30 years in the accounting practice.
- Former partner of PricewaterhouseCoopers.
- As Chartered Accountant, accumulated extensive experience in audit, taxation, public listing of companies, management consultancy, corporate restructuring for a wide range of industrial and commercial companies in the public and private sectors including multinational corporations and government corporate bodies.

Membership of Associations and Academies

- Member, Institute of Chartered Accountants, Australia.
- Member, CPA Australia.
- Member, Malaysian Institute of Accountants.
- Member, Malaysian Institute of Certified Public Accountants.

Awards

- BKT, PJK, JP.

Directorship of Other Public Companies

- None.

Membership of Board Committees

- Chairman, Audit Committee.
- ESOS Committee.

Securities Holdings in the Company and its Subsidiaries

- None.

Family Relationship with any Director and/or Major Shareholder

- None.

Conflict of Interest with the Company

- None.

List of Convictions for Offences within the past 10 years other than Traffic Offences

- None.

DIRECTORS' PROFILE

Azhar bin Hussain

Age: 54.
Nationality: Malaysian.

Position on the Board: Independent Non-Executive Director.

Date Appointed to the Board: 12 November 2007.

Qualifications

- Bachelor of Science in Pharmacy, University of Wales, United Kingdom (1976).

Occupation and Working Experience

- Joined Glaxo Malaysia in 1976 as a House Pharmacist.
- In the following year, managed the production unit as a Production Executive before being promoted to Assistant Manager in 1981 and subsequently managing inventory management, production planning, cGMP compliance and overall plant manufacturing in 1983 as the Production Manager.
- In 1989, assumed the position of Technical Manager and posted to Glaxo Pakistan for 6 months.
- Promoted to Technical Director in 1993.
- Member of Glaxo Malaysia Board of Directors in the same year.
- Executive Director of Intercircle Holdings Sdn. Bhd. for a year.
- From 1994 – 2003 as Managing Director of Pharmaniaga Manufacturing Bhd. and later as Executive Director of Pharmaniaga Bhd.
- Managing Director of Pharmaniaga Bhd. from 2003 – 2006.
- From January – August 2007, as Senior Director for the development and long term strategy for Pharmaceuticals and Biotechnology (including herbals) businesses for UEM Group.

Membership of Associations and Academies

- Former President of MOPI.
- Associate Member of the Harvard Business School Alumni Club of Malaysia.
- Member of Malaysia Pharmaceutical Society.

Directorship of Other Public Companies

- None.

Membership of Board Committees

- Audit Committee.

Securities Holdings in the Company and its Subsidiaries

- None.

Family Relationship with any Director and/or Major Shareholder

- None.

Conflict of Interest with the Company

- None.

List of Convictions for Offences within the past 10 years other than Traffic Offences

- None.

Piong Teck They

Age: 48.
Nationality: Malaysian.

Position on the Board: Alternate Director to Piong Nam Kim @ Piong Pak Kim.

Date Appointed to the Board: 5 June 2000.

Qualifications

- Malaysian Certificate of Education .

Occupation and Working Experience

- Joined KOT in 1977 and handled the company's wholesale business and has been a part of the Group's various business evolution stages.
- Currently runs the business of KOT and contributes to the Group his vast experience and network in the pharmaceutical industry.

Directorship of Other Public Companies

- None.

Membership of Board Committees

- None.

Securities Holdings in the Company and its Subsidiaries

- 1,113,186 shares directly.
- 64,624,362 shares indirectly.

Family Relationship with any Director and/or Major Shareholder

- Son of Piong Nam Kim @ Piong Pak Kim and brother of Piong Teck Min, Piong Teck Onn and Datuk Piong Teck Yen.

Conflict of Interest with the Company

- None.

List of Convictions for Offences within the past 10 years other than Traffic Offences

- None.

CHAIRMAN'S STATEMENT



Dear Shareholders

On behalf of the Board of Directors, it gives me great pleasure in presenting to you, our esteemed shareholders, the Company's Annual Report and Financial Statements for the Financial Year ended 30 June 2007.

CORPORATE DEVELOPMENT

I should first mention a very important corporate exercise undertaken by the Company ("KOTRA") during this financial year. On 9 October 2006, OSK Investment Bank Berhad (*formerly known as OSK Securities Berhad*) announced on behalf of the Board, that the Company proposes to undertake a bonus issue of up to 80,988,272 Shares of RM0.50 each in KOTRA ("Bonus Shares") on the basis of six (6) Bonus Shares for every five (5) existing KOTRA Shares held and a transfer of the listing of and quotation for the entire enlarged issued and paid-up share capital of KOTRA from the MESDAQ Market to the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities"). By 10 July 2007, the Company had successfully completed its transfer to the Main Board.

The listing of KOTRA's shares on the Main Board is expected to provide the Company an added measure of attractiveness to investors and will serve to enhance the profile of the Company and boost the confidence of the Group's customers, suppliers and bankers.

THE ECONOMY AND INDUSTRY UPDATE

The country's economy expanded by 5.8% in 2006 and 5.7% in the second quarter of 2007 despite formidable challenges posed by the global environment. Our country's resilience to such challenges is largely attributable to the strong domestic demand that grew at the rate of 10.8%.

As for the Malaysian pharmaceutical industry, it continues to show a robust growth at an estimated rate of 10% - 12% per annum over the last few years and generating revenue of approximately RM600 million in 2006. This amount however accounts for only 20%-30% of the total domestic pharmaceutical market; the balance is being met by imported drugs. This goes to show the potential for local manufacturers to increase their market shares.

The Malaysian pharmaceutical market can be divided into Prescription Drugs as well as OTC products such as health/food supplements. Sales from the OTC products have been the Group's main source of income. OTC healthcare in Malaysia is still very much in a growing phase and steady growth was largely driven by rising health-consciousness among consumers and greater willingness to self-medicate due to the rising cost of healthcare services.

CHAIRMAN'S STATEMENT

REVIEW ON FINANCIAL PERFORMANCE

2006 was a challenging year for the Group. In addition to difficulties arising from the rising costs of raw materials, some of our markets in ASEAN have undergone political and economic developments that resulted in high inflation and thus a significant contraction of spending power.

Despite the above, the Group has recorded an increase in turnover from RM68.9 million in the previous year to RM83.2 million for the financial year under review. The 20.7% increase in turnover was attributed mainly to the strong performance of our local market sales for both the OTC range as well as the prescription drugs range.

The Group however registered a slight decrease in pre-tax profit of RM9.1 million during the financial year compared to RM9.3 million in the previous year. The decrease was mainly due to a higher allocation for advertising and promotional expenditure and the recruitment of high level marketing managers and expatriate R&D personnel, which is part of the Company's long-term strategy to become a centre of excellence for marketing and R&D. Profit after tax for the financial year was RM9.6 million, representing a 13.8% return on average shareholders' funds. The Group's earnings per share for the financial year ended 30 June 2007 stood at 17.07 sen.

OPERATIONAL UPDATES

Domestic Sales

This financial year saw a remarkable growth in our local market sales over the previous year, increasing from RM45.7 million to RM56.1 million or 22.8% growth. This was mainly due to the Company's focus on strengthening its marketing and branding efforts, the introduction of new products and the resilience of the local economy which continued to post another year of robust growth.

Also, the Appeton brand of our health supplement range was recognised and awarded the co-winner of Gold Trusted Brand status (vitamins/ health supplements category) by Readers Digest Trusted Brands Award, standing side by side with Amway's Nutrilite which has been the winner of this award for the past three (3) years.

This recognition is supported by the AC Nielsen Retail Audit for 2007 where Appeton brand is the leader in market share for Children's health supplement range (non-fish oil category).

Besides our OTC range, there is a growing acceptance of the Group's prescription drugs, which has grown by 22.3% in sales compared to the previous financial year.

Export Sales

The developments of the economic and political climate in some of our neighbouring countries have had an impact on the Group's established network of markets in ASEAN. Some of the trade barriers implemented in those countries have slowed down our export to these countries.

In spite of the challenges, the Group's export sales have grown from previous financial year of RM23.2 million to RM27.1 million. This accounts for 32.6% of the Group's total sales revenue. The growth of 16.8% comes mainly from our OTC range where we are reaping the benefits of our past investment in our marketing and brand building efforts. Besides that, in this financial year, we have successfully penetrated into the African continent with our sales to Ghana and Somalia.

DIVIDENDS

A final tax exempt dividend of 1.0 sen per ordinary share in respect of financial year ended 30 June 2006 amounting to RM562,419 was paid by the Company on 23 January 2007.

The various development plans the Group has undertaken to sustain its continuous long-term growth require the Group to exercise prudence in its expenditures and investments. Consequently, there was no interim dividend declared in this financial year.

Nevertheless, the Board is pleased to recommend for the approval of the shareholders at the forthcoming Annual General Meeting ("AGM") a final dividend of 0.7 sen per ordinary share less 26% tax amounting to RM640, 989 for this financial year.

CORPORATE SOCIAL RESPONSIBILITY

The Group fully subscribes to the push by the Government towards a more comprehensive Corporate Social Responsibility (“CSR”) culture, focusing on the triple bottom line of good economic performance, good social practices and good environmental practices. The Group is in the process of developing CSR programs and practices keeping the five focal areas of environmental, work place, community, market place and government policies.

In the year under review, our CSR efforts have been mainly in the area of philanthropy namely our donations of more than RM300,000 worth of medicinal products to the Yogyakarta earthquake victims in 2006, and again in 2007, we have donated a similar amount of medicinal products to the Malaysian Red Crescent Society for the Johor flood victims.

As a responsible corporate citizen, ongoing donations are made to various communities and charity-based organizations, be it in cash or in kind.

FUTURE PROSPECTS

The country’s healthcare sector comprising medical and pharmaceutical industries is an important economic sector for Malaysia.

The various initiatives to strengthen the healthcare sector under the Ninth Malaysian Plan will undoubtedly contribute to its robust growth. Coupled with the country’s sound growth in the last few years and boosted by rising healthcare expectations and economic affluence, the demand for health supplements and prescription drugs is expected to rise favorably, thus promoting a healthy growth in the near future.

Business Wire

CORPORATE GOVERNANCE STATEMENT

Our approach to governance is predicated on the belief that good corporate governance and building sustainable increase in value for shareholders are inter-related.

The Board's policy is thus to achieve best practices in our standards of business integrity for all our operations. This includes a commitment to maintaining a high standard of corporate governance throughout the Group and complying with the recommended Best Practices stipulated by the Malaysian Code on Corporate Governance (the "Code") in a practicable manner.

A. DIRECTORS

1. Board Responsibilities

The Board considers that the Executive and Non-Executive Directors together have the range of skills, knowledge and experience necessary to govern the Group. The Board brings in additional perspectives to the Group's strategic directions through the cumulative experience of the Board's members as well as an understanding of the business of the Group.

The Board's principal focus is the overall strategic direction, development and effective control of the Group's business. In support of this, the Board also approves the Group's strategic plans, annual budget, interim results, capital expenditure and investment plans, related party transactions and the Group's overall system of internal controls. In addition, the Board also monitors the Group's operating and financial performance.

2. Board Balance

As at the date of this statement, the Board consists of ten (10) members comprising the following:

- Five (5) Independent Non-Executive Directors (including Chairman)
- One (1) Non-Independent Non-Executive Director
- Four (4) Executive Directors

There is a clear division of responsibilities between the Chairman and the Managing Director which has been approved by the Board. Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman, the Chairman is responsible for leadership of the Board, setting its agenda and monitoring its effectiveness. He ensures effective communication with shareholders and that the Board is aware of the views of major shareholders. He facilitates both the contribution of the Non-Executive Directors and constructive relations between the Executive and Non-Executive Directors. Mr. Piong Teck Onn, the Managing Director is responsible for formulating the Group's strategy and its execution once approved by the Board as well as the day to day operations of the Group. He creates the framework for the Group's values, is responsible for the delivery of key targets and delegates operational responsibilities to the management team.

The Board considers that an appropriate balance between Executive and Non-Executive Directors is necessary to promote shareholders' interests and govern the Group effectively. It is committed to ensuring a majority of Directors are independent from the management, thus facilitating an effective functioning Board. As individuals who are respectable and of high integrity, the Board members are independent and objective in their decision making process within the Board thus 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.

CORPORATE GOVERNANCE STATEMENT

3. Board Meetings

Board meetings are held at quarterly intervals with additional meetings convened for specific agenda, when necessary. During the financial year ended 30 June 2007, the Board met five (5) times to deliberate and consider a variety of matters including the Group's transfer to Main Board, Bursa Securities, financial results, business plans and 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 2007					TOTAL
		AUG'06	OCT'06	NOV'06	FEB'07	MAY'07	
1. Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman	Independent Non-Executive Chairman	✓	✓	✓	✓	✓	5
2. Piong Nam Kim @ Piong Pak Kim	Deputy Chairman - Executive	✓		✓	✓		3
3. Piong Teck Onn	Managing Director	✓	✓	✓	✓	✓	5
4. Piong Teck Yen DSM, PJK, JP	Executive Director	✓	✓	✓	✓	✓	5
5. Chin Swee Chang	Executive Director	✓	✓	✓	✓	✓	5
6. Piong Teck Min	Non-Executive Director	✓	✓	✓	✓	✓	5
7. Omar bin Md. Khir	Independent Non-Executive Director	✓	✓	✓	✓	✓	5
8. Piong Yew Peng (Resigned on 22.08.2007)	Independent Non-Executive Director & Chairman of Audit Committee	✓		✓	✓	✓	4
9. Tan Choo Jow PPN	Independent Non-Executive Director	✓	✓	✓	✓	✓	5
10. Piong Teck They	Alternate Director to Piong Nam Kim @ Piong Pak Kim		✓			✓	2
Total Attendance		9	8	9	9	9	

Directors have comprehensive and timely access to information concerning the Company and the Group. Notice is given of Board meetings, and Board papers with supporting documents and information covering Group performance and major operational, financial and corporate information, are distributed to the Directors in advance of Board Meetings to ensure that Directors have sufficient time to study them and be prepared for discussion. Minutes of Meetings are maintained and circulated to Directors. Directors may request further explanation, where necessary, in order to be properly briefed before the meeting.

The Board has also put in place a procedure to be adhered to for any Director who wishes 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. Besides this, the Directors have access to advice and services of the Company Secretary and the senior management staff of the Group.

CORPORATE GOVERNANCE STATEMENT

2. Remuneration Committee

The Remuneration Committee is responsible for maintaining the attractiveness of the remuneration for Directors of the Group besides ensuring that the calibre needed to run the Group continues to be retained.

In discharging their duties, the Remuneration Committee reviews and recommends to the Board an appropriate and competitive framework of remuneration for the Board. In setting remuneration packages, it will take into account the Group's performance and the performance of individual Directors. The Board, with the Remuneration Committee's input, periodically reviews the Company's remuneration policy to ensure that it is in line with market practices.

The Remuneration Committee met once during the year. Committee members did not participate in the discussion of their individual remuneration.

The Non-Executive Directors are provided with annual directors' fees, which are approved by the shareholders at the AGM based on the recommendation of the Board. They are also provided an allowance as reimbursement of travelling expenses each time they attend a Board Meeting.

The breakdown of the remuneration of the Directors during the financial year is presented on pages 62 to 63 of this Annual Report.

C. INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

The Group recognises the importance of effective communication with shareholders and the investment community, and adheres strictly to the disclosure requirements of Bursa Securities.

Quarterly reports on the Group's results and announcements can be assessed from the Bursa Securities' website. In addition, the Group's annual report contains a review of its financial and operation performance.

The AGM is the principal forum for dialogue with shareholders. Shareholders are notified of the meeting and provided with a copy of the Annual Report 21 days before the meeting. At the AGM, the Managing Director presents the progress and performance of the Group and provides opportunity to shareholders to raise questions pertaining to the business activities of the Group. All Directors are available to respond to questions from shareholders during these meetings. The external auditors are also present to provide professional and independent clarification on issues and concerns raised by the shareholders.

The Board also recognises the need for full, equal and timely disclosure to all shareholders, as prescribed by the Listing Requirements of Bursa Securities. Apart from annual and interim reports, it uses a broad range of communication channels, including the print, media and the KOTRA website, www.kotrapharma.com to achieve this. In addition, the Group has a Corporate Affairs department responsible for ensuring appropriate communication with shareholders and the investment community. The Board has also appointed Mr. P'ng Beng Hoe as the Independent Non-Executive Director to whom concerns of shareholders' may be conveyed via the Company Secretary.

D. ACCOUNTABILITY & AUDIT

1. Financial Reporting

In presenting the annual financial statements and quarterly announcements of results to the shareholders, the Board aims to present a balanced and understandable assessment of the Group's position and prospects.

Before the financial statements were drawn up, the Directors have taken the necessary steps to ensure that the Group had used all the applicable accounting policies consistently, and that the policies are supported by reasonable and prudent judgements and estimates. All accounting standards, which the Board considers to be applicable, have been followed, subject to any explanations for material departures disclosed in the notes to the financial statements.

The role of the Audit Committee in the review and reporting of the financial information of the Group is outlined in the Report of the Audit Committee in the Annual Report.

CORPORATE GOVERNANCE STATEMENT

2. Internal Control

The information on the Group's internal control is presented in the Statement on Internal Control in the Annual Report.

3. Relationship with External Auditors

The Board has established transparent and appropriate relationship with the external auditors through the Audit Committee. The Audit Committee has always maintained a professional relationship with the external auditors.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 to prepare financial statements for each year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of their results and cash flows for the financial year then ended.

In preparing these financial statements, the Directors have:

- adopted suitable accounting policies and applying them consistently;
- made judgments and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and of the Company and to prevent and detect fraud and other irregularities.

CORPORATE GOVERNANCE STATEMENT

3. Options, Warrants or Convertible Securities

During the financial year, a total of 5,000 shares were exercised under the Employees' Share Option Scheme.

The Group did not receive any of its preferred rights and equipment during the financial year.

4. Sanctions and/or Penalties Imposed

The Company is not aware of any sanctions/penalties imposed on the Company, its subsidiary, Directors or management by the relevant regulatory bodies that have been made public.

5. Non-audit Fees Paid to External Auditors

During the financial year ended 30 June 2007, non-audit fee paid to external auditors amounted to RM56,500.

6. Variation in Results

There was no significant variance between the results for the financial year ended 30 June 2007 as per the audited financial statements and the unaudited results previously announced. The Group did not make any release on profit estimate, forecast or projections for the financial year.

7. Profit Guarantee

9. Profit Guarantee

No profit guarantee was given by the Group in respect of the financial year.

8. Material Contracts Involving Directors' and Major Shareholders' Interest

Other than RRPT of a revenue in nature as disclosed in paragraph 1 above, there were no material contracts entered into by the Company and its subsidiary involving Directors' and major shareholders. There were no material contracts entered into by the Company and its subsidiary involving Directors' and major shareholders in the financial year ended 30 June 2007.

revised in the financial year

STATEMENT ON INTERNAL CONTROL

A. INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. Paragraph 15.27(b) of the Listing Requirements of Bursa Securities requires the Board of Directors of public listed companies to include in its annual report a "statement about the state of internal control of the listed issuer as a Group".

The Board is committed to maintaining a sound system of internal control in the Group and presents the following statement, which outlines the nature and scope of internal control prevailing in the Group during the financial year under review.

B. BOARD RESPONSIBILITY

The Board affirms its ultimate responsibility for the Group's system of internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. In view of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control covers financial, operational and compliance controls as well as risk management procedures.

Following the publication of the Statement on Internal Control: Guidance for Directors of Public Listed Companies (the "Internal Control Guidance"), the Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. This process accords with the Internal Control Guidance.

1. Risk management framework

During the financial year ended 30 June 2007, the Board appointed a firm of consultants to assist in establishing a risk management framework for the Group. Besides strengthening the risk management functions, the Enterprise Risk Management project was carried out to sensitise all employees within the Group to risk identification, evaluation, control, ongoing monitoring and reporting.

The formalisation of the enterprise-wide risk management framework encompassed the following key elements:

- The issuance of a Risk Management Policy and Procedure document, which outlined the risk management framework for the Group and offered practical guidance to all employees on risk management issues;
- Workshops and interviews were conducted with Directors and operational managers from the major business units in the Group. A database of all principal business risks and controls has been created, with the information filtered to produce a detailed risk register, and individual risk profiles for the major business units in the Group. Key risks to each major business unit's objectives, aligned with the Group's strategic objectives, were identified and scored for likelihood of the risks occurring and magnitude of the impact;
- A risk profile of the Group was developed which together with a summary of the key findings, was discussed in the Audit Committee before being presented to the Board for consideration;
- Key Management Personnel in each major business unit has been entrusted to prepare action plans, according to agreed implementation time scales, to address any risk and control issues; and
- Periodic cycles of internal audit review to be carried out by an independent firm of consultants which highlight areas of concern, including improvement opportunities for Management to strengthen the Group's system of internal control.

REPORT OF THE AUDIT COMMITTEE

The Board is pleased to issue the following report on the Audit Committee and its activities during the financial year ended 30 June 2007.

A. COMPOSITION AND DESIGNATION OF AUDIT COMMITTEE

The Audit Committee comprises three (3) members, two 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 consist of:

1. Piong Yew Peng (Chairman) – Independent Non-Executive Director
2. Tan Choo Jow PPN – Independent Non-Executive Director
3. Piong Teck Yen DSM, PJK, JP – Executive Director

B. AUDIT COMMITTEE ATTENDANCE RECORD

A total of 5 meetings were held during the financial year under review. The status and attendance record of each of the members during the year, are as follows:

DIRECTOR	POSITION	ATTENDANCE AT AUDIT COMMITTEE MEETINGS 2007					TOTAL
		AUG'06	NOV'06	FEB'07	MAY'07	MAY'07	
1. Piong Yew Peng	Independent Non-Executive Director & Chairman of Audit Committee	✓	✓	✓	✓	✓	5
2. Tan Choo Jow PPN	Independent Non-Executive Director	✓	✓	✓	✓	✓	5
3. Piong Teck Yen DSM, PJK, JP	Executive Director	✓	✓	✓		✓	4
Total Attendance		3	3	3	2	3	

C. TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Constitution

The Audit Committee was formed pursuant to a resolution passed by the Board of Directors on 12 September 2000. The terms of reference was subsequently amended on 14 October 2002 to achieve consistency with the Malaysian Code on Corporate Governance.

2. Membership

The Board of Directors shall appoint the members of the Audit Committee from amongst themselves, which fulfils the following requirements:-

- The Audit Committee shall be composed of no fewer than three (3) members. A quorum shall be 2 members;
- The majority of the Audit Committee must be Independent Non-Executive Directors;
- The Chairman of the Audit Committee shall be an Independent Director; and not an employee of the Company or any related corporation;
- The elected Chairman shall be subject to endorsements by the Board.
- If a member of the Audit Committee retires, resigns, passes away or for any other reason ceases to be a member with the result that the number is reduced below 3, the Board of Directors shall, within 2 months of that event, appoint such number of new members as required to make up the minimum number of new members as may be required to make up the minimum number of 3 members.

REPORT OF THE AUDIT COMMITTEE

3. Notice of Meeting and Attendance

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

4. Authority

The Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:

- Have authority to investigate any matter within its terms of reference;
- Have the resources which are required to perform its duties;
- Have unrestricted access to any information pertaining to the Company;
- Have full access and cooperation from the management of the Company;
- Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity; and
- Be able to obtain independent professional or other advice.

5. Duties and Responsibilities

The duties and responsibilities of the Audit Committee include the following and report on the same to the Board of Directors:

- Review of the quarterly results and year end financial statements, focusing particularly on:
 - ☆ any changes in accounting policies and practices;
 - ☆ significant adjustments arising from audit;
 - ☆ the going concern assumption;
 - ☆ compliance with accounting standards and other legal requirements;
- Nominate the external auditors for appointment, review the audit fee and any letter of resignation from the external auditors and proposal for reappointment of external auditors;
- Discuss the findings by the Group's external auditors and Internal Auditors (without the presence of Executive Board Members and management, where deemed appropriate), focusing principally on any concerns raised over the adequacy and integrity of the Group's internal controls, significant financial risks and management information systems (including systems for compliance with applicable laws, regulations, rules, directives and guidelines);
- Review the effectiveness of the risk management and internal audit function;
- Review the audited financial statements for the financial year ended 30 June 2007 together with external auditors' management letter and Management's response.
- Review all related party transactions and situation that may give rise to potential conflict of interests.
- Consider any other matters as may be agreed to by the Audit Committee and the Board of Directors.

REPORT OF THE AUDIT COMMITTEE

D. ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee carried out its duties in accordance with its terms of reference during the financial year ended 30 June 2007. The main activities undertaken by the Committee were as follows:

- Reviewed the external auditors' scope of work, audit plans and audit fees for the year for the Company and its subsidiary and made recommendation on its reappointment.
- Reviewed the annual report and the audited financial statements of the Company prior to submission to the Board for their consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act 1965 and the applicable accounting standards approved by the Malaysian Accounting Standard Board ("MASB").
- In respect of the quarterly and year end financial statements, reviewed the Company's compliance with the Listing Requirements of Bursa Securities, MASB and other relevant legal and regulatory requirements.
- Reviewed the internal audit plan and final review of all internal audit findings and recommendations by the Internal Auditors, for financial year ended 30 June 2007.
- Reviewed the related party transactions entered into by the Company and its subsidiary and the disclosure of such transactions in the Annual Report.
- Reviewed and recommended to the Board the extent of the Group's compliance with the provisions set out under the Code for the purpose of preparing the Corporate Governance Statement and Statement on Internal Control pursuant to the Listing Requirements of Bursa Securities for the Board's approval.
- Reviewed the Group's risks reports from the risk management consultants and recommended to the Board the risk management framework for the Group.

E. INTERNAL AUDIT FUNCTION

The Company has outsourced its Independent Internal Audit function to Messrs KPMG Business Advisory Sdn. Bhd. to ensure the internal audit functions are carried out effectively and professionally.

The role of the internal audit functions is to undertake independent regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively.

The internal audit reviews cover the adequacy of risk management, operational controls, compliance with established procedures, guidelines and statutory requirements.

F. STATEMENT ON EMPLOYEES' SHARE OPTION SCHEME (ESOS)

The Audit Committee hereby confirms that during the financial year under review, the allocation of options offered by the Company to eligible employees of the Group complies with the Bye-Laws of the Company's Employee's Share Option Scheme ("Scheme").

No options had been granted to the Non-Executive Directors since the Scheme took effect.

Financial Statements

Directors' Report	26
Statement by Directors	33
Statutory Declaration	33
Report of the Auditors	34
Balance Sheets	35
Income Statements	37
Statements of Changes in Equity	38
Cash Flow Statements	39
Notes to the Financial Statements	41

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 2007.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and the provision of management services. The principal activities 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'000	THE COMPANY RM'000
Profit/(Loss) after taxation for the financial year	9,600	(580)

DIVIDENDS

Since the end of the previous financial year, the Company paid a final tax-exempt dividend of 1.0 sen per ordinary share amounting to RM562,419 in respect of the previous financial year as proposed in the directors' report of that financial year.

The directors now recommend the payment of a final dividend of 0.7 sen per ordinary share on 123,743,083 ordinary shares less 26% tax amounting to RM640,989 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 except as disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year,

- (a) the Company increased its authorised share capital from RM50,000,000 to RM100,000,000 by the creation of 100,000,000 new ordinary share of RM0.50 each;
- (b) the Company increased its issued and paid-up share capital from RM28,120,928 to RM28,123,428 by the allotment of 5,000 new ordinary shares of RM0.50 each at an average exercise price of RM1.19 per ordinary share. The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company; and
- (c) 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.

DIRECTORS' REPORT (CONT'D)

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:-

- 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.
- 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 By-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 RM	Balance at 1.7.2006	← During the year →			Balance at 30.6.2007
				Granted	Exercised	Lapsed	
24.7.2003	24.7.2004	1.27	1,044,400	-	(400)	(13,600)	1,030,400
24.7.2003	24.7.2006	1.27	2,088,800	-	(600)	(27,200)	2,061,000
24.7.2003	24.7.2009	1.27	2,088,800	-	-	(27,200)	2,061,600
15.6.2004	15.6.2005	1.12	131,600	-	-	(14,800)	116,800
15.6.2004	15.6.2007	1.12	263,200	-	-	(29,600)	233,600
15.6.2004	15.6.2010	1.12	263,200	-	-	(29,600)	233,600
12.7.2005	12.7.2006	1.17	176,000	-	(4,000)	(39,000)	133,000
12.7.2005	12.7.2008	1.17	352,000	-	-	(78,000)	274,000
12.7.2005	12.7.2011	1.17	352,000	-	-	(78,000)	274,000
21.7.2006	21.7.2007	1.17	-	153,000	-	(18,000)	135,000
21.7.2006	21.7.2009	1.17	-	306,000	-	(36,000)	270,000
21.7.2006	21.7.2012	1.17	-	306,000	-	(36,000)	270,000
			6,760,000	765,000	(5,000)	(427,000)	7,093,000

DIRECTORS' REPORT (CONT'D)

EMPLOYEES' SHARE OPTION SCHEME (CONT'D)

Options exercisable in a particular year but not exercised can be carried forward to 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 DSM, PJK, JP	1,000,000
4.	Chin Swee Chang	1,000,000
5.	Thanasekaran Dorairajah	250,000
6.	Alan Martin Lewis	250,000
7.	Hiew Mein Foong	200,000
8.	Daniel Chua Chong Liang	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 of the Group and of the Company 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.

DIRECTORS' REPORT (CONT'D)

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities are set out in Note 39 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 ^{DSM, PJK, JP}
TAN CHOO JOW ^{PPN}
PIONG TECK THEY (ALTERNATE DIRECTOR TO PIONG NAM KIM @ PIONG PAK KIM)
P'NG BENG HOE ^{BKT, PJK, JP} (APPOINTED ON 22 AUGUST 2007)
PIONG YEW PENG (RESIGNED ON 22 AUGUST 2007)

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (CONT'D)

	NUMBER OF ORDINARY SHARES OF RM1 EACH			AT 30.6.2007
	AT 1.7.2006	BOUGHT	SOLD	
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 ^{DSM, PJK, JP}	10,000	-	-	10,000
PIONG TECK THEY	6,250	-	-	6,250
<i>DEEMED INTEREST</i>				
CHIN SWEE CHANG	51,000	-	-	51,000

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

The other director 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 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.

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 ESOS.

SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE SHEET DATE

The significant events of the Group and of the Company subsequent to the balance sheet date are disclosed in Note 44 to the financial statements.

DIRECTORS' REPORT (CONT'D)

AUDITORS

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

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 22 OCTOBER 2007**

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

Piong Nam Kim @ Piong Pak Kim

STATEMENT BY DIRECTORS/ STATUTORY DECLARATION

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 35 to 70 are drawn up in accordance with applicable MASB approved accounting standards in Malaysia for Entities Other Than Private Entities 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 2007 and of their results and cash flows for the financial year ended on that date.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 22 OCTOBER 2007**

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

Piong Nam Kim @ Piong Pak Kim

STATUTORY DECLARATION

I, Daniel Chua Chong Liang, I/C No. 740823-04-5351, 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 35 to 70 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
Daniel Chua Chong Liang, I/C No.
740823-04-5351, in the state of Melaka
on 22 October 2007

Daniel Chua Chong Liang

Before me

REPORT OF THE AUDITORS TO THE MEMBERS OF KOTRA INDUSTRIES BERHAD (Incorporated in Malaysia) Company No : 497632 - P

We have audited the financial statements set out on pages 35 to 70. 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 the 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 MASB approved accounting standards in Malaysia for Entities Other Than Private Entities 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 2007 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 purposes 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

22 October 2007

Wong Tak Mun
Approval No : 1793/09/08 (J)
Partner

BALANCE SHEETS

AT 30 JUNE 2007

	NOTE	THE GROUP		THE COMPANY	
		2007 RM'000	2006 RM'000 (Restated)	2007 RM'000	2006 RM'000 (Restated)
ASSETS					
NON-CURRENT ASSETS					
Investment in a subsidiary	7	-	-	60,504	50,079
Property, plant and equipment	8	24,553	22,866	-	-
Investment properties	9	1,727	1,753	-	-
Prepaid land lease payments	10	4,551	4,602	-	-
Development expenditure	11	288	245	-	-
Deferred tax asset	12	38	-	-	-
		<u>31,157</u>	<u>29,466</u>	<u>60,504</u>	<u>50,079</u>
CURRENT ASSETS					
Inventories	13	15,740	13,427	-	-
Trade receivables	14	32,724	25,997	-	-
Other receivables, deposits and prepayments	15	2,563	976	1	1
Tax recoverable		234	243	-	17
Amount owing by a subsidiary	16	-	-	13,714	14,559
Deposits with licensed banks	17	5,700	4,011	-	-
Cash and bank balances		332	3,793	17	154
		<u>57,293</u>	<u>48,447</u>	<u>13,732</u>	<u>14,731</u>
TOTAL ASSETS		<u>88,450</u>	<u>77,913</u>	<u>74,236</u>	<u>64,810</u>

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

BALANCE SHEETS

AT 30 JUNE 2007 (CONT'D)

	NOTE	THE GROUP		THE COMPANY	
		2007 RM'000	2006 RM'000 (Restated)	2007 RM'000	2006 RM'000 (Restated)
EQUITY AND LIABILITIES					
EQUITY					
Share capital	18	28,123	28,121	28,123	28,121
Share premium reserve	19	2,808	2,804	2,808	2,804
Share option reserve	20	92	-	92	-
Other reserve	21	-	-	37,483	27,058
Retained profits	22	43,144	34,106	5,661	6,803
		<hr/>	<hr/>	<hr/>	<hr/>
SHAREHOLDERS' EQUITY		74,167	65,031	74,167	64,786
NON-CURRENT LIABILITIES					
Deferred tax liability	12	-	525	-	-
Deferred income	23	98	124	-	-
Hire purchase payable	24	31	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		129	649	-	-
CURRENT LIABILITIES					
Trade payables	25	9,361	9,087	-	-
Other payables and accruals	26	4,758	3,146	50	24
Hire purchase payable	24	16	-	-	-
Provision for taxation		19	-	19	-
		<hr/>	<hr/>	<hr/>	<hr/>
		14,154	12,233	69	24
TOTAL LIABILITIES		<hr/>	<hr/>	<hr/>	<hr/>
		14,283	12,882	69	24
TOTAL EQUITY AND LIABILITIES		<hr/>	<hr/>	<hr/>	<hr/>
		88,450	77,913	74,236	64,810

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

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	NOTE	THE GROUP		THE COMPANY	
		2007 RM'000	2006 RM'000 (Restated)	2007 RM'000	2006 RM'000
REVENUE	27	83,168	68,899	300	2,078
OTHER OPERATING INCOME	28	542	379	-	-
RAW MATERIALS AND CONSUMABLES USED		(29,896)	(22,546)	-	-
CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS		1,351	(876)	-	-
STAFF COSTS	29	(16,089)	(12,843)	(130)	(91)
DEPRECIATION AND AMORTISATION		(2,264)	(1,968)	-	-
OTHER OPERATING EXPENSES	28	(27,622)	(21,610)	(696)	(245)
FINANCE COSTS	31	(99)	(105)	-	-
PROFIT/(LOSS) BEFORE TAXATION		9,091	9,330	(526)	1,742
TAXATION	32	509	657	(54)	(5)
PROFIT/(LOSS) AFTER TAXATION		9,600	9,987	(580)	1,737
EARNINGS PER SHARE					
- BASIC	33	17.07 SEN	17.76 SEN		
- DILUTED	33	16.62 SEN	17.62 SEN		

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

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

THE GROUP	NOTE	NON-DISTRIBUTABLE			DISTRIBUTABLE	TOTAL RM'000
		SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	SHARE OPTION RESERVE RM'000	RETAINED PROFITS RM'000	
Balance at 1.7.2005		28,121	2,804	-	25,131	56,056
Profit after taxation for the financial year		-	-	-	9,987	9,987
Dividends paid	34	-	-	-	(1,012)	(1,012)
Balance at 30.6.2006/1.7.2006		28,121	2,804	-	34,106	65,031
Issues of shares		2	4	-	-	6
Profit after taxation for the financial year		-	-	-	9,600	9,600
Share options granted under ESOS		-	-	92	-	92
Dividends paid	34	-	-	-	(562)	(562)
Balance at 30.6.2007		28,123	2,808	92	43,144	74,167

THE COMPANY	NOTE	NON-DISTRIBUTABLE			DISTRIBUTABLE	TOTAL RM'000	
		SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	OTHER RESERVE RM'000	SHARE OPTION RESERVE RM'000		RETAINED PROFITS RM'000
Balance at 1.7.2005		28,121	2,804	-	-	6,078	37,003
Profit after taxation for the financial year		-	-	-	-	1,737	1,737
Revaluation surplus		-	-	27,058	-	-	27,058
Dividends paid	34	-	-	-	-	(1,012)	(1,012)
Balance at 30.6.2006/1.7.2006		28,121	2,804	27,058	-	6,803	64,786
Issuance of shares		2	4	-	-	-	6
Net gain arising from fair value of the investment in subsidiary recognised directly in equity		-	-	10,425	-	-	10,425
Loss after taxation for the financial year		-	-	-	-	(580)	(580)
Share options granted under ESOS		-	-	-	92	-	92
Dividends paid	34	-	-	-	-	(562)	(562)
Balance at 30.6.2007		28,123	2,808	37,483	92	5,661	74,167

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

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

NOTE	THE GROUP		THE COMPANY	
	2007 RM'000	2006 RM'000 (Restated)	2007 RM'000	2006 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit/(Loss) before taxation	9,091	9,330	(526)	1,742
Adjustments for:-				
Allowance for doubtful debts	207	85	-	-
Amortisation of prepaid land lease payments	51	52	-	-
Bad debts written off	15	6	-	-
Depreciation of property, plant and equipment	2,187	1,890	-	-
Depreciation of investment properties	26	26	-	-
Development expenditure				
- amortisation	96	132	-	-
- written off	-	107	-	-
Interest expense	70	62	-	-
Inventories written off	154	-	-	-
Share options granted under ESOS	92	-	92	-
Unrealised loss on foreign exchange				
- trade	12	109	-	-
Amortisation of deferred income	(26)	(26)	-	-
Doubtful debts recovered	(45)	-	-	-
Interest income	(155)	(85)	-	-
Gain on disposal of plant and equipment	(6)	(3)	-	-
Rental income	(115)	(124)	-	-
Operating profit/(loss) before working capital changes	11,654	11,561	(434)	1,742
(Increase)/Decrease in inventories	(2,467)	785	-	-
Increase in trade and other receivables	(8,503)	(2,990)	-	-
Increase/(Decrease) in trade and other payables	1,908	1,648	26	(10)
CASH FROM/(FOR) OPERATIONS	2,592	11,004	(408)	1,732
Interest paid	(70)	(62)	-	-
Tax paid	(26)	877	(18)	(4)
NET CASH FROM/(FOR) OPERATING ACTIVITIES				
CARRIED FORWARD	2,496	11,819	(426)	1,728

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

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

	NOTE	THE GROUP		THE COMPANY	
		2007 RM'000	2006 RM'000 (Restated)	2007 RM'000	2006 RM'000
NET CASH FROM/(FOR) OPERATING ACTIVITIES BROUGHT FORWARD		2,496	11,819	(426)	1,728
CASH FLOWS FOR INVESTING ACTIVITIES					
Interest received		155	85	-	-
Development expenditure paid		(139)	(44)	-	-
Purchase of property, plant and equipment	35	(4,115)	(5,097)	-	-
Proceeds from disposal of plant and equipment		275	4	-	-
Rental received		115	124	-	-
NET CASH FOR INVESTING ACTIVITIES		(3,709)	(4,928)	-	-
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Proceeds from issuance of shares		6	-	6	-
Dividends paid		(562)	(1,012)	(562)	(1,012)
Net repayment/(advances) to a subsidiary		-	-	845	(708)
Repayment of hire purchase		(3)	-	-	-
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(559)	(1,012)	289	(1,720)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,772)	5,879	(137)	8
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		7,804	1,925	154	146
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	36	6,032	7,804	17	154

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

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 22 October 2007.

2. PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and the provision of management services. The principal activities of the subsidiary are 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, which the directors also regard as the ultimate holding company.

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 market, credit, liquidity and cash flow risks. The policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The foreign currencies giving rise to this risk are disclosed in Note 40 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.

(ii) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

4. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) 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.

(c) 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 operating expenses and targeted dividends to shareholders at appropriate times.

5. BASIS OF PREPARATION

The financial statements of the Group and of the Company are 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 MASB approved accounting standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965.

In the current financial year, the Group has adopted all the new and revised Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board which are relevant to its operations and effective for financial periods beginning on or after 1 January 2006.

FRS 117 – Leases and FRS 124 - Related Party Disclosures has been issued and effective for the financial periods beginning on or after 1 October 2006 but the Group has elected to adopt these accounting standards in advance of their effective date.

The adoption of these new and revised FRS does not have any material effects on the financial statements of the Group and the Company except for:-

- (a) FRS 110 – Events after the Balance Sheet Date;
- (b) FRS 117 – Leases;
- (c) FRS 127 – Consolidated and Separate Financial Statements, and
- (d) FRS 140 – Investment Property

The effects of adopting the above FRS on the accounting policies are disclosed in Notes 6(g), 6(i), and 6(q) and the effects on the comparative figures are disclosed in Note 43 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

5. BASIS OF PREPARATION (CONT'D)

The following revised FRS have been issued and are effective for financial periods beginning on or after 1 July 2007 and will be effective for the Group and the Company's financial statements for the financial year ending 30 June 2008:-

FRS 107 – Cash Flow Statements
FRS 112 – Income Taxes
FRS 118 – Revenue
FRS 119 – Employee Benefits
FRS 121 – The Effects of Changes in Foreign Exchange Rates
FRS 134 – Interim Financial Reporting
FRS 137 – Provisions, Contingent Liabilities and Contingent Assets

FRS 6 – Exploration for and Evaluation of Mineral Resources has been issued and effective for the financial period beginning on or after 1 January 2007. This standard is not relevant to the Group's operations.

FRS 139 – Financial Instruments: Recognition and Measurement has been issued and the effective date has yet to be determined by MASB. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group will apply this standard when it becomes effective.

6. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates And Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, incomes and expenses are discussed below.

(i) Depreciation of Plant, Property and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Critical Accounting Estimates And Judgements (Cont'd)

(iii) *Impairment of Assets*

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) *Amortisation of Development Costs*

Changes in the expected level of usage and technological development could impact the economic useful lives. Therefore future amortisation charges could be revised.

(v) *Allowance for Doubtful Debts of Receivables*

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(vi) *Allowance for Inventories*

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(vii) *Fair values estimates for certain financial assets and liabilities*

The Group carries certain financial assets and liabilities at fair value, which require extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and equity.

(b) Functional and Foreign Currency

(i) *Functional and Presentation Currency*

The functional currency of the Group is measured using the currency of the primary economic environment in which the Group operates.

The consolidated financial statements are presented in Ringgit Malaysia ("RM") which is the parent's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Functional and Foreign Currency (Cont'd)

(ii) *Transactions and Balances*

Transactions in foreign currency are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the balance sheet date are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are taken to the income statement.

(c) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group 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 an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group 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.

(d) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary made up to 30 June 2007.

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

All subsidiaries are consolidated using the purchase method. Under the purchase method, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

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 subsidiaries to ensure consistency of accounting policies with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investment in subsidiary

Prior to 1 July 2006, investment in subsidiary in the Company's separate financial statements was stated at revalued amount in the balance sheet of the Company, and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that the carrying value may not be recoverable.

On the disposal of the investment in subsidiary, the difference between the net disposal proceeds and the carrying amount of the investment is taken to the income statement.

In the current year, investment in subsidiary is measured at fair value. Fair value of the investment in subsidiary is determined based on the net assets of the subsidiary at each balance sheet date. Gains or losses arising from the fair value of the investment in subsidiary is recognised as a separate component of equity until the investments are disposed of, or until the investment is determined to be impaired, at which time the cumulative gains or losses previously reported in equity are included in the income statement.

The change in this accounting policy is applied prospectively and has the effect of increasing the net assets of the Company by RM10,425,344.

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Industrial buildings and installations	2% - 10%
Machinery and equipment	10% - 20%
Motor vehicles	10%
Office equipment	10%
Computer equipment	20%
Furniture and fittings	10%
Renovation	10%

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

Building-in-progress represents assets under construction and which are not ready for commercial use at the balance sheet date. Building-in-progress is stated at cost, and is depreciated accordingly when the assets are completed and ready for commercial use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is included in the income statement in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Investment Properties

Investment properties are property held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and impairment losses, if any, consistent with the accounting policy for property, plant and equipment as stated in Note 6(f) to the financial statements.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is charged to the income statement.

(h) Impairment of Assets

The carrying values of assets, other than those to which FRS 136 - 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. The recoverable amount of the assets is the higher of the assets' net selling price and their value-in-use, which is measured by reference to discounted future cash flow.

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.

(i) Prepaid Lease Payments

The prepaid lease payments comprise the up-front payments made for the leasehold interest in land and are amortised on a straight line basis over the lease terms. Prior to 1 July 2006, leasehold land was classified under property, plant and equipment and was stated at cost less accumulated depreciation and accumulated impairment losses, if any. Upon adoption of the revised FRS 117, the unamortised amount of leasehold interest in land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the revised FRS 117. The financial effects of adopting FRS 117 are disclosed in Note 43 to the financial statements.

(j) Research and Development Expenditure

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that expenditure incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if an entity can demonstrate all of the following:-

- (i) its ability to measure reliably the expenditure attributable to the asset under development;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Research and Development Expenditure (Cont'd)

- (ii) the product or process is technically and commercially feasible;
- (iii) its future economic benefits are probable;
- (iv) its ability to use or sell the developed asset; and
- (v) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense are not recognised as assets in the subsequent period.

The development expenditure is amortised on a straight-line method over a period of not exceeding 5 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

(k) Assets under Hire Purchase

Plant and equipment acquired under hire purchase are capitalised in the financial statements.

Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding outstanding obligations due under the hire purchase after deducting finance charges are included as liabilities in the financial statements.

Finance charges are allocated to the income statement over the period of the respective hire purchase agreements.

Plant and equipment acquired under hire purchase are depreciated over the useful lives of the assets.

(l) Inventories

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

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Where necessary, due allowance is made for all damaged, obsolete and slow-moving items.

(m) 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.

(n) Payables

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Income Taxes

Income taxes for the year comprise 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 excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs 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 future taxable profits 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 substantially 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 to 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 excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. 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 future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

(p) 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 while grants related to expenses are treated as other income in the income statement.

(q) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

Prior 1 July 2006, a dividend proposed or declared after the balance sheet date, but before the financial are authorised for issue, is not recognised as a liability at the balance sheet date but as an appropriation from retained profits and treated as a separate component of equity. Upon the approval of the proposed dividend, it will be accounted for as a liability.

With the adoption of FRS 110 – Events after the Balance Sheet Date, such a proposed dividend is no longer presented as an appropriation from retained profits and treated as a separate component of equity.

The financial effects of adopting FRS 110 are disclosed in Note 43 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) 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.

(s) 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 do not include income tax assets, whilst segment liabilities do not include income tax liabilities and borrowings from financial institutions.

Segment revenue, expenses and results include transfers between segments. The prices charged on intersegment transactions are based on normal commercial terms. These transfers are eliminated on consolidation.

(t) 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 liability in respect of the defined contribution plans.

(iii) Share-based payment transactions

At grant date, the fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(u) Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party, to the extent that it prevents the other party from pursuing its own separate interests in making financial and operating decisions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

(w) Revenue Recognition

(i) Sales of Goods

Sales are recognised upon the transfer of risks and rewards of ownership of goods and net of returns and trade discounts.

(ii) Interest Income

Interest income is recognised on an accrual basis.

(iii) Management Fee

Management fee is recognised on an accrual basis.

(iv) Rental Income

Rental income is recognised on an accrual basis.

7. INVESTMENT IN A SUBSIDIARY

	THE COMPANY	
	2007 RM'000	2006 RM'000
Unquoted shares, at valuation	60,504	50,079

Details of the subsidiary are as follows:

Name of Subsidiary	Country of Incorporation	Principal Activity	Proportion of Ownership Interest	
			2007 %	2006 %
Kotra Pharma (M) Sdn. Bhd. *	Malaysia	Developing, manufacturing and trading of pharmaceutical and healthcare products.	100	100

* Audited by Horwath

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

8. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	NET BOOK VALUE AS AT 1 JULY 2006 RM'000 (RESTATED)	ADDITIONS RM'000	DISPOSAL RM'000	DEPRECIATION CHARGE RM'000	NET BOOK VALUE AS AT 30 JUNE 2007 RM'000
Industrial buildings and installations	12,196	10	-	(336)	11,870
Machinery and equipment	9,149	2,097	(22)	(1,512)	9,712
Motor vehicles	598	473	(269)	(100)	702
Office equipment	141	32	-	(27)	146
Computer equipment	336	267	-	(144)	459
Furniture and fittings	446	34	-	(65)	415
Renovation	-	46	-	(3)	43
Building under construction	-	1,206	-	-	1,206
Total	22,866	4,165	(291)	(2,187)	24,553

	NET BOOK VALUE AS AT 1 JULY 2005 RM'000 (RESTATED)	ADDITIONS RM'000	DISPOSAL RM'000	DEPRECIATION CHARGE RM'000	NET BOOK VALUE AS AT 30 JUNE 2006 RM'000 (RESTATED)
Industrial buildings and installations	11,505	1,011	-	(320)	12,196
Machinery and equipment	7,147	3,266	(1)	(1,263)	9,149
Motor vehicles	348	359	-	(109)	598
Office equipment	154	17	-	(30)	141
Computer equipment	263	190	-	(117)	336
Furniture and fittings	243	254	-	(51)	446
	19,660	5,097	(1)	(1,890)	22,866

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

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

THE GROUP	AT COST RM'000	ACCUMULATED DEPRECIATION RM'000	NET BOOK VALUE RM'000
At 30 June 2007			
Industrial buildings and installations	14,455	(2,585)	11,870
Machinery and equipment	18,434	(8,722)	9,712
Motor vehicles	1,920	(1,218)	702
Office equipment	486	(340)	146
Computer equipment	1,441	(982)	459
Furniture and fittings	934	(519)	415
Renovation	46	(3)	43
Building under construction	1,206	-	1,206
	38,922	(14,369)	24,553
At 30 June 2006 (Restated)			
Industrial buildings and installations	14,445	(2,249)	12,196
Machinery and equipment	16,359	(7,210)	9,149
Motor vehicles	1,746	(1,148)	598
Office equipment	454	(313)	141
Computer equipment	1,174	(838)	336
Furniture and fittings	900	(454)	446
	35,078	(12,212)	22,866

The motor vehicles of the Group acquired under hire purchase terms was carried at net book value of RM391,365 (2006 - Nil) at the balance sheet date.

9. INVESTMENT PROPERTIES

THE GROUP	NET BOOK VALUE AS AT 1 JULY 2006 RM'000	DEPRECIATION CHARGE RM'000	NET BOOK VALUE AS AT 30 JUNE 2007 RM'000
Freehold land and buildings	1,753	(26)	1,727
	1,779	(26)	1,753

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

9. INVESTMENT PROPERTIES (CONT'D)

	AT COST RM'000	ACCUMULATED DEPRECIATION RM'000	NET BOOK VALUE RM'000
AT 30 JUNE 2007			
Freehold land and buildings	2,105	(378)	1,727
AT 30 JUNE 2006			
Freehold land and buildings	2,105	(352)	1,753
		THE GROUP	
		2007	2006
		RM'000	RM'000
At fair value:			
Freehold land and buildings		2,240	2,240

10. PREPAID LAND LEASE PAYMENTS

	THE GROUP	
	2007	2006
	RM'000	RM'000
		(Restated)
Balance at 1 July	4,602	4,654
Amortisation for the year	(51)	(52)
Balance at 30 June	4,551	4,602
Analysed as:		
Long term leasehold land	4,551	4,602

11. DEVELOPMENT EXPENDITURE

	THE GROUP	
	2007	2006
	RM'000	RM'000
Cost	932	793
Accumulated amortisation	(644)	(548)
	288	245
Balance at 1 July	245	440
Additional development expenditure capitalised	139	44
Development expenditure written off	-	(107)
Amortisation charge for the year	(96)	(132)
Balance at 30 June	288	245

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

12. DEFERRED TAX (ASSET)/LIABILITY

	THE GROUP	
	2007 RM'000	2006 RM'000
Balance at 1 July	525	1,204
Transfer to income statement (Note 32)	(563)	(679)
Balance at 30 June	(38)	525
The deferred taxation arises as a result of:		
Deferred tax liabilities		
An excess of carrying value over tax base	2,299	2,161
Development expenditure capitalised	78	69
Gross deferred tax liabilities	2,377	2,230
Deferred tax assets		
Unutilised capital and industrial building allowances	(744)	-
Unabsorbed tax losses	(327)	(60)
Provision for sales return	(195)	-
Other deferred tax assets	(1,149)	(1,645)
Gross deferred tax assets	(2,415)	(1,705)
Net deferred tax (asset)/liability	(38)	525

13. INVENTORIES

	THE GROUP	
	2007 RM'000	2006 RM'000
AT COST:-		
Raw materials	5,812	4,851
Work-in-progress	87	192
Finished goods	9,841	8,384
	15,740	13,427

None of the inventories are carried at net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

14. TRADE RECEIVABLES

	THE GROUP	
	2007 RM'000	2006 RM'000
Trade receivables	33,190	26,335
Less: Allowance for doubtful debts	(466)	(338)
	<u>32,724</u>	<u>25,997</u>

Included in the trade receivables of the Group is an amount of RM410,985 (2006 – RM261,232) owing by a related party.

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:-

	THE GROUP	
	2007 RM'000	2006 RM'000
United States Dollar	10,362	11,557
Singapore Dollar	175	64
	<u>10,537</u>	<u>11,621</u>

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP		THE COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deposits	79	31	1	1
Other receivables	2,395	858	-	-
Prepayments	89	87	-	-
	<u>2,563</u>	<u>976</u>	<u>1</u>	<u>1</u>

16. AMOUNT OWING BY A SUBSIDIARY

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

17. 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 2.80% (2006 – 3.10%) per annum and 1 day (2006 – 30 days) respectively.

18. SHARE CAPITAL

	THE COMPANY			
	2007	2006	2007	2006
	NUMBER OF SHARES ('000)		RM'000	RM'000
AUTHORISED:				
ORDINARY SHARES OF RM0.50				
EACH:-				
At 1 July	100,000	100,000	50,000	50,000
Increase during the financial year	100,000	-	50,000	-
At 30 June	200,000	100,000	100,000	50,000
ISSUED AND FULLY PAID-UP:				
At 1 July	56,242	56,242	28,121	28,121
Allotment during the financial year	5	-	2	-
At 30 June	56,247	56,242	28,123	28,121

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.
- 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 By-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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

18. SHARE CAPITAL (CONT'D)

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

Date of Offer	Exercise period	Exercise price per ordinary share RM	Balance At 1.7.2006	During the year			Balance At 30.6.2007
				Granted	Exercised	Lapsed	
24.7.2003	24.7.2004	1.27	1,044,400	-	(400)	(13,600)	1,030,400
24.7.2003	24.7.2006	1.27	2,088,800	-	(600)	(27,200)	2,061,000
24.7.2003	24.7.2009	1.27	2,088,800	-	-	(27,200)	2,061,600
15.6.2004	15.6.2005	1.12	131,600	-	-	(14,800)	116,800
15.6.2004	15.6.2007	1.12	263,200	-	-	(29,600)	233,600
15.6.2004	15.6.2010	1.12	263,200	-	-	(29,600)	233,600
12.7.2005	12.7.2006	1.17	176,000	-	(4,000)	(39,000)	133,000
12.7.2005	12.7.2008	1.17	352,000	-	-	(78,000)	274,000
12.7.2005	12.7.2011	1.17	352,000	-	-	(78,000)	274,000
21.7.2006	21.7.2007	1.17	-	153,000	-	(18,000)	135,000
21.7.2006	21.7.2009	1.17	-	306,000	-	(36,000)	270,000
21.7.2006	21.7.2012	1.17	-	306,000	-	(36,000)	270,000
			6,760,000	765,000	(5,000)	(427,000)	7,093,000

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.

19. SHARE PREMIUM RESERVE

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

20. SHARE OPTION RESERVE

	THE GROUP/THE COMPANY	
	2007 RM'000	2006 RM'000
Share options granted under ESOS	92	-
Balance at 30 June	92	-

The share option reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on grant of share options.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

20. SHARE OPTION RESERVE (CONT'D)

Fair value of share options granted during the year

The fair value of share options granted during the year was estimated using a Black – Scholes model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions are as follows:

	THE GROUP/THE COMPANY	
	2007	2006
Fair value of share options at the following grant dates (RM'000):		
12 July 2005 (sen)	-	15.54
21 July 2006 (sen)	10.27	-
Weighted average share price (RM)	1.23	1.30
Weighted average exercise price (RM)	1.17	1.17
Expected volatility (%)	10	10
Expected life (years)	6	7
Risk free rate (%)	4	4
Expected dividend yield (%)	4.88	4.88

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

21. OTHER RESERVE

Other reserve of the Company represents the changes in the fair value of the investment in subsidiary.

22. 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.

23. DEFERRED INCOME

	THE GROUP	
	2007	2006
	RM'000	RM'000
Cost	261	261
Less: Deferred income recognised to date	(163)	(137)
	<u>98</u>	<u>124</u>
Balance at 1 July	124	150
Recognised as income during the financial year	(26)	(26)
Balance at 30 June	<u>98</u>	<u>124</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

24. HIRE PURCHASE PAYABLE

	THE GROUP	
	2007 RM'000	2006 RM'000
Minimum hire purchase payments:-		
- not later than one year	18	-
- later than one year but not later than five years	32	-
	<hr/>	<hr/>
	50	-
Less: Future finance charges	(3)	-
	<hr/>	<hr/>
Present value of hire purchase payable	47	-
	<hr/>	<hr/>
Present value of hire purchase payable:-		
Not later than one year	16	-
Later than one year but not later than five years	31	-
	<hr/>	<hr/>
	47	-
	<hr/>	<hr/>

The hire purchase liabilities bore interest at the balance sheet date of 2.74% per annum.

25. TRADE PAYABLES

Included in the trade payables of the Group in the previous financial year was an amount of RM32,542 owing to a related party.

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:-

	THE GROUP	
	2007 RM'000	2006 RM'000
Euro	758	34
United States Dollar	43	57
Indonesian Rupiah	-	85
Singapore Dollar	12	1
Hong Kong Dollar	-	24
	<hr/>	<hr/>
	813	201
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

26. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Accrued expenses	928	587	49	24
Other payables	1,840	682	-	-
Payroll liabilities	1,990	1,877	1	-
	<u>4,758</u>	<u>3,146</u>	<u>50</u>	<u>24</u>

27. REVENUE

	THE GROUP		THE COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Sales of goods	83,168	68,899	-	-
Dividend income	-	-	-	1,778
Management fees	-	-	300	300
	<u>83,168</u>	<u>68,899</u>	<u>300</u>	<u>2,078</u>

28. OTHER OPERATING INCOME/(EXPENSES)

	THE GROUP		THE COMPANY	
	2007 RM'000	2006 RM'000 (Restated)	2007 RM'000	2006 RM'000
Included in other operating income/(expenses) are the following:-				
Bad and doubtful debts				
- allowance	(207)	(85)	-	-
- written off	(15)	(6)	-	-
- recovered	45	-	-	-
Gain on disposal of plant and equipment	6	3	-	-
Gain on foreign exchange				
- realised	114	59	-	-
Interest income	155	85	-	-
Rental income	115	124	-	-
Amortisation of prepaid land lease payments	(51)	(52)	-	-
Audit fee	(38)	(36)	(8)	(6)
Depreciation				
- property, plant and equipment	(2,187)	(1,890)	-	-
- investment properties	(26)	(26)	-	-
Development expenditure				
- amortisation charge	(96)	(132)	-	-
- written off	-	(107)	-	-
Direct operating expenses of investment properties:				
- revenue generating during the year	(15)	(16)	-	-
Directors' fees (Note 30)	(136)	(123)	(136)	(123)
Interest expense	(70)	(62)	-	-
Inventories written off	(154)	-	-	-
Loss on foreign exchange				
- realised	(1,596)	-	-	-
- unrealised	(12)	(109)	-	-
Rental of premises	(97)	(85)	-	-
Rental of equipment	(7)	-	-	-
Research and development expenses	(92)	-	-	-
	<u>(1,596)</u>	<u>(1,890)</u>	<u>(136)</u>	<u>(123)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

29. STAFF COSTS

	THE GROUP		THE COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Salaries and wages	11,552	9,415	30	73
Bonus	696	899	3	6
Employees Provident Fund	1,329	1,075	4	10
Social Security Contribution	140	111	1	1
Share options granted under ESOS (Note 20)	92	-	92	-
Other benefits	2,280	1,343	-	1
	<u>16,089</u>	<u>12,843</u>	<u>130</u>	<u>91</u>

Included in staff costs of the Group is remuneration paid to directors of the Group of RM1,411,620 (2006 - RM1,310,783) as further disclosed in Note 30 to the financial statements.

30. 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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<i>Non-executive directors</i>				
- fees (Note 28)	136	123	136	123
- salaries	-	-	-	-
- bonus	-	-	-	-
- Employees Provident Fund	-	-	-	-
- estimated monetary value of benefits-in-kind	6	6	6	6
	<u>142</u>	<u>129</u>	<u>142</u>	<u>129</u>
<i>Executive directors</i>				
- salaries	1,127	1,021	-	-
- bonus	162	168	-	-
- Employees Provident Fund	122	113	-	-
- estimated monetary value of benefits-in-kind	26	15	-	-
- other emoluments	-	9	-	-
	<u>1,437</u>	<u>1,326</u>	<u>-</u>	<u>-</u>
	<u>1,579</u>	<u>1,455</u>	<u>142</u>	<u>129</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

30. DIRECTORS' REMUNERATION (CONT'D)

The number of directors of the Group and of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
Non-executive directors				
Below RM50,000	5	5	5	5
Executive directors				
RM200,001 - RM250,000	-	1	-	-
RM250,001 - RM300,000	2	1	-	-
RM300,001 - RM350,000	1	1	-	-
RM350,001 - RM400,000	-	-	-	-
RM400,001 - RM450,000	-	-	-	-
RM450,001 - RM500,000	-	-	-	-
RM500,001 - RM550,000	-	1	-	-
RM550,001 - RM600,000	1	-	-	-

31. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Bank charges	29	43	-	-
L/C charges	69	62	-	-
Hire purchase interest	-	-	-	-
Overdraft interest	1	-	-	-
	99	105	-	-

32. TAXATION

	THE GROUP		THE COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Malaysian Income Tax:-				
- Current year	-	18	-	-
- Underprovision in prior year	54	4	54	5
	54	22	54	5
Deferred tax expenses (Note 12)				
- Relating to origination of temporary difference	(804)	(339)	-	-
- Under/(Over)provision in prior years	270	(340)	-	-
- Reduction in income tax rate	(29)	-	-	-
	(563)	(679)	-	-
Total tax expense	(509)	(657)	54	5

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

32. TAXATION (CONT'D)

Subject to agreement with the tax authorities, the Group has unabsorbed tax losses of RM1,200,000 (2006 – RM215,000) and unutilised capital and industrial building allowances of RM2,700,000 (2006 – RM Nil) 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 RM4,010,000 (2006 – RM1,652,000) available at the balance sheet date to be carried forward for offset against future taxable business income.

The corporate tax rate on the first RM500,000 of chargeable income in respect of subsidiary with issued and paid-up capital not exceeding RM2,500,000 is at 20% while the rate applicable to the remaining balance of the chargeable income is at 27%.

Tax savings during the year due to the utilisation of unabsorbed tax losses brought forward amounted to NIL (2006 - RM260,000).

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

	THE GROUP		THE COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Profit/(Loss) before taxation for the year	9,091	9,330	(526)	1,742
Malaysian taxation at statutory rate	2,454	2,612	(142)	488
Tax effect of :-				
Amortisation of prepaid land lease payment	14	16	-	-
Depreciation on non-qualifying assets	30	28	-	-
Expenses disallowed for tax purposes	462	36	142	10
Reinvestment allowance utilised	-	(528)	-	-
Double deduction incentives	(3,764)	(2,485)	-	-
Under/(Over)provision of deferred tax in prior year	270	(340)	-	-
Underprovision of Malaysian Income Tax in prior years	54	4	54	5
Tax exempt dividend	-	-	-	(498)
Reduction in income tax rate	(29)	-	-	-
Current financial year's taxation (credit)/charge	(509)	(657)	54	5

33. EARNINGS PER SHARE

The basic earnings per share for the financial year is arrived at by dividing the Group's profit after taxation of RM9,600,361 (2006 - RM9,987,089) by the number of ordinary shares of RM0.50 each in issue during the financial year of 56,246,856 (2006 - 56,241,856).

The diluted earnings per share is arrived at by dividing the Group's profit after taxation of RM9,600,361 (2006 - RM9,987,089) by the number of ordinary shares in issue during the financial year of 56,246,856 (2006 – RM56,241,856) plus the number of dilutive potential ordinary shares of 1,508,730 (2006 – 424,723).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

34. DIVIDENDS

	THE COMPANY	
	2007 RM'000	2006 RM'000
Recognised during the year:		
- final tax-exempt dividend of 1.0 sen per ordinary share (2006 – final dividend of 2.5 sen per ordinary share less 28% tax)	562	1,012
	<u>562</u>	<u>1,012</u>

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 30 June 2007 of 0.7 sen per ordinary share on 123,743,083 ordinary shares less 26% tax amounting to RM640,989 will be tabled for shareholders' approval. These financial statements do not reflect this final dividend which will be accrued as a liability only upon approval by shareholders.

35. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	THE GROUP	
	2007 RM'000	2006 RM'000
Cost of property, plant and equipment purchased	4,165	5,097
Amount financed through hire purchase	(50)	-
	<u>4,115</u>	<u>5,097</u>

36. CASH AND CASH EQUIVALENTS

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

	THE GROUP		THE COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Fixed deposits with licensed banks	5,700	4,011	-	-
Cash and bank balances	332	3,793	17	154
	<u>6,032</u>	<u>7,804</u>	<u>17</u>	<u>154</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

37. RELATED PARTY DISCLOSURES

(i) The Group and the Company had the following transactions with related parties during the financial year:-

	THE COMPANY	
	2007	2006
	RM'000	RM'000
<i>Ultimate holding company</i>		
Dividend paid	294	529
<i>Subsidiary</i>		
Management fee received/receivable	(300)	(300)

	THE GROUP	
	2007	2006
	RM'000	RM'000
<i>Others</i>		
NAME OF RELATED PARTY	NATURE OF TRANSACTION	
Alaf Ekuiti Sdn. Bhd. (a)	Rental of premises paid/payable	36 36
Appeton Laboratory Sdn. Bhd. (a)	Renting of premises as hostel for staff paid/payable	6 6
Kwong Onn Tong Sdn. Bhd. (b)	Sales of goods	(684) (622)
	Rental of premises received/receivable	(13) (13)
Thames Bioscience (M) Sdn. Bhd. (a)	Purchase of goods	40 113
	Rental of premises received/receivable	(8) (14)
	Royalty paid/payable	23 -
Piong Nam Kim @ Piong Pak Kim	Renting of premises as hostel for staff paid/payable	- 6
	Renting of premises as hostel for senior executive paid/payable	12 13

(a) A company in which certain directors of the Company, have direct interests.

(b) A company in which an alternate director of the Company, has a direct interest.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

37. RELATED PARTY DISCLOSURES (CONT'D)

(ii) Compensation of key management personnel

The remuneration of directors during the year was as follows:

	THE GROUP	
	2007 RM'000	2006 RM'000
Short-term employee benefits	1,315	1,213
Employees Provident Fund	122	113
	<u>1,437</u>	<u>1,326</u>

Executive directors of the Group and Company have been granted the following number of options under the ESOS:

	THE GROUP		THE COMPANY	
	'000	'000	'000	'000
At 1 July	4,000	4,000	4,000	4,000
At 30 June	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>

The share options were granted on the same terms and conditions as those offered to other employees of the Group.

38. CAPITAL COMMITMENTS

	THE GROUP	
	2007 RM'000	2006 RM'000
Approved and contracted for: - property, plant and equipment	10,164	450
Approved but not contracted for: - property, plant and equipment	<u>37,459</u>	<u>-</u>

39. CONTINGENT LIABILITIES

- (a) Corporate guarantee given to a licensed bank for credit facilities granted to the subsidiary amounted to RM72,500,000 (2006 – RM9,630,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

39. CONTINGENT LIABILITIES (CONT'D)

- (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 suits are at the end of trial stage and both parties had filed their final submission and pending judgment from the Court. Should the plaintiff succeed in this legal suit, the subsidiary is liable to court costs and legal fees of approximately RM350,000 and to pay the plaintiff for damages, the quantum of which cannot be determined at the date of this report. However, since there is a counterclaim by the subsidiary, the subsidiary should be able to recover a minimum of 25% of the legal fees and disbursements expended if the subsidiary is successful. The directors are of the opinion that the claims are without basis and hence no provision has been made for in the financial statements.

40. 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	
	2007 RM	2006 RM
Euro	4.690	4.701
United States Dollar	3.422	3.642
Hong Kong Dollar	0.453	0.461
Indonesian Rupiah (100 unit)	0.040	0.041
Singapore Dollar	2.231	2.286
	4.690	4.701

41. SEGMENTAL REPORTING

	THE GROUP	
	2007 RM'000	2006 RM'000
SALES REVENUE BY GEOGRAPHICAL MARKET:-		
Malaysia	56,067	45,684
Other countries in Asia Pacific	27,101	23,215
	83,168	68,899

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.

42. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

42. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

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.

- (iii) Amount owing by a subsidiary

It is not practicable to estimate the fair values of the amount owing by a subsidiary due principally to the lack of fixed repayment terms. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would be eventually be received or settled.

- (iv) Hire purchase obligations

The fair value of hire purchase obligations is determined by discounting the relevant cash flow using current interest rates for similar instruments at the balance sheet date.

- (v) Contingent liabilities

The nominal amount and net fair value of financial instruments not recognised in the balance sheets of the Company are as follows:

	2007		2006	
	Nominal amount RM'000	Net Fair Value RM'000	Nominal Amount RM'000	Net Fair Value RM'000
Corporate guarantees	72,500	*	9,630	*

* - The fair value of contingent liabilities is expected to be minimal as the subsidiary is expected to be able to repay the banking facilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

43. EFFECTS ARISING FROM THE ADOPTION OF NEW AND REVISED FRS

The following comparatives figures have been restated as a result of adopting the new and revised FRS:-

	As previously stated RM'000	Effects of FRS 110 RM'000	Effects of FRS 117 RM'000	Effects of FRS 140 RM'000	As restated RM'000
<i>THE GROUP</i>					
Property, plant and equipment	29,221	-	(4,602)	(1,753)	22,866
Prepaid land lease payments	-	-	4,602	-	4,602
Investment properties	-	-	-	1,753	1,753
Proposed dividends	562	(562)	-	-	-
Retained profits	33,544	562	-	-	34,106
<i>THE COMPANY</i>					
Proposed dividends	562	(562)	-	-	-
Retained profits	6,241	562	-	-	6,803

44. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the Company has undertaken the following:

- Bonus issue of 67,496,227 new ordinary shares of RM0.50 each in the Company ("Company shares"), to be credited as fully paid-up on the basis of six (6) new Company share for every five (5) existing Company shares held on 9 July 2007; and
- A transfer of the listing of and quotation for the entire enlarged issue and paid-up share capital of the Company from the Mesdaq Market to the Main Board of Bursa Securities.

45. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with the presentation of the current financial year:-

	As Restated RM'000	As Previously Reported RM'000
Income Statement (extract):-		
Other operating income	379	545
Other operating expenses	(21,611)	(21,777)

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 2007 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 Warehouse and production area	17,611 sq.m. / pharmaceutical manufacturing plant Warehouse and production area	Leasehold expiring on 14/8/2096	5,120.04 6,613.00	10 years 7 years	13,392,993
GPP 7972 & GPP 5156, Lot Nos. 43 & 45, Town Area III(3), District of Melaka Tengah, Malacca	Two plots of land with a 2 ½ storey office building, a store and a warehouse	2,252.10 sq.m./ office, store & warehouse	Freehold	1,539.31	Office & Store - 15 years Warehouse - 11 years	1,376,690
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	32 to 36 years	350,000
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 with a factory under construction	23,614 sq.m	Leasehold expiring on 15.8.2096	-	-	4,233,797
						19,353,480

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting (“AGM”) of the Company will be held at Bunga Melati Room, Level 7, Renaissance Hotel Melaka, Jalan Bendahara, 75100 Melaka, on Wednesday, 19 December 2007 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 2007 together with the reports of the Directors and Auditors thereon.

RESOLUTION 1

- 2) To declare a final dividend of 0.7 sen per ordinary share, less income tax at 26%, in respect of the year ended 30 June 2007.

RESOLUTION 2

- 3) To approve the payment of Directors’ fees amounting to RM135,500 for the year ended 30 June 2007.

RESOLUTION 3

- 4) To re-elect the following Directors who retire by rotation in accordance with Article 97 of the Company’s Articles of Association and being eligible offer themselves for re-election:-

i) Piong Teck Onn

RESOLUTION 4

ii) Datuk Piong Teck Yen DMSM, DSM, PJK, JP

RESOLUTION 5

- 5) To re-elect the following Directors who retire by rotation in accordance with Article 104 of the Company’s Articles of Association and being eligible offer themselves for re-election:-

i) P’ng Beng Hoe BKT, PJK, JP

RESOLUTION 6

ii) Azhar bin Hussain

RESOLUTION 7

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

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

RESOLUTION 8

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 AGM.”

RESOLUTION 9

iii) “That Omar bin Md. Khir, 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 AGM.”

RESOLUTION 10

Notice Of Annual General Meeting (CONT'D)

- 7) To re-appoint Messrs Horwath as auditors of the Company and to authorise the Directors to fix their remuneration.

RESOLUTION 11

SPECIAL BUSINESS

- 8) To consider and if thought fit, to pass the following 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 AGM 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 12

b. Ordinary Resolutions 2 and 3 – Proposed renewal of the existing shareholders’ mandate for recurrent related party transactions of a revenue or trading nature and proposed new shareholders’ mandate for new recurrent related party transactions of a revenue or trading nature

That approval be and is hereby given for the Company and/or its subsidiary to enter into the categories of recurrent related party transactions of a revenue or trading nature with the following related parties as specified in Section 2.3.1 (a) of the Circular to Shareholders dated 27 November 2007 (“the Circular”):-

- Kwong Onn Tong Sdn. Bhd.
- Lonnix (M) Sdn. Bhd.
- Appeton Laboratory Sdn. Bhd.
- Piong Nam Kim @ Piong Pak Kim
- Thames Bioscience (M) Sdn. Bhd.

RESOLUTION 13

That a mandate is hereby given to the Company and/or its subsidiary to enter into a new category of recurrent related party transactions of a revenue or trading nature with the following related party as specified in Section 2.3.1 (b) of the Circular:-

- Piong Teck Onn
- Datuk Piong Teck Yen DMSM, DSM, PJK, JP
- Piong Nam Kim @ Piong Pak Kim

RESOLUTION 14

Provided always that:-

- (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 (“Bursa Securities”);

Notice Of Annual General Meeting (CONT'D)

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

- (a) the conclusion of the next AGM of the Company following this AGM at which the ordinary resolution for the shareholders' mandate is passed, at which time it will lapse, unless a resolution passed at the next AGM, whereby the authority is renewed;
- (b) the expiration of the period within which the next AGM 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 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.

c. Special Resolution 1 – Proposed Amendments to the Articles of Association of the Company

"That the proposed modification, deletions and/or additions to the Articles of Association of the Company as set out in Appendix 1 attached herewith be and are hereby approved"

RESOLUTION 15

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN that a Final Dividend of 0.7 sen per ordinary share, less income tax at 26% in respect of the year ended 30 June 2007 will be payable on 15 January 2008 to depositors who are registered in the Record of Depositors at the close of business on 31 December 2007, if approved by members at the Eighth AGM on 19 December 2007. A Depositor shall qualify for entitlement only in respect of: -

- a) shares transferred into Depositor's Securities Account before 4.00 p.m. on 31 December 2007 in respect of ordinary transfers; and
- b) shares bought on the Bursa Securities on a cum entitlement basis according to the Listing Requirements of the Bursa Securities.

By order of the Board

OW PEE JUAN
(MAICSA 7013304)
Company Secretary

MELAKA
Date: 27 November 2007

Notice Of Annual General Meeting (CONT'D)

Notes:-

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 more than one (1) proxy, 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 forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

EXPLANATION NOTES

Resolution 12

The proposed Ordinary Resolution No. 12 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 AGM of the Company.

Resolutions 13 & 14

Please refer to the Circular to the shareholders of the Company dated 27 November 2007 which is despatched together with the Annual Report.

Resolution 15

The proposed adoption of the Special Resolution 1 is to comply with the amendments made to Chapter 7 of the Listing Requirements of Bursa Securities, where applicable, in connection with the Company's Articles of Association.

Notice Of Annual General Meeting (CONT'D)

APPENDIX I

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

The Articles of Association of the Company are proposed to be amended in the following manner, to be in compliance with amendments made to Chapter 7 of the Listing Requirements:-

EXISTING ARTICLES		PROPOSED ARTICLES	
WORDS	MEANINGS	WORDS	MEANINGS
Approved Market Place	A stock exchange which is specified to be an approved market place in the Securities Industry (<u>Central Depositories</u>) Exemption Order No. 2, 1998	Deleted	Deleted
Central Depository	<u>Malaysian Central Depository Sdn. Bhd.</u> (165570-W)	Depository	Bursa Malaysia Depository Sdn. Bhd. (165570-W)
Market Day	<u>any day between Mondays to Fridays which is not a market holiday or public holiday</u>	Market Day	A day on which the stock market of the Exchange is open for trading in securities

ARTICLE NO.	EXISTING ARTICLES	PROPOSED ARTICLES
Article 5	Without prejudice to any special rights previously conferred on the holders of any share or class of shares already issued, but subject to the Act and these Articles, any shares in the Company (whether forming part of the original capital or not) may be issued or have attached thereto such preferred, deferred or other special rights, or such restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by ordinary resolution determine provided that: (a) <u>the total nominal value of preference shares issued shall not exceed the total nominal value of the issued ordinary shares at any time;</u>	Without prejudice to any special rights previously conferred on the holders of any share or class of shares already issued, but subject to the Act and these Articles, any shares in the Company (whether forming part of the original capital or not) may be issued or have attached thereto such preferred, deferred or other special rights, or such restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by ordinary resolution determine provided that: (Deleted)

Notice Of Annual General Meeting (CONT'D)

ARTICLE NO.	EXISTING ARTICLES	PROPOSED ARTICLES
Article 5 (Cont'd)	<p>(b) the holders of preference shares shall have the same rights as the holders of ordinary shares as regards to receiving notices, reports and audited accounts and attending general meetings of the Company but shall only have the right to vote at any meeting convened for the purpose of reducing the Company's share capital, or winding up, or sanctioning a sale of the whole of the Company's property, business and undertaking or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividend or part of the dividend on such shares is in arrears for more than six (6) months. Preference shareholders shall also have the right to vote during the winding up of the Company <u>and shall be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up;</u> and</p> <p>(c) the Company shall not unless with the consent of the existing preference shareholders at a class meeting or pursuant to Article 18 hereof issue further preference capital.</p> <p>Subject to the Act, any preference shares may be issued on the terms that they are, or at the option of the Company are liable, to be redeemed.</p>	<p>a) the holders of preference shares shall have the same rights as the holders of ordinary shares as regards to receiving notices, reports and audited accounts and attending general meetings of the Company but shall only have the right to vote at any meeting convened for the purpose of reducing the Company's share capital, or winding up, or sanctioning a sale of the whole of the Company's property, business and undertaking or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividend or part of the dividend on such shares is in arrears for more than six (6) months. Preference shareholders shall also have the right to vote during the winding up of the Company; and</p> <p>(b) the Company shall not unless with the consent of the existing preference shareholders at a class meeting or pursuant to Article 18 hereof issue further preference capital.</p> <p>Subject to the Act, any preference shares may be issued on the terms that they are, or at the option of the Company are liable, to be redeemed.</p>
Article 42	<p>The registration of transfers may be suspended at such times and for such period as the Directors may from time to time determine, provided always that such registration shall not be suspended for more than thirty (30) days in any year. At least <u>eighteen (18)</u> market days' notice of such suspension shall be given to each Stock Exchange upon which the Company is listed stating the period and the purpose or purposes of such suspension.</p>	<p>The registration of transfers may be suspended at such times and for such period as the Directors may from time to time determine, provided always that such registration shall not be suspended for more than thirty (30) days in any year. At least ten (10) market days' notice of such suspension shall be given to each Stock Exchange upon which the Company is listed stating the period and the purpose or purposes of such suspension.</p>
Article 48	<p>(1) Where:</p> <p>(a) the securities of the Company are listed on <u>an Approved Market Place;</u> and</p> <p>(b) the Company is exempted from compliance with Section 14 of the <u>Central Depositories Act</u>, or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules of the <u>Central Depository</u> in respect of such securities,</p>	<p>(1) Where:</p> <p>(a) the securities of the Company are listed on another stock exchange; and</p> <p>(b) the Company is exempted from compliance with Section 14 of the Securities Industry (Central Depositories) Act 1991, or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules of the Depository in respect of such securities,</p>

Notice Of Annual General Meeting (CONT'D)

ARTICLE NO.	EXISTING ARTICLES	PROPOSED ARTICLES
Article 48 (Cont'd)	<p>the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder, from the register of holders maintained by the registrar of the Company in the jurisdiction of the <u>Approved Market Place (hereinafter referred to as "the Foreign Register")</u>, to the register of holders maintained by the registrar of the Company in Malaysia (<u>hereinafter referred to as "the Malaysian Register"</u>) provided that there shall be no change in the ownership of such securities.</p> <p>(2) For the avoidance of doubt, the Company, in the event paragraphs (a) and (b) above are fulfilled, shall not allow any transmission of securities from the Malaysian Register into the Foreign Register.</p>	<p>the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder, from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities.</p> <p>(2) (Deleted)</p>
Article 67 (2)	<p>The Company shall inform the <u>Central Depository</u> of the date of General Meeting and shall request the <u>Central Depository</u> in accordance with the Rules to prepare a Record of Depositors as at a <u>date</u> not less than three (3) market days before the general meeting (hereinafter referred to as "the General Meeting Record of Depositors").</p>	<p>The Company shall inform the Depository of the date of General Meeting and shall request the Depository in accordance with the Rules to prepare a Record of Depositors as at the latest date which is reasonably practicable which shall in any event be not less than three (3) market days before the general meeting (hereinafter referred to as "the General Meeting Record of Depositors").</p>
Article 83	<p>Subject to any special rights or restrictions as to voting attached to any class or classes of shares by or in accordance with these Articles, on a show of hands <u>every person present who is a member or a member's representative or proxy</u> or attorney shall have one vote and in the case of a poll every member present in person or by proxy or by attorney or other duly authorised representative shall have one vote for every share held by him.</p>	<p>Subject to any special rights or restrictions as to voting attached to any class or classes of shares by or in accordance with these Articles, on a show of hands a holder of ordinary shares or preference shares who is personally present and entitled to vote shall be entitled to 1 vote and in the case of a poll every member present in person or by proxy or by attorney or other duly authorised representative shall have one vote for every share held by him.</p>
Article 94	<p>The directors of the Company at the date of adoption of these Articles are Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman, Piong Nam Kim @ Piong Pak Kim, Piong Teck Onn, Piong Yew Peng, Chin Swee Chang, Omar bin Md. Khir, Piong Teck Min, Piong Teck They (Alternate Director to Piong Nam Kim @ Piong Pak Kim), Datuk Piong Teck Yen and Tan Choo Jow. <u>All directors of the Company shall be natural persons.</u></p>	<p>The directors of the Company at the date of adoption of these Articles are Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman, Piong Nam Kim @ Piong Pak Kim, Piong Teck Onn, P'ng Beng Hoe, Chin Swee Chang, Omar bin Md. Khir, Piong Teck Min, Piong Teck They (Alternate Director to Piong Nam Kim @ Piong Pak Kim), Datuk Piong Teck Yen, Azhar bin Hussain and Tan Choo Jow.</p>

Notice Of Annual General Meeting (CONT'D)

ARTICLE NO.	EXISTING ARTICLES	PROPOSED ARTICLES
Article 107	<p>The office of director shall, ipso facto, be vacated:</p> <ol style="list-style-type: none"> a. if he ceases to be a director by virtue of the Act; b. if he resigns his office by notice in writing under his hand sent to or left at the Office; c. if he shall have absented himself (such absence not being absence with leave or by arrangement with the directors) from meetings of the directors for six (6) months in succession and his alternate director (if any) shall not during such period have attended in his stead; d. if he is removed from his office of director by resolution of the Company in general meeting of which special notice has been given; e. if he becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder; f. if he has a Receiving Order in Bankruptcy made against him or makes any arrangement or composition with his creditors generally; g. if he becomes prohibited from being a director by reason of any order made under the provisions of the Act or contravenes Section 130 of the Act. h. is absent from more than 50% of the total Board of Directors' meetings held during a financial year, unless a waiver has been obtained from the Exchange. 	<p>The office of director shall, ipso facto, be vacated:</p> <ol style="list-style-type: none"> a. if he ceases to be a director by virtue of the Act; b. if he resigns his office by notice in writing under his hand sent to or left at the Office; c. if he shall have absented himself (such absence not being absence with leave or by arrangement with the directors) from meetings of the directors for six (6) months in succession and his alternate director (if any) shall not during such period have attended in his stead; d. if he is removed from his office of director by resolution of the Company in general meeting of which special notice has been given; e. if he becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder during his term of office; f. if he has a Receiving Order in Bankruptcy made against him or makes any arrangement or composition with his creditors generally during his term of office; g. if he becomes prohibited from being a director by reason of any order made under the provisions of the Act or contravenes Section 130 of the Act. <p>(Deleted)</p>

Notice Of Annual General Meeting (CONT'D)

**STATEMENT ACCOMPANYING
NOTICE OF ANNUAL GENERAL MEETING
PURSUANT TO RULE 8.28(2) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

1. Directors who are standing for re-election

The Directors standing for re-election at the Eighth AGM are as follows:-

- | | |
|---|---|
| (a) Piong Teck Onn | - Retiring pursuant to Article 97 of the Company's Articles of Association |
| (b) Datuk Piong Teck Yen DMSM, DSM, PJK, JP | - Retiring pursuant to Article 97 of the Company's Articles of Association |
| (c) P'ng Beng Hoe BKT, PJK, JP | - Retiring pursuant to Article 104 of the Company's Articles of Association |
| (d) Azhar bin Hussain | - Retiring pursuant to Article 104 of the Company's Articles of Association |
| (e) Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman | - Retiring pursuant to Section 129 of the Companies Act, 1965 |
| (f) Piong Nam Kim @ Piong Pak Kim | - Retiring pursuant to Section 129 of the Companies Act, 1965 |
| (g) Omar bin Md. Khir | - Retiring pursuant to Section 129 of the Companies Act, 1965 |

2. Further details of directors who are standing for re-election

- Details of the above Directors who are standing for re-election are set out in the Directors' Profile appearing on pages 4 to 9 of the Annual Report.
- The direct and indirect shareholdings of the above Directors who are standing for re-election are set out in page 83 of the Annual Report.
- Piong Nam Kim @ Piong Pak Kim is the father of Piong Teck Min, Piong Teck Onn, Piong Teck They and Datuk Piong Teck Yen who are brothers to one another. Chin Swee Chang is the wife of Piong Teck Onn.

Collectively, the above Directors hold 5,022,898 shares (4.06%), and an indirect shareholding of 64,624,362 shares (52.20%) of the total issued and paid up capital in the Company as at 31 October 2007.

- Save for Piong Nam Kim @ Piong Pak Kim, Piong Teck Min, Piong Teck Onn, Piong Teck They, Datuk Piong Teck Yen and Chin Swee Chang who have interests or deemed interests in certain companies which are involved in recurrent related party transactions of a revenue or trading nature with the Company's subsidiary, none of the above Directors who are standing for re-election have any conflict of interest with the Company.
- None of the above Directors who are standing for re-election have convicted of any offences within the past 10 years other than traffic offences, if any.

Notice Of Annual General Meeting (CONT'D)

3. Details of attendance of directors at board meetings

During the financial year ended 30 June 2007, the Board met on 5 occasions.

Director	Position	Attendance of Board Meetings in 2007					Total
		Aug'06	Oct'06	Nov'06	Feb'07	May'07	
1. Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman	Independent Non-Executive Chairman	✓	✓	✓	✓	✓	5
2. Piong Nam Kim @ Piong Pak Kim	Deputy Chairman - Executive	✓		✓	✓		3
3. Piong Teck Onn	Managing Director	✓	✓	✓	✓	✓	5
4. Piong Teck Yen DSM, PJK, JP	Executive Director	✓	✓	✓	✓	✓	5
5. Chin Swee Chang	Executive Director	✓	✓	✓	✓	✓	5
6. Piong Teck Min	Non-Executive Director	✓	✓	✓	✓	✓	5
7. Omar bin Md. Khir	Independent Non-Executive Director	✓	✓	✓	✓	✓	5
8. Piong Yew Peng (Resigned on 22.08.2007)	Independent Non-Executive Director & Chairman of Audit Committee	✓		✓	✓	✓	4
9. Tan Choo Jow PPN	Independent Non-Executive Director	✓	✓	✓	✓	✓	5
10. Piong Teck They	Alternate Director to Piong Nam Kim @ Piong Pak Kim		✓			✓	2
Total Attendance		9	8	9	9	9	

4. Place, Date and Time of meeting

The Eighth AGM of the Company will be convened and held at Bunga Melati Room, Level 7, Renaissance Hotel Melaka, Jalan Bendahara, 75100 Melaka, on Wednesday, 19 December 2007 at 2.30 p.m.

Shareholding Statistics - as at 31 October 2007

Shareholding Statistics - as at 31 October 2007

Authorised Share Capital	:	RM100,000,000.00
Issued and Fully Paid-up Share Capital	:	RM61,896,781.50
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	18	1.4400	549	0.0004
100 to 1,000 shares	125	10.0000	57,049	0.0461
1,001 to 10,000 shares	753	60.2400	3,202,460	2.5870
10,001 to 100,000 shares	294	23.5200	7,230,160	5.8405
100,001 to less than 5% of issued shares	59	4.7200	48,678,983	39.3227
5% and above of issued shares	1	0.0800	64,624,362	52.2033
Total	1,250	100.0000	123,793,563	100.0000

Shareholding Statistics - As at 31 October 2007

SUBSTANTIAL SHAREHOLDERS

No. Shareholder	No. of Shares Held			
	Direct	%	Indirect	%
1. Piong Nam Kim Holdings Sdn. Bhd.	64,624,362	52.20	-	0.00
2. Piong Nam Kim @ Piong Pak Kim*	2,631,292	2.13	64,624,362	52.20
3. Piong Teck Onn*	-	0.00	64,624,362	52.20
4. Piong Teck Min*	1,276,220	1.03	64,624,362	52.20
5. Piong Teck They*	1,113,186	0.90	64,624,362	52.20
6. Datuk Piong Teck Yen* DMSM, DSM, PJK, JP	2,200	+	64,624,362	52.20
7. Yong Soon Moi*	1,883,072	1.52	64,624,362	52.20
8. Chin Swee Chang**	-	0.00	64,624,362	52.20

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.

Shareholding Statistics - as at 31 October 2007 (CONT'D)

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	4,840	+	-	0.00
2.	Piong Nam Kim @ Piong Pak Kim*	2,631,292	2.13	64,624,362	52.20
3.	Piong Teck Onn*	-	0.00	64,624,362	52.20
4.	Piong Teck Min*	1,276,220	1.03	64,624,362	52.20
5.	Piong Teck They*	1,113,186	0.90	64,624,362	52.20
6.	Datuk Piong Teck Yen* DMSM, DSM, PJK, JP	2,200	+	64,624,362	52.20
7.	Chin Swee Chang**	-	0.00	64,624,362	52.20
8.	Omar bin Md. Khir	1,089,560	0.88	-	0.00
9.	P'ng Beng Hoe BKT, PJK, JP	-	0.00	-	0.00
10.	Tan Choo Jow PPN	241,900	0.20	-	0.00

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.

Shareholding Statistics - as at 31 October 2007 (CONT'D)

30 LARGEST SHAREHOLDERS (As per the Register of members)

No.	Shareholder	No. of Shares	%
1.	Piong Nam Kim Holdings Sdn. Bhd.	64,624,362	52.2033
2.	AMMB Nominees (Asing) Sdn. Bhd. [AmTrustee Berhad for Galleon Asset Ltd.]	6,125,402	4.9481
3.	HSBC Nominees (Asing) Sdn. Bhd. [Exempt An For Morgan Stanley & Co. Incorporated]	3,697,980	2.9872
4.	Malaysian Technology Development Corporation Sdn. Bhd.	2,874,476	2.3220
5.	Malaysia Nominees (Tempatan) Sendirian Berhad [Great Eastern Life Assurance (Malaysia) Berhad (LGF)]	2,694,120	2.1763
6.	Chin Ai Mei	2,435,901	1.9677
7.	Malaysia Nominees (Tempatan) Sendirian Berhad [Great Eastern Life Assurance (Malaysia) Berhad (DR)]	2,019,820	1.6316
8.	Malaysian Technology Venture Two Sdn. Bhd.	1,702,420	1.3752
9.	Platinum Essence Sdn. Bhd.	1,530,040	1.2360
10.	Cresdel Holdings Sdn. Bhd.	1,486,560	1.2008
11.	AMMB Nominees (Tempatan) Sdn. Bhd. [AmTrustee Berhad for Piong Nam Kim @ Piong Pak Kim]	1,446,500	1.1685
12.	AMMB Nominees (Tempatan) Sdn. Bhd. [AmTrustee Berhad for Yong Soon Moi]	1,446,280	1.1683
13.	AMMB Nominees (Tempatan) Sdn. Bhd. [AmTrustee Berhad for Piong Teck Min]	1,276,220	1.0309
14.	AMMB Nominees (Tempatan) Sdn. Bhd. [AmTrustee Berhad for Lin Ah Lan]	1,276,220	1.0309
15.	Ho Jonathan Lep Kee	1,210,000	0.9774
16.	Piong Nam Kim @ Piong Pak Kim	1,184,792	0.9571
17.	Lee Chow	1,144,000	0.9241
18.	Omar bin Md. Khir	1,089,560	0.8801
19.	AMMB Nominees (Tempatan) Sdn. Bhd. [AmTrustee Berhad for Piong Teck They]	808,280	0.6529
20.	Malaysia Nominees (Tempatan) Sendirian Berhad [Overseas Assurance Corporation (Malaysia) Berhad (MSF)]	687,940	0.5557
21.	Piong Teck Wah	627,220	0.5067
22.	Malaysia Nominees (Tempatan) Sendirian Berhad [Great Eastern Life Assurance (Malaysia) Berhad (LPF)]	614,240	0.4962
23.	TA Nominees (Tempatan) Sdn. Bhd. [Pledged Securities Account for Ting Leong Hua]	588,600	0.4755
24.	Lin Ah Lan	544,740	0.4400
25.	Chin Kee Kwong	514,800	0.4159
26.	Chin Chee Keong	512,600	0.4141
27.	Chin Chee Min	512,600	0.4141
28.	Piong Teck Fong	461,560	0.3728
29.	Lembaga Tabung Amanah Warisan Negeri Terengganu	460,164	0.3717
30.	Koay Hooi Lian	458,260	0.3702



KOTRA

KOTRA INDUSTRIES BERHAD

(Company No. 497632-P)
(Incorporated in Malaysia under the Companies Act, 1965)

No. of ordinary shares held

FORM OF PROXY

(Before completing this form please refer to the notes below)

I/We _____ NRIC/Company no. _____
(FULL NAME IN BLOCK CAPITAL)

of _____
(FULL ADDRESS)

being a member(s) of **KOTRA INDUSTRIES BERHAD** hereby appoint the following person(s):-

Name of proxy, NRIC no., & address	No. of ordinary shares represented by proxy
1.	
2.	

or failing whom, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Eighth Annual General Meeting of the Company which will be held at Bunga Melati Room, Level 7, Renaissance Hotel Melaka, Jalan Bendahara, 75100 Melaka, on Wednesday, 19 December 2007 at 2.30 p.m. for the following purposes:-

NO.	RESOLUTION	For	Against
ORDINARY BUSINESS			
1.	To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2007 together with the reports of the Directors and Auditors thereon.		
2.	To declare a Final Dividend of 0.7 sen per ordinary share, less income tax at 26% in respect of the year ended 30 June 2007.		
3.	To approve the payment of Directors' fees amounting to RM135,500 for the year ended 30 June 2007.		
4.	To re-elect Piong Teck Onn as Director.		
5.	To re-elect Datuk Piong Teck Yen as Director.		
6.	To re-elect P'ng Beng Hoe as Director.		
7.	To re-elect Azhar bin Hussain as Director.		
8.	To re-appoint Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman.		
9.	To re-appoint Piong Nam Kim @ Piong Pak Kim.		
10.	To re-appoint Omar bin Md. Khir.		
11.	To re-appoint Messrs Horwath as auditors of the Company and to authorise the Directors to fix their remuneration.		
SPECIAL BUSINESS			
12.	Authority pursuant to Section 132D of the Companies Act, 1965 for the Directors to issue shares.		
13.	Proposed Renewal of the existing Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature.		
14.	Proposed New Shareholders' Mandate for new recurrent related party transactions of a revenue or trading nature.		
15.	Proposed Amendments to the Articles of Association.		

(Please indicate with an "X" in the appropriate spaces provided above how you wish your votes to be cast on the resolutions specified in the Notice of Eighth Annual General Meeting. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion.)

Signed this _____ day of _____ 2007.

Signature (s) / Common Seal of Shareholder(s)

Notes:-

- 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.
- Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
- 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.
- 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 forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

PLEASE FOLD HERE

Affix
stamp

KOTRA INDUSTRIES BERHAD (497632-P)
535B Jalan Merdeka
Melaka Raya
75000 Melaka

PLEASE FOLD HERE
