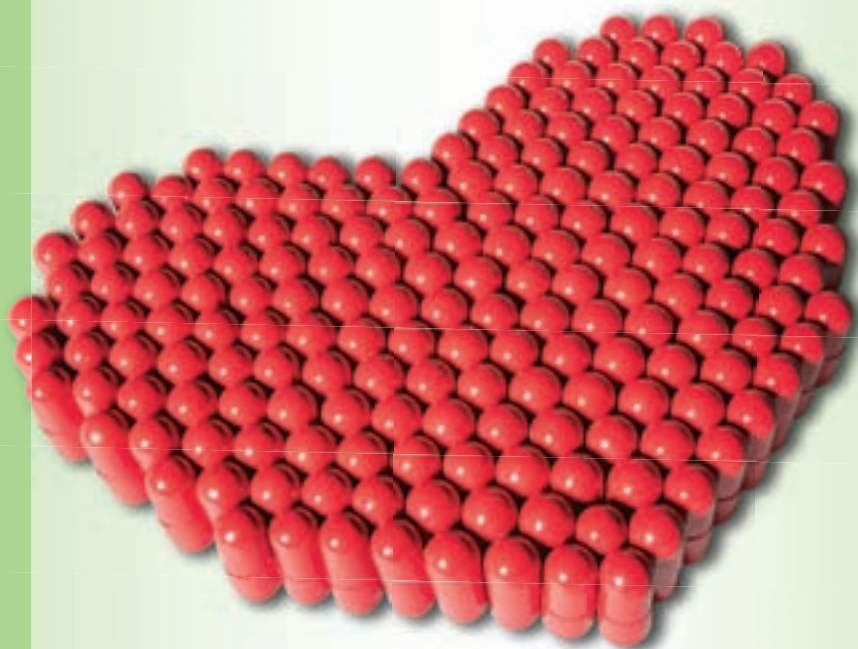




KOTRA INDUSTRIES BERHAD  
(497632-P)

*Your health.  
Our business.*



# Vision

Humanising Healthcare – To be a family of people committed to providing quality and accessible healthcare with a human touch

# Mission

To be the centre of excellence for pharmaceutical industry

# Core Values

We act with Integrity

We deliver on Commitment

We are Customer-Oriented

We work with Passion and Team Spirit

We are a Responsible Corporate Citizen

We believe Everything is Possible

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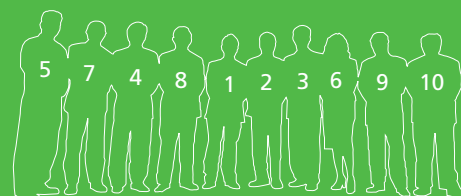
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## corporate information

<b>Board of Directors</b>	Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman <i>JSM, JMN, DMSM, PSM</i> (Independent Non-Executive Chairman) Piong Nam Kim @ Piong Pak Kim (Deputy Chairman – Executive) Piong Teck Onn (Managing Director) Piong Teck Min (Non-Independent Non-Executive Director) Datuk Piong Teck Yen <i>DMSM, DSM, PJK, JP</i> (Executive Director) Chin Swee Chang (Executive Director) Omar bin Md. Khir (Independent Non-Executive Director) P'ng Beng Hoe <i>BKT, PJK, JP</i> (Independent Non-Executive Director) Azhar bin Hussain (Independent Non-Executive Director) Tan Choo Jow <i>PPN</i> (Independent Non-Executive Director) Piong Teck They (Alternate Director to Piong Nam Kim @ Piong Pak Kim)
<b>Company Secretaries</b>	Ow Pee Juan (MAICSA 7013304) Mah Li Chen (MAICSA 7022751)
<b>Audit Committee</b>	P'ng Beng Hoe <i>BKT, PJK, JP</i> (Chairman) Azhar bin Hussain Piong Teck Min
<b>Remuneration Committee</b>	Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman <i>JSM, JMN, DMSM, PSM</i> (Chairman) Omar bin Md. Khir Piong Teck Min Piong Teck Onn
<b>Nomination Committee</b>	Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman <i>JSM, JMN, DMSM, PSM</i> (Chairman) Omar bin Md. Khir Piong Teck Min
<b>ESOS Committee</b>	Tan Choo Jow <i>PPN</i> (Chairman) P'ng Beng Hoe <i>BKT, PJK, JP</i> Piong Teck Onn
<b>Registered Office</b>	535B Jalan Merdeka, Melaka Raya, 75000 Melaka Tel: 06-2836620 Fax: 06-2836449
<b>Business Office</b>	No. 1, Jalan TTC 12, Cheng Industrial Estate, 75250 Melaka Tel: 06-3362222 Fax: 06-3366122
<b>Registrar</b>	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
<b>Auditors</b>	HORWATH 535 Jalan Merdeka, Melaka Raya, 75000 Melaka Tel: 06-2825995 Fax: 06-2836449
<b>Legal Advisors</b>	CHEE SIAH LE KEE & PARTNERS Advocates & Solicitors 105, Taman Melaka Raya, 75000 Melaka Tel: 06-2833423 Fax: 06-2847251
<b>Stock Exchange Listing</b>	Bursa Malaysia Securities Berhad Main Board



1. Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman *JSM, JMN, DMSM, PSM (Independent Non-Executive Chairman)*
2. Piong Nam Kim @ Piong Pak Kim *(Deputy Chairman - Executive)*
3. Piong Teck Onn *(Managing Director)*
4. Piong Teck Min *(Non-Independent Non-Executive Director)*
5. Datuk Piong Teck Yen *DMSM, DSM, PJK, JP (Executive Director)*
6. Chin Swee Chang *(Executive Director)*
7. Omar bin Md. Khir *(Independent Non-Executive Director)*
8. P'ng Beng Hoe *BKT, PJK, JP (Independent Non-Executive Director)*
9. Azhar bin Hussain *(Independent Non-Executive Director)*
10. Tan Choo Jow *PPN (Independent Non-Executive Director)*
11. Piong Teck They *(Alternate Director to Piong Nam Kim @ Piong Pak Kim)*  
(not in the photo)





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

*Independent Non-Executive Director, Chairman*

Malaysian. Age 75.  
Appointed on 5 June 2000.

### BOARD COMMITTEE MEMBERSHIP

- ◆ Chairman, Nomination Committee.
- ◆ Chairman, Remuneration Committee.

### QUALIFICATION

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

### EXPERIENCE

- ◆ Veterinary Research Officer of Veterinary Research Institute, Ipoh in 1960.
- ◆ Deputy Director of Veterinary Research Institute, Ipoh in 1971.
- ◆ Professor of Animal Pathology and Founding Dean of the Faculty of Veterinary Medicine and Animal Science of UPM, and Deputy Vice-Chancellor of Academic Affairs of UPM from 1972-1987.
- ◆ Science Advisor in the Prime Minister's Department from 1984-2001.
- ◆ 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").
- ◆ Founding Chairman of the Malaysian Technology Development Corporation ("MTDC").
- ◆ Founding and Executive Chairman of Kumpulan Modal Perdana Sdn. Bhd. from 2001-2007.
- ◆ Founding and current Chairman of London-based Commonwealth Partnership for Technology Management Ltd. ("CPTM").
- ◆ Current President and CEO of Malaysia University of Science and Technology ("MUST").

### DIRECTORSHIP

- ◆ Encorp Bhd.
- ◆ Great Wall Plastic Industries Bhd.
- ◆ OSK Ventures International Bhd.
- ◆ Green Packet Bhd.
- ◆ BCT Technology Bhd.

### 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.

### NATIONAL & INTERNATIONAL COMMITTEES SERVED

- ◆ 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.
- ◆ Malaysian Veterinary Council.
- ◆ United Nation's Council for Science and Technology for Development ("UNCSTD").
- ◆ O.I.C. Ministerial Committee on Science and Technology Cooperation ("COMSTECH").
- ◆ Joint Convener of the Langkawi International Smart Partnership Dialogues ("LID").
- ◆ Chairman of Joint-Executive Group for the Southern Africa International Dialogues ("SAID").
- ◆ Current member of UNESCO's Committee on Ethics in Science and Technology ("COMEST").

### MEMBERSHIP OF ASSOCIATIONS & ACADEMIES

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



**Piong Nam Kim @ Piong Pak Kim**  
*Executive Director, Deputy Chairman*

Malaysian, Age 76.  
Appointed on 5 June 2000.

#### EXPERIENCE

- ◆ Founder of Kwong Onn Tong Sdn. Bhd. ("KOT"), a pharmaceutical product wholesaler, since 1954.
- ◆ Laid a solid foundation for the Group's formation in later years with in-depth knowledge and experience in traditional Chinese medicine network throughout Malaysia.

#### MEMBERSHIP OF ASSOCIATIONS & ACADEMIES

- ◆ Former Secretary of the Melaka Chinese Druggist Association.
- ◆ Honorary Permanent Advisor of the Melaka Chinese Druggist Association.

#### FAMILY RELATIONSHIP WITH DIRECTOR AND/OR MAJOR SHAREHOLDER

- ◆ Father of Piong Teck Min, Piong Teck Onn, Piong Teck They and Datuk Piong Teck Yen.
- ◆ Father-in-law of Chin Swee Chang.



**Piong Teck Onn**  
*Managing Director*

Malaysian. Age 50.  
Appointed on 5 June 2000.

#### BOARD COMMITTEE MEMBERSHIP

- ◆ Remuneration Committee.
- ◆ Employees' Share Option Scheme Committee.

#### QUALIFICATION

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

#### EXPERIENCE

- ◆ Began his career in retail and wholesale pharmaceutical business at City Chemist & Asia Pharmacy.
- ◆ Instrumental in starting and developing the manufacturing, research and development and marketing departments of Kotra Pharma (M) Sdn. Bhd. ("KPM").
- ◆ Introduced many conventional dosage forms ranging from tablets, capsules, creams and ointments, wet and dry syrups and injectables, both aseptically and terminally filled from 1985-1995.
- ◆ 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 & INTERNATIONAL COMMITTEES SERVED

- ◆ Chairman of the ASEAN Pharmaceutical Industry Club ("APC").

#### MEMBERSHIP OF ASSOCIATIONS & ACADEMIES

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

#### FAMILY RELATIONSHIP WITH DIRECTOR AND/OR MAJOR SHAREHOLDER

- ◆ Son of Piong Nam Kim @ Piong Pak Kim.
- ◆ Brother of Piong Teck Min, Piong Teck They and Datuk Piong Teck Yen.
- ◆ Husband of Chin Swee Chang.



**Piong Teck Min**

*Non-Independent Non-Executive Director*

Malaysian. Age 56.  
Appointed on 5 June 2000.

**BOARD COMMITTEE MEMBERSHIP**

- ◆ Audit Committee.
- ◆ Nomination Committee.
- ◆ Remuneration Committee.

**QUALIFICATION**

- ◆ Malaysian Certificate of Education.

**EXPERIENCE**

- ◆ Handled pharmaceutical wholesale business of KOT in 1970.
- ◆ Managing Director of Lonnix (M) Sdn. Bhd., specializing in broad range of traditional medicine.
- ◆ Experience with intricacies of local pharmaceutical trade and networking with Malaysian wholesalers.

**MEMBERSHIP OF ASSOCIATIONS & ACADEMIES**

- ◆ Treasurer of the Chinese Medicines Manufacturers' Association of Malaysia.

**FAMILY RELATIONSHIP WITH DIRECTOR AND/OR SHAREHOLDER**

- ◆ Son of Piong Nam Kim @ Piong Pak Kim.
- ◆ Brother of Piong Teck Onn, Piong Teck They and Datuk Piong Teck Yen.
- ◆ Brother-in-law of Chin Swee Chang.



**Datuk Piong Teck Yen**

*Executive Director*

Malaysian. Age 41.  
Appointed on 5 June 2000.

**QUALIFICATION**

- ◆ Lewisham College, United Kingdom.

**EXPERIENCE**

- ◆ Responsible for marketing and sales activities of KOT in 1989.
- ◆ Sales Manager of KPM in 1989.
- ◆ Marketing Manager in 1995 and was instrumental in formulating & implementing promotions aimed at creating brand awareness.
- ◆ Current Business Director responsible for the development of overseas sales and marketing activities of the Group.

**AWARDS**

- ◆ DMSM, DSM, PJK, JP.

**FAMILY RELATIONSHIP WITH DIRECTOR AND/OR MAJOR SHAREHOLDER**

- ◆ Son of Piong Nam Kim @ Piong Pak Kim.
- ◆ Brother of Piong Teck Min, Piong Teck Onn and Piong Teck They.
- ◆ Brother-in-law of Chin Swee Chang.



**Chin Swee Chang**

*Executive Director*

Malaysian. Age 51.  
Appointed on 5 June 2000.

**QUALIFICATION**

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

**EXPERIENCE**

- ◆ Programmer at Systems Automation Sdn. Bhd. in 1982, involved in development, implementation, user-training and maintenance of insurance software sub-systems.
- ◆ Analyst Programmer at Eastern Systems Design Sdn. Bhd. in 1984, responsible in the development and maintenance for General Accounting, Insurance Broking, Hire Purchase/leasing software.
- ◆ Head of the Electronic Data Processing Department at Robert Bosch (South East Asia) Pte. Ltd. in 1987, 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.
- ◆ IT Manager of KPM in 1993, transformed the computerization of the entire business from a stand-alone personal computer ("PC") environment to a local area network PC multi-user system, with fully integrated material requirements planning, financial and distribution software. Coordinated and implemented a new, fully integrated Symix MRP (US) package on PROGRESS database platform in 1997. Set-up an in-house IT team to support the growing number of users and computer systems in 2001. Since then, Symix system has gone through two rounds of upgrades and currently, Syteline MRP has been converted to SQL database. Was also responsible for setting up and ensuring the smooth running of order processing, administration and HR and store department operations.
- ◆ Was promoted to current position, Chief Information Officer responsible for overseeing the operations and development of Management Information Systems, Order Processing and Administration departments.

**FAMILY RELATIONSHIP WITH DIRECTOR AND/OR MAJOR SHAREHOLDER**

- ◆ Daughter-in-law of Piong Nam Kim @ Piong Pak Kim.
- ◆ Sister-in-law of Piong Teck Min, Piong Teck They and Datuk Piong Teck Yen.
- ◆ Wife of Piong Teck Onn.

**BOARD COMMITTEE MEMBERSHIP**

- ◆ Nomination Committee.
- ◆ Remuneration Committee.

**QUALIFICATION**

- ◆ Cambridge School Certificate.
- ◆ Completed the Estate Management Course.

**EXPERIENCE**

- ◆ Assistant Estate Manager of SOCFIN in 1958, devoted attention on various rubber and palm oil estates.
- ◆ Acting Manager of SOCFIN in 1973.
- ◆ Experience in Human Resources Management & Public Relations from 1977-1981.
- ◆ Upon retirement as Manager 1 (Senior Group Manager) in 1992, was in charged of approximately 10,000 acres of rubber and palm oil estates in Batang Berjuntai, Selangor.

**MEMBERSHIP OF ASSOCIATIONS & ACADEMIES**

- ◆ Former Committee Member of Malaysian Employers Federation.
- ◆ Former Member of Employers Panel (Industrial Court).
- ◆ Former Chairman of the Selangor State Malaysian Agriculture Producers Association Advisory Panel.
- ◆ Former Chairman of Selangor Planters Association.
- ◆ Former Council Member of Zoo Negara.



**Omar bin Md. Khir**

*Independent Non-Executive Director*

Malaysian. Age 71.  
Appointed on 5 June 2000.





**Tan Choo Jow**  
*Independent Non-Executive Director*

Malaysian. Age 65.  
Appointed on 5 June 2000.

**BOARD COMMITTEE MEMBERSHIP**

- ◆ Chairman, Employees' Share Option Scheme Committee.

**QUALIFICATION**

- ◆ Bachelor of Pharmacy (University of Singapore).

**EXPERIENCE**

- ◆ Registered Pharmacist in 1967.
- ◆ Marketing Manager of Malayan Pharmaceutical Sdn. Bhd. from 1970-1987.
- ◆ Manager of Atlantic Laboratory Sdn. Bhd., in charge of marketing and manufacturing activities.
- ◆ Production Pharmacist of Dumex (M) Sdn. Bhd. from 1990-1998.
- ◆ Involved in the writing of the Pharmaceutical Industries Chapter of Third Industrial Masterplan ("IMP3") for Malaysia.

**AWARDS**

- ◆ PPN.

**MEMBERSHIP OF ASSOCIATIONS & ACADEMIES**

- ◆ Past President of the Malaysian Pharmaceutical Society ("MPS").
- ◆ Former Examiner in Forensic Pharmacy of the Pharmacy Board and External Examiners in Forensic Pharmacy, Universiti Sains Malaysia.
- ◆ Past Vice President and current Honorary Bureau Member of the Federation of the Asian Pharmaceutical Association.
- ◆ Founder President of the Malaysian Pharmaceutical Trade and Manufacturers Association ("PhAMA").
- ◆ Former Member of the Pharmacy Board.
- ◆ Former Member of the Poisons Board, Ministry of Health.
- ◆ Fellow of the Malaysian Pharmaceutical Society ("FMPS").
- ◆ Consultant of the Malaysian Organisation of Pharmaceutical Industries ("MOPI").
- ◆ Chartered Audit Committee Director ("CACD") of the Institute of Internal Auditors of Malaysia ("IIAM").



**P'ng Beng Hoe**  
*Independent Non-Executive Director*

Malaysian. Age 63.  
Appointed on 22 August 2007.

**BOARD COMMITTEE MEMBERSHIP**

- ◆ Chairman, Audit Committee.
- ◆ Employees' Share Option Scheme Committee.

**QUALIFICATION**

- ◆ Chartered Accountant.

**EXPERIENCE**

- ◆ Former Partner of PricewaterhouseCoopers.
- ◆ Chartered Accountant with 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.

**AWARDS**

- ◆ BKT, PJK, JP.

**MEMBERSHIP OF ASSOCIATIONS & ACADEMIES**

- ◆ Member of the Institute of Chartered Accountants in Australia.
- ◆ Member of CPA Australia.
- ◆ Member of the Malaysian Institute of Accountants ("MIA").
- ◆ Member of the Malaysian Institute of Certified Public Accountants ("MICPA").



**Azhar bin Hussain**  
Independent Non-Executive Director

Malaysian. Age 55.  
Appointed on 12 November 2007.

**Piong Teck They**  
Alternate Director to Piong Nam Kim  
@ Piong Pak Kim

Malaysian. Age 49.  
Appointed on 5 June 2000.

#### QUALIFICATION

- ◆ Bachelor of Pharmacy (Hons) (University of Wales, United Kingdom).

#### EXPERIENCE

- ◆ House Pharmacist of Glaxo Malaysia in 1976.
- ◆ Production Executive of Glaxo Malaysia in 1977.
- ◆ Assistant Manager of Glaxo Malaysia in 1981.
- ◆ Production Manager of Glaxo Malaysia in 1983, managing inventory management, production planning, cGMP compliance and overall plant manufacturing.
- ◆ Technical Manager of Glaxo Malaysia, Glaxo Pakistan in 1989.
- ◆ Technical Director of Glaxo Malaysia in 1993.
- ◆ Board of Director of Glaxo Malaysia in 1993.
- ◆ Executive Director of Intercircle Holdings Sdn. Bhd. for a year.
- ◆ Managing Director of Pharmaniaga Manufacturing Bhd. from 1994-2003 and later Executive Director of Pharmaniaga Bhd.
- ◆ Managing Director of Pharmaniaga Bhd. from 2003-2006.
- ◆ Senior Director of UEM Group in 2007, responsible for the development and long term strategy for Pharmaceuticals and Biotechnology (including herbals) businesses.
- ◆ Business Development Consultant of Technology Park Malaysia Corp. in 2008.

#### MEMBERSHIP OF ASSOCIATIONS & ACADEMIES

- ◆ Immediate Past President of the Malaysian Organisation of Pharmaceutical Industries ("MOPI").
- ◆ Associate Member of the Harvard Business School Alumni Club of Malaysia.
- ◆ Member of the Malaysian Pharmaceutical Society ("MPS").

#### QUALIFICATION

- ◆ Malaysian Certificate of Education.

#### EXPERIENCE

- ◆ Handled the wholesale business of KOT since 1977.
- ◆ With his vast experience and network in the pharmaceutical industry, has played a pivotal role in the Group's various business evolution stages.

#### FAMILY RELATIONSHIP WITH DIRECTOR AND/OR MAJOR SHAREHOLDER

- ◆ Son of Piong Nam Kim @ Piong Pak Kim.
- ◆ Brother of Piong Teck Min, Piong Teck Onn and Datuk Piong Teck Yen.
- ◆ Brother-in-law of Chin Swee Chang.

#### Notes:

- Family Relationship**  
The Directors do not have any family relationship with any Director and/or major shareholders of the Company except otherwise stated in individual profiles.
- Conflict of Interest**  
None of the Directors have any conflict of interest with the Company.
- Conviction for Offences**  
None of the Directors have any conviction for offences (other than traffic offences) within the past 10 years.
- Other Directorship**  
The Directors do not hold any other directorship of public companies except otherwise stated in individual profiles.

Dear Shareholders,

It gives me great pleasure to present to you, on behalf of the Board of Directors, the Annual Report and Financial Statements for the financial year ended 30 June 2008.

### AN UPDATE ON THE ECONOMY AND INDUSTRY

The Malaysian economy registered a GDP growth of 6.3% in 2007 and again 6.3% in Quarter 2 of 2008, where growth was supported by strong external demand while domestic demand expanded at a more moderate rate.

Domestic consumer sentiments took a plunge when oil and food prices skyrocketed after government policies rolled back subsidies which kept gasoline and other fuel artificially low. Raw material price hikes, inflationary pressure and the sub-prime crisis in the United States have dominated the business environment, further contributing to business instability and global economic uncertainty.

Given the foregoing, the International Monetary Fund ("IMF") has revised the 2008 annual global growth downwards from 4.2% in January 2008 to 3.7% in April 2008.

Amidst this backdrop of cautious economic outlook both in the local and international front, the Malaysian pharmaceuticals market remains resilient and appears to be set for further growth. Business Monitor

International ("BMI" – a leading print and online publisher of specialist business information on global emerging markets) has placed Malaysia in joint eighth place, alongside India, out of the 14 regional markets surveyed in its Business Environment Ranking matrix for Quarter 2, 2008.

As one of the faster growing pharmaceuticals markets in Asia, the domestic industry ranks fifth in healthcare spending behind Philippines, India, South Korea and China, according to Frost & Sullivan (a global growth consulting firm), and is growing at about 13% annually. While domestic participants dominate the scene for generics and Over-The-Counter ("OTC") products, multinational companies reign strong in branded/ethical drugs, making up 70% of domestic demand.

### A REVIEW ON FINANCIAL PERFORMANCE

Despite global meltdown and soaring commodity prices, our Group persisted and recorded a revenue increase to RM86.7 million for this financial year under review from RM83.2 million in the previous year. This 4.2% growth was sustained by the robust performance of sales in the export market.

This financial year saw a decrease in pre-tax profit to RM7.68 million during the year compared to RM9.09 million recorded in the preceding year. The 15.5% reduction was primarily attributed to higher staff costs as well as promotional and marketing costs associated with our Group's drive to develop new products and new export markets. In addition, our Group also incurred higher foreign exchange losses arising from export sales due to the decline in the US Dollar during the financial year.

### OPERATIONAL UPDATES

#### Domestic Sales

For the same period under review, domestic sales declined by 3% to RM54.4 million from RM56.1 million in 2007. Despite achieving a growth of 15% in the private market of OTC and prescription drug sales, the slight drop was essentially caused by the absence of sales to government hospitals during the financial year.

#### Export Sales

In spite of the depreciation of the US Dollar, our Group's export sales registered a growth of 19% from RM27.1 million recorded in the previous financial year and accounted for 37.3% of our Group's total sales revenue for the financial year. The RM32.3 million sales achieved comes mainly from the fruits borne by our marketing efforts in penetrating new markets in the Middle Eastern, African and South East Asian countries and in maintaining mutual beneficial relationships with our distributors.



## OUR CORPORATE RESPONSIBILITY

Our Group is aware of our corporate responsibility (“CR”) to our shareholders and the community in which we live and operate in. In line with our core value to remain a responsible corporate citizen, we are committed to take sustainable efforts to improve our CR objectives.

During the year under review, we extended our reach to join global humanitarian efforts in donating cash and medicinal relief to victims of Cyclone Nargis and Sichuan Earthquake.

On the local front, we continue to contribute in cash, medicines and health supplements to various educational, social and welfare programmes. These initiatives alone are still largely insufficient and efforts are currently underway to inculcate a culture of responsibility and best practices within the organization.

## THE FUTURE

The global and local economic outlook in financial year 2009 is expected to be more competitive with margins being affected by rising raw material prices and cautious customers’ and investors’ sentiments due to deteriorating market conditions brought about by the spiraling cost of living as well as the global financial crisis.

However, we are encouraged by the ongoing Government initiatives in developing the pharmaceuticals sector through the implementation of financing schemes for R&D, providing intellectual property protection, earmarking the sector to achieve the objectives of IMP3 and taking measures to boost economic activity and encourage consumption spending through the Ninth Malaysia Plan.

Frost & Sullivan, estimates that the local industry is expected to top USD1.8 billion in value by 2013, at a compound annual growth rate (“CAGR”) of 10.5%. Among the key drivers envisaged to fuel this growth include medical tourism, generic medication, specialist therapy, dietary supplement, traditional and herbal products.

Our Group views these initiatives and outlook on the local market as an affirmation that we are on the right strategic path towards becoming a centre of integrated pharmaceutical excellence in the long run. With our three-prong strategy of manufacturing, R&D and marketing excellence, we have commenced the construction of a world-class manufacturing facility, adjacent to our current Melaka factory.

With this new facility, we are acquiring new technologies and equipments while increasing our capacities and capabilities to meet stringent world standards and market demands. Opportunities to work with top multinational companies in outsourcing their manufacturing processes to our Company will be further enhanced. We are able to diversify our product range into more comprehensive therapeutic categories which concurrently crystallizes our marketing approach of branding our Company as the preferred and convenient source of pharmaceutical products.

We believe that in an environment that values innovation, these strategies will pave the way for reinventing our healthcare business and more importantly, sustaining growth for our Group.

With the increased liberalization under the AFTA arrangement, our Group has embarked on intensifying the registration and marketing of our prescription products for the ASEAN market. We foresee that this range of products will continue to grow despite the challenging and competitive economic environment.

The year ahead will also see our Group continuing to advocate brand leadership through new product launches for our flagship Appeton brand. This strategy has been reinforced after Appeton was awarded by Reader’s Digest as co-winner of the “Most Trusted Brand (Gold)” for the vitamin/health supplement category alongside Amway’s Nutrilite for 2 consecutive years since 2007. Appeton also maintained succession as the leader for the Child Vitamin C category in terms of market share by Nielsen’s Retail Audit Report.

Our Group is committed to invest time and resources in building one of our most important stakeholders which is our people, through our human resource development and incentive programmes aligned with our corporate vision and mission.

Our Group is confident that by addressing economies of scale; building the capacity and capability to diversify and enhance our exports through branding; emphasizing on enhancing R&D capabilities; and by investing in the right people, we will strengthen our competitive edge in improving the health and lives of others.

In moving ahead, we have taken the opportunity to add a special feature to this year’s report by articulating a revised vision, mission and core values of our Group. This is in line with our commitment to better serve the interests of our clients and shareholders as well as the relationship with our business partners and associates.

## DIVIDENDS

As part of our Group’s long-term strategy to achieve pharmaceutical excellence, we are committed to grow our resources in manufacturing, R&D, marketing, IT and human capital. With this, our Group is aware that it needs to remain steadfast in exercising judicious spending and the importance of conserving the cash reserves. After much contemplation, the Board will not be recommending a final dividend in this financial year.

## A WORD OF APPRECIATION

I wish to express my gratitude to my esteemed colleagues on the Board for their visionary leadership and counsel in steering our Group to where it is today. On behalf of the Directors, I applaud the Management and employees for their passion and persistence in growing our Group in spite of economic uncertainties faced.

A big thank you to our valued customers and shareholders for the trust you continue to place in Kotra Industries Berhad. My appreciation also goes to our business partners, financiers, various regulatory authorities and government ministries for your support and invaluable guidance in helping us to realise our goals with ease.

I look forward to all your continuous support for the coming year.

Your health is our business.

Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman  
*Chairman of the Board*

# corporate governance statement

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The Board fully subscribes to the values of accountability, integrity and transparency which form the virtues of good governance with the objective of enhancing and safeguarding the interests of our shareholders and other stakeholders alike.

Aside from any exceptions noted below, the Board has, in principal, adhered to the Malaysian Code on Corporate Governance (“the Code”) during the reviewed year and will continue to practice good governance in the years to come.

The following statements describe the framework with which the Group has applied the principles of corporate governance and the extent to which it has complied with the best practices recommended by the Code.

## A. DIRECTORS

### 1. Board Responsibilities

As a collective entity, the Board has the authority and accountability for ensuring that the Group is effectively managed and achieves its overall strategies. With individual expertise and experiences from diverse backgrounds, members of the Board come together and provide unbiased and independent perspectives which are imperative for the successful directions of the business.

On behalf of the shareholders, the Board discharges its responsibilities through a formal schedule of matters reserved for its attention and decision. Some of the key areas for evaluation and monitoring include business operatives, approval of annual and interim results, major capital expenditures, related party transactions, acquisitions and disposals of significant assets, investments and partnerships, changes in the Group’s equity, budgets and material agreements.

### 2. Board Balance

At the date of the statement, the Board has eleven (11) members comprising the following:

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

The composition of the Board is considered balanced with total Independent Directors constituting more than one-third (1/3) of the recommended ratio of the Board membership. The majority of Directors are independent from management and provide a check and balance for the effectiveness of the Board, hence promoting the growth of the Company.

The Board practices a division of responsibility between the Chairman and the Managing Director to ensure a balance of power and authority. The Chairman is primarily responsible for leading the Board in setting its agenda and monitoring its effectiveness. He facilitates the contribution and relationship of the Directors. The Managing Director oversees the daily operations of the business including effective implementation of the policies and strategies adopted by the Board, taking into account the interests of shareholders and various stakeholders.

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

### 3. Board Meetings and Supply of Information

Board meetings are convened on quarterly basis with additional meetings held for particular matters, when necessary.

All Directors are fully briefed in advance of meetings on matters to be discussed and have access to any further information they may require.

Notice and minutes of meeting as well as adequate Board reports are given to the Directors in a timely manner prior to the Board meeting to enable them to discharge their duties. These reports provide information on the Group performance and major operational, financial and corporate issues.

All Directors have unrestricted access to the advice and services of the Company Secretary and the Senior Management staff of the Group. If deemed by the Board as reasonable and necessary, the Directors may seek independent professional advice at the Company’s expense about matters pertaining to the Group.

There were five (5) Board meetings held during this year to deliberate and consider a variety of matters including 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 financial year subsequent to the date of their appointment are summarised as follows:

No.	DIRECTOR	POSITION	ATTENDANCE AT BOARD MEETINGS IN 2008
1.	Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman <i>JSM, JMN, DMSM, PSM</i>	<i>Independent Non-Executive Chairman</i>	5
2.	Piong Nam Kim @ Piong Pak Kim	<i>Deputy Chairman - Executive</i>	4
3.	Piong Teck Onn	<i>Managing Director</i>	5
4.	Piong Teck Min	<i>Non-Independent Non-Executive Director</i>	3
5.	Datuk Piong Teck Yen <i>DMSM, DSM, PJK, JP</i>	<i>Executive Director</i>	5
6.	Chin Swee Chang	<i>Executive Director</i>	5
7.	Omar bin Md. Khir	<i>Independent Non-Executive Director</i>	5
8.	P'ng Beng Hoe <i>BKT, PJK, JP</i> (Appointed on 22.08.2007)	<i>Independent Non-Executive Director &amp; Chairman of Audit Committee</i>	4
9.	Azhar bin Hussain (Appointed on 12.11.2007)	<i>Independent Non-Executive Director</i>	2
10.	Tan Choo Jow <i>PPN</i>	<i>Independent Non-Executive Director</i>	5
11.	Piong Teck They	<i>Alternate Director to Piong Nam Kim @ Piong Pak Kim</i>	Nil

#### 4. Appointment to the Board

The Nomination Committee is authorised by the Board and its terms of reference are to consider, recommend and evaluate the appointment of new Directors to the Board and existing Directors to the Board Committees of the Company.

The Company has an informal familiarisation programme in place for new Board members to visit the Group's offices and to attend meetings with Senior Management as appropriate, so as to facilitate the new Directors' understanding of the Group's operations.

#### 5. Re-election of Directors

The Company's Articles of Association provide that at least one third (1/3) of the Board shall retire from office and be subjected to re-election by rotation at each Annual General Meeting ("AGM"), provided that each Director shall retire at least once in every three years. All newly appointed Directors during the financial year are eligible for re-election following their appointment. Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129 (6) of the Companies Act 1965.

#### 6. Directors Training

The Board recognises that in order to be kept abreast with the developments of the marketplace, law and regulations and corporate governance, it is imperative to attend relevant training programmes on a continuous basis.

All newly appointed Directors have successfully attended and successfully completed the Mandatory Accreditation Programme ("MAP") conducted by the relevant authorities.

During the financial year, the Company Secretary circulated updates on the Code as revised in 2007 and briefed the Board members during the Board meeting.

The Directors are encouraged to evaluate their own training needs on a regular basis and to determine the relevant programmes, seminars or dialogues available that would best enable them to enhance their skill and knowledge to meet the constant shift of the borderless business environment.

## B. BOARD COMMITTEES

There are three (3) principle Committees established to assist the Board in discharging its responsibilities effectively:

- Audit Committee
- Nomination Committee
- Remuneration Committee

Specific responsibilities have been delegated to the Board Committees, all of which have their clearly defined and written terms of reference and operating procedures. These Committees have the authority to examine particular issues and report to the Board on the outcomes of their proceedings together with their recommendations. However, the ultimate responsibility for the final decision on matters lies with the Board.

The functions of these Committees are detailed in the subsequent paragraphs except for the Audit Committee which are detailed in the Report of the Audit Committee in pages 19 to 21 of this Annual Report.

### 1. NOMINATION COMMITTEE

As mandated by Bursa Malaysia Securities Berhad ("Bursa Securities"), the Nomination Committee comprises exclusively of Non-Executive Directors which are as follows:

- Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman *JSM, JMN, DMSM, PSM*
- Omar bin Md. Khir
- Piong Teck Min

The Nomination Committee is responsible for:

- Identifying and recommending candidates to the Board as well as candidates from amongst existing Board members for various Board Committees; and
- Evaluating annually the effectiveness of the Board and Board Committees in terms of board structure, size and composition with the mix of skills and core competencies required to discharge duties effectively.

The members of the Nomination Committee met twice during the year.

### 2. REMUNERATION COMMITTEE

The Remuneration Committee comprises of the following Directors, a majority of whom are Non-Executive Directors:

- Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman *JSM, JMN, DMSM, PSM*
- Omar bin Md. Khir
- Piong Teck Min
- Piong Teck Onn

The Remuneration Committee is responsible for reviewing and recommending appropriate and competitive remuneration packages, share options and other benefits applicable to the Directors, taking into account the Company's and individual Director's performances. Based on the Committee's recommendations, the Board periodically reviews the Company's remuneration policy to ensure that it aligns with current market practices and reflects the level of responsibility of the Directors.

The Remuneration Committee met once during the year, during which Committee members abstained from participating in the discussion of their individual remuneration.

Based on the Board's recommendation and approval by shareholders at the AGM, Non-Executive Directors are provided with annual Directors' fees and reimbursement of expenses incurred for their service in connection with Board and Board Committee meetings.

Details of Directors' remuneration paid by the Group for the financial year ended 30 June 2008 are as follows:

	FEES RM'000	EMOLUMENTS RM'000	OTHER SHORT TERM EMPLOYEE BENEFITS INCLUDING ESTIMATED MONETARY VALUE OF BENEFITS-IN-KIND RM'000	TOTAL RM'000
Executive Director	-	1,436	144	1,580
Non-Executive Directors	164	-	6	170
<b>Total</b>	<b>164</b>	<b>1,436</b>	<b>150</b>	<b>1,750</b>

The number of Directors of the Group whose remuneration fall within the respective bands are as follows:

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
<b>Non-Executive Directors</b>				
Below RM50,000	7	5	7	5
<b>Executive Directors</b>				
RM200,001 – RM250,000	-	-	-	-
RM250,001 – RM300,000	1	2	-	-
RM300,001 – RM350,000	1	1	-	-
RM350,001 – RM400,000	1	-	-	-
RM400,001 – RM450,000	-	-	-	-
RM450,001 – RM500,000	-	-	-	-
RM550,001 – RM600,000	-	1	-	-
RM600,001 – RM650,000	1	-	-	-

## C. INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The Board encourages the practice of voluntary disclosure as good governance. Effective and transparent communication enables shareholders, investors and the market at large to make informed evaluation of the Company.

Online access of the Group's quarterly and interim reports, significant announcements can be obtained from Bursa Securities' website ([www.bursamalaysia.com](http://www.bursamalaysia.com)) to ensure shareholders are apprised with up-to-date overview of the Group's performance and operations. In addition, the Group's annual report contains a review of its financial and operational performance.

The Group also has a Corporate Affairs Department in place for handling investor relations and ensuring appropriate communication with shareholders and the investment community.

Aside from establishing avenues where investors can readily obtain group information, the Board recognises and values dialogue, above all, as an opportunity to respond directly to shareholder queries through the AGM and to undertake sufficient clarification on issues raised.

At the AGM, the Managing Director presents the Group's performance and progress and welcomes questions from shareholders pertaining to the business activities. All the Directors are present to attend to any other issues discussed. The external auditors are also available to provide professional and independent perspectives and clarification. The Board further encourages dialogue participation whereby shareholders can opt to leave written questions through the Company Secretary for the Board to respond. The Share Registrar is also present to respond to matters relating to shareholder interests.

Notice of the meeting together with a copy of the Annual Report are sent to shareholders at least twenty one (21) days prior to the AGM.

The Board has appointed Mr. P'ng Beng Hoe as the Independent Non-Executive Director to whom any concerns of shareholders may be conveyed via the Company Secretary.

## D. ACCOUNTABILITY & AUDIT

### 1. Financial Reporting

The Board acknowledges its accountability to shareholders to present a balanced and comprehensive assessment of the Group's financial position and prospect.

The Audit Committee assists the Board in reviewing and reporting of financial information to ensure accuracy, completeness and quality of reporting. The Report of the Audit Committee is outlined in pages 19 to 21 of this Annual Report.

### 2. Internal Control

The Board strives to maintain a sound system of internal control to safeguard shareholders' investment and Group assets. The internal audit function is currently outsourced to Messrs KPMG Business Advisory Sdn. Bhd., who convenes with the Audit Committee to report on their findings several times a year.

The Statement on Internal Control to provide an overview of the state of internal control of the Group is presented in page 18 of this Annual Report.



### 3. Relationship with External Auditors

The Board has established and maintained a professional and transparent relationship with the external auditors, in seeking professional advice and ensuring compliance with the accounting standards in Malaysia. The Company's external auditors, Messrs Horwath, continue to highlight to the Audit Committee on matters that require Board attention.

### E. DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENT

According to the Companies Act 1965, the Directors are mandated to prepare financial statements, results and cash flows which illustrate an accurate and impartial view of the Group's state of affairs at the end of each financial year.

In preparing these financial statements, the Directors have:

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

The Board of Directors are also responsible to ensure that the Company and its subsidiary keep proper accounting records which disclose with reasonable accuracy the Group's and Company's financial positions at any time and which enable them to ensure that the financial statements comply with the Companies Act 1965. The Directors have overall accountability for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company, in order to detect and prevent fraud and other irregularities.

### F. COMPLIANCE STATEMENT

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

REFERENCE TO THE CODE	SUMMARY OF THE PRINCIPLE/ BEST PRACTICE	BOARD COMMENTS
Part 1 III	Disclosure of each Director's Remuneration	Details of the remuneration of each director are not disclosed in the Annual Report as the Board is of the opinion this infringes on the privacy of the individual Director. As an alternative, the Annual Report discloses the annual remuneration of directors in bands of RM50,000 and the number of Executive/Non-Executive Directors receiving annual remuneration in each particular band. The audited financial statements also disclose the total remuneration received by the Executive and Non-Executive Directors in separate categories.
Part 2 AAVIII Part 2 AAIX Part 2 AAX	Establishment of Nomination Committee	The Board is of the view that it is sufficient for the Nomination Committee to assess the effectiveness of the Board and the committees of the Board as a whole. It is the Board's opinion that individual Directors should be exempted from this process.
Part 2 AAXIII	Company to provide orientation and education programmes for new Board members	The Group does not have a formal process for the orientation of newly appointed members as orientation is conducted on an informal basis by the Executive Directors. The Board is of the opinion that the activities of the Group are not so complex as to require a formal training.
Part 2 AAXVII	Provision of non-quantitative information	At present the Group's information system generates information which is predominantly financial based. The Board is aware of the increasing importance of having non-financial based information, represented as Key Performance Indicators ("KPIs"), as the Group expands. The Board had performed a study in respect of the implementation of KPIs as means of assessing individual management's performance as well as the performance of the Group as a whole and expects KPIs to be implemented progressively in the near future.

## G. ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with the Bursa Securities Listing Requirements.

### 1. Recurrent Related Party Transactions

The details of the recurrent related party transactions of a revenue and trading nature conducted pursuant to the Shareholders' Mandate during the financial year ended 30 June 2008 are as follows:-

NAME OF RELATED PARTY	THE GROUP'S RELATIONSHIP WITH THE MANDATED RELATED PARTIES	NATURE OF TRANSACTIONS	RM'000
Kwong Onn Tong Sdn. Bhd. (36327-U)	A company in which Piong Teck They, who is an Alternate Director of the Company, is a director and has direct interest.	· Sales of goods · Rental of premises received/receivable	674 3
Lonnix (M) Sdn. Bhd. (269246-T)	A company in which Piong Teck Min, who is a Director of the Company, is a director and has direct interest.	· Contract manufacturing costs paid/payable · Distribution fee received/receivable	100 84
Appeton Laboratory Sdn. Bhd. (67336-V)	A company in which Piong Nam Kim@ Piong Pak Kim, Piong Teck Min, Piong Teck They, Datuk Piong Teck Yen <i>DMSM, DSM, PJK, JP</i> and Piong Teck Onn, who are Directors and Alternate Directors of the Company, are directors and have direct interests.	· Rental of premises paid/payable	6
Piong Nam Kim @ Piong Pak Kim	An Executive Director of the Company.	· Rental of premises paid/payable	13
Thames Bioscience (M) Sdn. Bhd. (464698-X)	A company in which Piong Nam Kim @ Piong Pak Kim and Piong Teck Onn, who are Directors of the Company, are directors and have direct interests.	· Royalty paid/payable	41
Piong Teck Onn	An Executive Director of the Company.	· Rental of premises paid/payable	7
Datuk Piong Teck Yen <i>DMSM, DSM, PJK, JP</i>	An Executive Director of the Company.	· Rental of premises paid/payable	21
Alaf Ekuiti Sdn. Bhd. (535628-U)	A company in which Piong Nam Kim @ Piong Pak Kim and Datuk Piong Teck Yen <i>DMSM, DSM, PJK, JP</i> who are Directors of the Company, are directors and have direct interests.	· Rental of premises paid/payable	18

The Company is seeking shareholders' approval on recurrent related party transactions of a revenue or trading nature ("RRPT") for transactions to be entered by the Company's subsidiary with related parties in the ordinary course of business in the forthcoming AGM. The details of the RRPT to be entered by the Company's subsidiary with related parties are included / furnished in the Circular, which is dispatched together with the Annual Report of the Company.

### 2. Share Buy-back

There was no share buy-back during the financial year ended 30 June 2008.

### 3. Options, Warrants or Convertible Securities

During the financial year, a total of 62,480 shares were exercised under the Employees' Share Option Scheme.

There were no options, warrants or convertible securities exercised during the financial year ended 30 June 2008.

### 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 2008, non-audit fees paid to external auditors amounted to RM9,000.

### 6. Variation in Results

There was no significant variance between the results for the financial year ended 30 June 2008 as per the audited financial statements and the unaudited results previously announced. The Company did not make any release on profit estimate, forecast or projections for the financial year.

### 7. Profit Guarantee

There was no profit guarantee given by the Company 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' interest which were still subsisting as at the end of the financial year under review or which were entered into since the end of the previous financial year except as disclosed in the financial statements.

### 9. Revaluation of Landed Properties

The Company did not revalue any of its property, plant and equipment during the financial year ended 30 June 2008, as these assets are carried in the Company's financial statements at historical cost less accumulated depreciation.

# statement on internal control

## Introduction

The Board of Directors (“the Board”) is pleased to present herewith the Statement on Internal Control (the “Statement”) which outlines the nature and scope of internal controls of the Group during the financial year. This Statement is prepared pursuant to paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) which requires the Board 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”.

## Board responsibility

Acknowledging the importance of a sound internal control and its effectiveness to good corporate governance, the Board affirms its overall responsibility for the Group’s system of internal control which includes the establishment of an appropriate control mechanism and framework as well as reviewing its adequacy and integrity. As there are limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate risks that may impede the achievement of the Group’s corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud. The system of internal control covers areas of finance, operations, compliance with relevant laws, regulations, rules, directives and guidelines, management information systems and risk management.

The Group has in place an on-going process for identifying, evaluating and managing significant risks faced by the Group and this process includes reviewing and updating the system of internal controls to take into consideration changes in the regulatory and business environment in accordance with the Statement on Internal Control: Guidance for Directors of Public Listed Companies (the “Internal Control Guidance”).

## Risk management framework

The Board maintains an on-going commitment in strengthening the Group’s risk management framework and processes. In the previous year, the Board appointed a firm of consultants to assist it in establishing a risk management framework for the Group. To ensure that the risk profile of the Group is appropriately updated, a risk assessment update for the Group will be carried out once every two years or when there are significant changes to the Group’s operations, as determined by the Board. Based on the results thereof, an updated risk profile comprising key business risks in the Group will be drawn up to enable Management to deploy appropriate action plans to manage the risks on an ongoing basis.

## Internal audit function

The review of the adequacy and integrity of the Group’s internal control system is outsourced to an independent professional firm of consultants, who, through the Audit Committee provides the Board with much of the assurance it requires regarding the adequacy and integrity of the Group’s system of internal control.

The system of internal control is assessed based on the risk profile established focusing on key activities of the Group whereby the internal audit function adopts its internal audit strategy and plan duly approved by the Audit Committee. Where improvement opportunities have been identified during the internal audit review, an internal audit report is presented to the Audit Committee whilst Management formulates the relevant action plans to address the issues noted on a periodic basis.

During the financial year ended 30 June 2008, the internal audit function carried out two cycles of internal audit on Kotra Pharma (M) Sdn Bhd, being the sole operating subsidiary in the Group. The results of the implementation of Management-agreed action plans on issues noted in the preceding internal audit cycles are also tabled to the Audit Committee.

## Other risk and control processes

Apart from the above, the Board has put in place an organizational structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established to ensure appropriate segregation of duties. This is relevant across the Group’s operations and provides for continuous assurance to be given at higher levels of Management and, finally, to the Board.

Management meetings between the Executive Directors and the Management team are conducted regularly to review the financial performance, business development and deliberate on strategic and operational issues.

The Board is updated with quarterly financial information, including pertinent explanations on the performance of the Group vis-à-vis the market situation by the Managing Director and Executive Directors.

Where areas of improvement in the system of internal control are identified, the Board will consider the recommendations made by both the Audit Committee and Management for implementation.

## Weaknesses in internal controls that result in material losses

During the year under review, nothing has come to the attention of the Board which would result in any material losses, contingencies or uncertainties that would warrant a separate disclosure in this annual report. Notwithstanding this, the Board will continue to embrace a risk and control conscious approach and maintain constant vigilance in order to meet its business objectives in the current and challenging business environment.

This statement is issued in accordance with a resolution of the Directors dated 21 October 2008.

# report of the audit committee

The Board of Directors is pleased to present the following report of the Audit Committee and its activities during the financial year ended 30 June 2008.

## A. COMPOSITION AND DESIGNATION OF AUDIT COMMITTEE

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

The members of the Audit Committee are:

- |   |  |
|---|--|
| 1. P'ng Beng Hoe <i>BKT, PJK, JP</i> (Chairman) | – Independent Non-Executive Director     |
| 2. Azhar bin Hussain                            | – Independent Non-Executive Director     |
| 3. Piong Teck Min                               | – Non-Independent Non-Executive Director |

## B. AUDIT COMMITTEE ATTENDANCE RECORD

During the year, a total of five (5) meetings were held. The status and attendance record of each of the members is set out as follows:

NO.	DIRECTOR	POSITION	ATTENDANCE AT AUDIT COMMITTEE MEETINGS IN 2008
1.	P'ng Beng Hoe <i>BKT, PJK, JP</i> (Appointed on 22.08.2007)	<i>Independent Non-Executive Director &amp; Chairman of Audit Committee</i>	4
2.	Azhar bin Hussain (Appointed on 12.11.2007)	<i>Independent Non-Executive Director</i>	2
3.	Piong Teck Min (Appointed on 12.11.2007)	<i>Non-Independent Non-Executive Director</i>	1
4.	Piong Yew Peng (Resigned on 22.08.2007)	<i>Independent Non-Executive Director &amp; Chairman of Audit Committee</i>	1
5.	Tan Choo Jow <i>PPN</i> (Ceased on 12.11.2007)	<i>Independent Non-Executive Director</i>	3
6.	Datuk Piong Teck Yen <i>DMSM, DSM, PJK, JP</i> (Ceased on 12.11.2007)	<i>Executive Director</i>	2

## 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 were amended on 14 October 2002 and subsequently updated on 28 February 2008 to reflect the latest amendments of the revised Malaysian Code on Corporate Governance ("the Code") and also the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

### 2. Membership

Members of the Audit Committee shall be appointed by the Board from amongst the directors, which fulfills the following requirements:-

- The Audit Committee shall comprise of no fewer than three (3) members. A quorum shall be two (2) members. The majority present must be Independent Directors;
- The members of the Audit Committee must be Non-Executive Directors and majority of whom shall be Independent Directors;
- At least one (1) member of the Audit Committee must be a member of the MIA;
- The elected Chairman shall be subject to endorsements by the Board.

### 3. Notice of Meeting and Attendance

- Before each Audit Committee meeting, an agenda shall be circulated 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. Other Board members may be present upon invitation.
- 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 four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfil its duties. However, the committee shall meet with the external auditors without the presence of any executive Board members, at least twice a year.
- In addition, the Chairman may convene 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 procedures stipulated by the Board of Directors and at the cost of the Company:

- Have authority to investigate any activities 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 to the Managing Director and any of its Senior Management;
- Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- Convene meetings with external auditors, internal auditors or both excluding the attendance of other Directors and employees, whenever necessary; and
- Be able to seek outside legal or other independent advice whenever necessary.

### 5. Co-operation from Management

The Company and every subsidiary's management shall provide the fullest co-operation in providing information and resources to the Audit Committee; and in implementing or carrying out all requests made by the Audit Committee.

### 6. Review of the Audit Committee

The Board must review the terms of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether the Audit Committee and the members have carried out their duties in accordance with the terms of reference.

### 7. Duties and Responsibilities

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

- Review the quarterly results and year end financial statements of the Group with the management (and the external auditor in respect of the annual financial statements) prior to submission for Board approval, including the following:
  - any changes in accounting policies and practices;
  - significant adjustments arising from audit;
  - the going concern assumption; and
  - compliance with accounting standards and other regulatory requirements;
- Consider the appointment of external auditors, review their fees and any issue of resignation or dismissal and proposal for their reappointment;
- Review the adequacy of external audit arrangements, with particular emphasis on the scope and quality of the audit;

- Review any management letter sent by the Company's or its subsidiary's external auditors and management's response to such letter;
- Discuss the findings by the Group's external auditors and any problems or reservations arising from their audits in the absence of management where necessary;
- Review all areas of significant business and financial risk and the arrangements in place to contain those risks to acceptable levels;
- Review the effectiveness of the system of internal control and management information system within the Company and the Group;
- Review the adequacy of the scope, functions and resources, competency of the internal audit function, the results of the internal audit process and where necessary ensure that appropriate actions are taken on the recommendations of the internal audit function;
- Review any appraisal or assessment of the performance of members of the internal audit function;
- Approve any appointment or termination of the internal auditors and take cognizance of resignations of internal auditors and provide the internal auditors an opportunity to submit their reasons for resigning;
- Review all related party transactions and situation that may give rise to potential conflict of interests; and
- Consider any other matters as may be agreed to by the Audit Committee and the Board of Directors.

#### **D. ACTIVITIES OF THE AUDIT COMMITTEE**

The Audit Committee has carried out its duties in accordance with its terms of reference during the financial year ended 30 June 2008. The main activities undertaken by the Committee were as follows:

- Reviewed the scope of work, audit plans and audit fees of the external auditors for the year for the Company and its subsidiary and made recommendation on its reappointment;
- Reviewed the annual report and the Company's audited financial statements prior to submission for Board 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");
- Reviewed the quarterly and year end financial statements to ensure the Company's compliance with the Listing Requirements of Bursa Securities, MASB and other relevant legal and regulatory requirements;
- Reviewed the internal audit plan, scope of work and the internal auditors' fees based on the risk management profile of the Group and final review of all internal audit findings including recommendations made by the internal auditors;
- Reviewed the related party transactions entered into by the Company and its subsidiary as well as the disclosure of such transactions in the Annual Report of the Group; and
- Reviewed the draft Statement on Internal Control and Corporate Governance Statement and recommended to the Board the extent of the Group's compliance with the provisions set out under the Code and in accordance with the Listing Requirements of Bursa Securities.

#### **E. INTERNAL AUDIT FUNCTION**

The Company has engaged an external independent internal auditor, Messrs KPMG Business Advisory Sdn. Bhd. to carry out internal audit functions effectively and professionally.

The principal responsibility of the internal audit is to undertake independent regular and systematic reviews of the Group's system of internal controls to provide reasonable assurance that such systems continue to operate effectively and efficiently.

Internal audit functions are elaborated further in the Statement on Internal Control in page 18 of this Annual Report.

#### **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 ESOS.

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

# financial statements

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## directors' report

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2008.

### 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.

### RESULTS

	THE GROUP RM'000	THE COMPANY RM'000
PROFIT/(LOSS) AFTER TAXATION FOR THE FINANCIAL YEAR	8,199	(349)

### DIVIDENDS

Since the end of the previous financial year, the Company paid a final dividend of 0.7 sen per ordinary share less 26% tax amounting to RM641,302 in respect of the previous financial year as proposed in the directors' report of that financial year.

The directors do not recommend the payment of a final dividend for 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) there were no changes in the authorised share capital of the Company;
- (b) the Company increased its issued and paid-up share capital from RM28,123,428 to RM61,871,542 by way of a bonus issue of 67,496,227 new ordinary shares of RM0.50 each in the ratio of 6 bonus shares for every 5 existing ordinary shares held. The bonus shares were issued by way of capitalisation of RM2,808,082 and RM30,940,032 from the share premium account and other reserve account respectively.

Subsequently, the Company increased its issued and paid-up share capital from RM61,871,542 to RM61,902,782 by the allotment of 62,480 new ordinary shares of RM0.50 each at an average exercise price of RM0.55 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.

### EMPLOYEES' SHARE OPTION SCHEME

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



The principal features of the ESOS are as follows:-

- a. The maximum number of new ordinary shares of RM0.50 each to be offered shall not exceed 20% of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS.
- b. Eligible directors or employees of the Group are directors or employees of the Group who have been confirmed in the service of the Group prior to the offer or, if the employee is employed under contract basis, the contract should be for a duration of at least one (1) year.
- c. 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.
- d. An Option is personal to the grantee. Save and except as provided in Clause 20.1 of the Bye-Laws, an Option is non-assignable and non-transferable.
- e. 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 were as follows:-

DATE OF OFFER	EXERCISE PERIOD	EXERCISE PRICE PER ORDINARY SHARE RM	BALANCE AT 1.7.2007	DURING THE YEAR				BALANCE AT 30.6.2008
				GRANTED	BONUS ISSUE	EXERCISED	LAPSED	
24.7.2003	24.7.2004	0.58	1,030,400	-	1,236,480	(6,160)	(880)	2,259,840
24.7.2003	24.7.2006	0.58	2,061,000	-	2,473,200	(12,320)	(1,760)	4,520,120
24.7.2003	24.7.2009	0.58	2,061,600	-	2,473,920	-	(1,760)	4,533,760
15.6.2004	15.6.2005	0.51	116,800	-	140,160	-	(9,240)	247,720
15.6.2004	15.6.2007	0.51	233,600	-	280,320	-	(18,480)	495,440
15.6.2004	15.6.2010	0.51	233,600	-	280,320	-	(18,480)	495,440
12.7.2005	12.7.2006	0.53	133,000	-	159,600	(34,000)	(8,800)	249,800
12.7.2005	12.7.2008	0.53	274,000	-	328,800	-	(17,600)	585,200
12.7.2005	12.7.2011	0.53	274,000	-	328,800	-	(17,600)	585,200
21.7.2006	21.7.2007	0.53	135,000	-	162,000	(10,000)	(26,400)	260,600
21.7.2006	21.7.2009	0.53	270,000	-	324,000	-	(52,800)	541,200
21.7.2006	21.7.2012	0.53	270,000	-	324,000	-	(52,800)	541,200
2.7.2007	2.7.2008	0.78	-	65,000	78,000	-	-	143,000
2.7.2007	2.7.2010	0.78	-	130,000	156,000	-	-	286,000
2.7.2007	2.7.2012	0.78	-	130,000	156,000	-	-	286,000
			7,093,000	325,000	8,901,600	(62,480)	(226,600)	16,030,520

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 400,000 shares.

The eligible employees who have been granted share options of 400,000 or more are as follows:-

NO. NAME OF OPTIONS HOLDERS	NUMBER OF SHARE OPTIONS
1. Piong Nam Kim @ Piong Pak Kim	2,200,000*
2. Piong Teck Onn	2,200,000*
3. Datuk Piong Teck Yen, <i>DMSM, DSM, PIK, JP</i>	2,200,000*
4. Chin Swee Chang	2,200,000*
5. Thanasekaran Dorairajah	550,000
6. Alan Martin Lewis	550,000
7. Hiew Mein Foong	440,000
8. Daniel Chua Chong Liang	440,000

\* Subsequent to the financial year, each of the above directors voluntarily accepted a rescindment of their share options entitlement by 400,000 options pursuant to an amendment of the Company's ESOS Bye-Laws to ensure compliance with the Listing Requirements of Bursa Malaysia Securities Berhad for main board companies.

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.

## **CONTINGENT AND OTHER LIABILITIES**

The contingent liabilities are set out in Note 40 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, *JSM, JMN, DMSM, PSM*  
 CHIN SWEE CHANG  
 DATUK PIONG TECK YEN, *DMSM, DSM, PJK, JP*  
 OMAR BIN MD. KHIR  
 PIONG NAM KIM @ PIONG PAK KIM  
 PIONG TECK MIN  
 PIONG TECK ONN  
 P'NG BENG HOE, *BKT, PJK, JP*  
 TAN CHOO JOW, *PPN*  
 AZHAR BIN HUSSAIN (APPOINTED ON 12 NOVEMBER 2007)  
 PIONG TECK THEY (ALTERNATE DIRECTOR TO PIONG NAM KIM @ PIONG PAK KIM)

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

Pursuant to Article 97 of the Articles of Association of the Company, Tan Choo Jow, *PPN* and Chin Swee Chang retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

**DIRECTORS' INTERESTS**

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

	NUMBER OF ORDINARY SHARES OF RM0.50 EACH			
	AT 1.7.2007	ALLOTMENT/ BOUGHT	SOLD	AT 30.6.2008
<b>THE COMPANY</b>				
<b>DIRECT INTERESTS</b>				
Y. BHG. TAN SRI DATUK DR. OMAR BIN ABDUL RAHMAN <i>JSM, JMN, DMSM, PSM</i>	2,200	2,640	-	4,840
PIONG NAM KIM @ PIONG PAK KIM	1,196,042	1,435,250	2,631,292	-
PIONG TECK MIN	580,100	696,120	-	1,276,220
DATUK PIONG TECK YEN, <i>DMSM, DSM, PJK, JP</i>	1,000	1,200	-	2,200
OMAR BIN MD. KHIR	499,800	603,760	10,000	1,093,560
TAN CHOO JOW, <i>PPN</i>	110,000	132,000	100	241,900
PIONG TECK THEY	505,994	607,192	-	1,113,186

	NUMBER OF ORDINARY SHARES OF RM0.50 EACH			
	AT 1.7.2007	ALLOTMENT/ BOUGHT	SOLD	AT 30.6.2008
<b>THE COMPANY</b>				
<b>INDIRECT INTERESTS</b>				
PIONG NAM KIM @ PIONG PAK KIM	29,374,710	35,249,652	-	64,624,362
PIONG TECK MIN	29,374,710	35,249,652	-	64,624,362
PIONG TECK ONN	29,374,710	35,249,652	-	64,624,362
DATUK PIONG TECK YEN, <i>DMSM, DSM, PJK, JP</i>	29,374,710	35,249,652	-	64,624,362
PIONG TECK THEY	29,374,710	35,249,652	-	64,624,362
<b>DEEMED INDIRECT INTEREST</b>				
CHIN SWEE CHANG	29,374,710	35,249,652	-	64,624,362

THE COMPANY	OPTIONS OVER ORDINARY SHARES OF RM0.50 EACH			
	AT 1.7.2007	ALLOTMENT/ BOUGHT	SOLD	AT 30.6.2008
PIONG NAM KIM @ PIONG PAK KIM	1,000,000	1,200,000	-	2,200,000
PIONG TECK ONN	1,000,000	1,200,000	-	2,200,000
DATUK PIONG TECK YEN, <i>DMSM, DSM, PJK, JP</i>	1,000,000	1,200,000	-	2,200,000
CHIN SWEE CHANG	1,000,000	1,200,000	-	2,200,000

HOLDING COMPANY	NUMBER OF ORDINARY SHARES OF RM1 EACH			
	AT 1.7.2007	BOUGHT	SOLD	AT 30.6.2008
PIONG NAM KIM HOLDINGS SDN. BHD.				
<b>DIRECT INTERESTS</b>				
PIONG NAM KIM @ PIONG PAK KIM	11,375	-	-	11,375
PIONG TECK MIN	10,000	-	-	10,000
PIONG TECK ONN	51,000	-	-	51,000
DATUK PIONG TECK YEN, <i>DMSM, DSM, PJK, JP</i>	10,000	-	-	10,000
PIONG TECK THEY	6,250	-	-	6,250
<b>DEEMED INTEREST</b>				
CHIN SWEE CHANG	51,000	-	-	51,000

By virtue of their interests in the holding company, Piong Nam Kim @ Piong Pak Kim, Piong Teck Min, Piong Teck Onn, Datuk Piong Teck Yen, *DMSM, DSM, PJK, JP*, 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 directors holding office at the end of the financial year did not have any interest in shares in the Company or its related corporations during the financial year.

#### DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than as disclosed in note 32 and 38 to the financial statements or 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.

#### AUDITORS

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

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 21 OCTOBER 2008

Piong Teck Onn

Datuk Piong Teck Yen, *DMSM, DSM, PJK, JP*

## statement by directors

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We, Piong Teck Onn and Datuk Piong Teck Yen, *DMSM, DSM, PJK, JP*, being two of the directors of Kotra Industries Berhad, state that, in the opinion of the directors, the financial statements set out on pages 30 to 56 are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company at 30 June 2008 and of its results and cash flows for the financial year ended on that date.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 21 OCTOBER 2008

Piong Teck Onn

Datuk Piong Teck Yen, *DMSM, DSM, PJK, JP*

## 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 30 to 56 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

Daniel Chua Chong Liang

Before me

### **Report on the Financial Statements**

We have audited the financial statements of Kotra Industries Berhad, which comprise the balance sheets as at 30 June 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 56.

### **Directors' Responsibility for the Financial Statements**

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as of 30 June 2008 and of its financial performance and cash flows for the financial year then ended.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary have been properly kept in accordance with the provisions of the Act;
- (b) We are satisfied that the accounts of the subsidiary that has been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes; and
- (c) Our audit reports on the accounts of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### **Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Horwath  
Firm No. : AF 1018  
Chartered Accountants

Melaka

Wong Tak Mun  
Approval No : 1793/09/10 (J)  
Partner

## balance sheets as at 30 June 2008

	NOTE	THE GROUP		THE COMPANY	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Investment in a subsidiary	7	-	-	69,052	60,504
Property, plant and equipment	8	36,397	24,553	-	-
Investment properties	9	1,701	1,727	-	-
Prepaid land lease payments	10	4,500	4,551	-	-
Development expenditure	11	428	288	-	-
Deferred tax assets	12	613	38	-	-
		43,639	31,157	69,052	60,504
<b>CURRENT ASSETS</b>					
Inventories	13	17,043	15,740	-	-
Trade receivables	14	26,068	32,724	-	-
Other receivables, deposits and prepayments	15	10,113	2,563	18	1
Tax recoverable		14	234	7	-
Amount owing by a subsidiary	16	-	-	12,829	13,714
Deposits with licensed banks	17	10,446	5,700	-	-
Cash and bank balances		2,821	332	43	17
		66,505	57,293	12,897	13,732
<b>TOTAL ASSETS</b>		<b>110,144</b>	<b>88,450</b>	<b>81,949</b>	<b>74,236</b>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	18	61,903	28,123	61,903	28,123
Share premium reserve	19	3	2,808	3	2,808
Share option reserve	20	241	92	241	92
Other reserve	21	-	-	15,091	37,483
Retained profits	22	19,762	43,144	4,671	5,661
<b>SHAREHOLDERS' EQUITY</b>		<b>81,909</b>	<b>74,167</b>	<b>81,909</b>	<b>74,167</b>
<b>NON-CURRENT LIABILITIES</b>					
Deferred income	23	72	98	-	-
Long term borrowings	24	3,448	31	-	-
		3,520	129	-	-
<b>CURRENT LIABILITIES</b>					
Trade payables	27	12,864	9,361	-	-
Other payables and accruals	28	8,105	4,758	40	50
Short term borrowings	29	3,746	16	-	-
Provision for taxation		-	19	-	19
		24,715	14,154	40	69
<b>TOTAL LIABILITIES</b>		<b>28,235</b>	<b>14,283</b>	<b>40</b>	<b>69</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>110,144</b>	<b>88,450</b>	<b>81,949</b>	<b>74,236</b>

## income statements for the financial year ended 30 June 2008

	NOTE	THE GROUP		THE COMPANY	
		2008 RM'000	2007 RM'000 (RESTATED)	2008 RM'000	2007 RM'000 (RESTATED)
REVENUE	30	86,682	83,168	300	300
OTHER OPERATING INCOME		1,563	542	-	-
RAW MATERIALS AND CONSUMABLES USED		(28,189)	(29,896)	-	-
CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS		1,034	1,351	-	-
PERSONNEL EXPENSES	31	(20,410)	(16,225)	(354)	(266)
SELLING AND DISTRIBUTION EXPENSES		(22,670)	(20,996)	-	-
DEPRECIATION AND AMORTISATION		(2,467)	(2,264)	-	-
OTHER OPERATING EXPENSES		(7,615)	(6,490)	(286)	(560)
FINANCE COSTS		(252)	(99)	-	-
PROFIT/(LOSS) BEFORE TAXATION	32	7,676	9,091	(340)	(526)
TAXATION	33	523	509	(9)	(54)
PROFIT/(LOSS) AFTER TAXATION		8,199	9,600	(349)	(580)
EARNINGS PER SHARE					
- BASIC	34	6.6 SEN	7.8 SEN		
- DILUTED	34	6.6 SEN	7.7 SEN		



## statements of changes in equity for the financial year ended 30 June 2008

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 1.7.2006		28,121	2,804	-	34,106	65,031	
Issuance 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	35	-	-	-	(562)	(562)	
Balance at 30.6.2007/1.7.2007		28,123	2,808	92	43,144	74,167	
Bonus shares		33,748	(2,808)	-	(30,940)	-	
Issuance of shares		32	3	-	-	35	
Profit after taxation for the financial year		-	-	-	8,199	8,199	
Share options granted under ESOS		-	-	149	-	149	
Dividends paid	35	-	-	-	(641)	(641)	
Balance at 30.6.2008		61,903	3	241	19,762	81,909	

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 1.7.2006		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	35	-	-	-	-	(562)	(562)
Balance at 30.6.2007/1.7.2007		28,123	2,808	37,483	92	5,661	74,167
Bonus shares		33,748	(2,808)	(30,940)	-	-	-
Issuance of shares		32	3	-	-	-	35
Net gain arising from fair value of the investment in subsidiary recognised directly in equity		-	-	8,548	-	-	8,548
Loss after taxation for the financial year		-	-	-	-	(349)	(349)
Share options granted under ESOS		-	-	-	149	-	149
Dividends paid	35	-	-	-	-	(641)	(641)
Balance at 30.6.2008		61,903	3	15,091	241	4,671	81,909

## cash flow statements for the financial year ended 30 June 2008

	NOTE	THE GROUP		THE COMPANY	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES</b>					
Profit/(Loss) before taxation		7,676	9,091	(340)	(526)
Adjustments for:-					
Allowance for doubtful debts		81	207	-	-
Amortisation of development expenditure		82	96	-	-
Amortisation of prepaid land lease payments		51	51	-	-
Bad debts written off		16	15	-	-
Depreciation of property, plant and equipment		2,390	2,187	-	-
Depreciation of investment properties		26	26	-	-
Interest expense		213	70	-	-
Inventories written off		-	154	-	-
Loss/(Gain) on disposal of plant and equipment		14	(6)	-	-
Share options granted under ESOS		149	92	149	92
Amortisation of deferred income		(26)	(26)	-	-
Doubtful debts recovered		(83)	(45)	-	-
Interest income		(188)	(155)	-	-
Rental income		(105)	(115)	-	-
Reversal of doubtful debts		(133)	-	-	-
Reversal of inventories written off		(89)	-	-	-
Unrealised (gain)/loss on foreign exchange		(619)	12	-	-
Operating profit/(loss) before working capital changes		9,455	11,654	(191)	(434)
Increase in inventories		(1,214)	(2,467)	-	-
Increase in trade and other receivables		(468)	(8,503)	(17)	-
Increase/(Decrease) in trade and other payables		6,850	1,908	(10)	26
<b>CASH FROM/(FOR) OPERATIONS</b>		<b>14,623</b>	<b>2,592</b>	<b>(218)</b>	<b>(408)</b>
Interest paid		(213)	(70)	-	-
Tax paid		(51)	(26)	(35)	(18)
Tax refunded		200	-	-	-
<b>NET CASH FROM/(FOR) OPERATING ACTIVITIES</b>		<b>14,559</b>	<b>2,496</b>	<b>(253)</b>	<b>(426)</b>
<b>CARRIED FORWARD</b>					

## cash flow statements

for the financial year ended 30 June 2008 *cont'd*

		THE GROUP		THE COMPANY	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>NET CASH FROM/(FOR) OPERATING ACTIVITIES BROUGHT FORWARD</b>		14,559	2,496	(253)	(426)
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>					
Interest received		188	155	-	-
Proceeds from disposal of plant and equipment		22	275	-	-
Rental received		105	115	-	-
Development expenditure paid		(222)	(139)	-	-
Purchase of property, plant and equipment	36	(14,270)	(4,115)	-	-
<b>NET CASH FOR INVESTING ACTIVITIES</b>		(14,177)	(3,709)	-	-
<b>CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES</b>					
Drawdown of bankers' acceptances		3,730	-	-	-
Drawdown of term loan		3,433	-	-	-
Proceeds from issuance of shares		35	6	35	6
Dividends paid		(641)	(562)	(641)	(562)
Net repayment to a subsidiary		-	-	885	845
Repayment of hire purchase loans		(16)	(3)	-	-
<b>NET CASH FROM/(FOR) FINANCING ACTIVITIES</b>		6,541	(559)	279	289
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		312	-	-	-
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		7,235	(1,772)	26	(137)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		6,032	7,804	17	154
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	37	13,267	6,032	43	17

## 1. GENERAL INFORMATION

The Company is incorporated as a public company limited by shares under the Companies Act 1965 in Malaysia. 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 in accordance with a resolution of the directors dated 21 October 2008.

## 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 41 to the financial statements.

Foreign currency risk is closely monitored and kept at an acceptable level.

#### (ii) Interest Rate Risk

The Group obtains financing through bank borrowings. Its policy is to obtain the most favourable interest rates available.

Information relating to the Group's borrowings are disclosed in their respective notes.

#### (iii) Price Risk

The Group does not have any quoted investments and hence is not exposed to price risks.

### (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 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 Financial Reporting Standards ("FRS") and the Companies Act 1965 in Malaysia.

During the current financial year, the Group has adopted the following:

(a) FRSs issued and effective for financial periods beginning on or after 1 January 2007:

FRS 6 Exploration for and Evaluation of Mineral Resources

(b) FRSs issued and effective for financial periods beginning on or after 1 July 2007:

FRS 2 Share-based Payment  
 FRS 107 Cash Flow Statements  
 FRS 111 Construction Contracts  
 FRS 112 Income Taxes  
 FRS 118 Revenue  
 FRS 119 Employee Benefits  
 FRS 120 Accounting for Government Grants and Disclosure of Government Assistance  
 FRS 134 Interim Financial Reporting  
 FRS 137 Provisions, Contingent Liabilities and Contingent Assets

The adoption of FRS 2, FRS 107, FRS 112, FRS 118, FRS 120, FRS 124 and FRS 137 only impacts the form and content of disclosures presented in the financial statements.

The adoption of FRS 119 does not have any material financial effect on the financial statements of the Group.

The adoption of FRS 134 will only impact the form and content of disclosures presented in the quarterly financial statements.

FRS 6 and FRS 111 are not applicable to the operations of the Group and the Company.

Framework for the Preparation and Presentation of Financial Statements has been issued and is effective immediately. This Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users. It is not a MASB approved accounting standard and hence, does not define standards for any particular measurement or disclosure issue. The Group has applied this Framework from the financial year ended 30 June 2008 onwards.

The Group has not adopted FRS 139 - Financial Instruments: Recognition and Measurement and the consequential amendments resulting from FRS 139 as the effective date is 1 January 2010. FRS 139 establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted. By virtue of the exemption provided under paragraph 103AB of FRS 139, the impact of applying FRS 139 on its financial statements upon initial application of the standard as required by paragraph 30(b) of FRS 108 is not disclosed.

The following amendment and IC Interpretations have been issued and are effective for financial periods beginning on or after 1 July 2007 but are not relevant for the Group's operations:

Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates <i>Net Investment in a Foreign Operation</i>
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 <sub>2004</sub> Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

## 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.

## **6. SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

### **(a) Critical Accounting Estimates And Judgements** *cont'd*

#### **(i) Depreciation of Property, Plant 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.

#### **(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 Group 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 financial statements are presented in Ringgit Malaysia ("RM") which is the Group's functional and presentation currency.

**6. SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

**(b) Functional and Foreign Currency** *cont'd*

*(ii) Transactions and Balances*

Transactions in foreign currency are converted into RM at the approximate rates of exchange ruling at the transaction dates. Transactions in foreign currency are measured in the respective functional currencies of the Group and are recorded on initial recognition in the functional currencies at 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 sheets 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 2008.

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

The subsidiary is consolidated using the purchase method. Under the purchase method, the results of the subsidiary acquired or disposed off are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiary's 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 subsidiary to ensure consistency of accounting policies with those of the Group.

**(e) Investment in Subsidiary**

Investment in subsidiary is stated at fair value in the balance sheet of the Company, and is 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 such investments, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

**(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%
Motor vehicles	10%
Office equipment	10%
Computer equipment	20%
Furniture and fittings	10%
Renovation	10%

## 6. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### (f) Property, Plant and Equipment *cont'd*

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 and machinery under construction represents assets which are not ready for commercial use at the balance sheet date. Building and machinery under construction are stated at cost, and are 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.

### (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 off 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 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 Land Lease Payments

The prepaid land 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.

### (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;
- (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.



**6. SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

**(j) Research and Development Expenditure** *cont'd*

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 Acquired 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.

**(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.

## 6. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### (o) Income Taxes *cont'd*

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.

### (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.

**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	
	2008 RM'000	2007 RM'000
Unquoted shares, at valuation	69,052	60,504

Details of the subsidiary are as follows:

NAME OF SUBSIDIARY	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY	PROPORTION OF OWNERSHIP INTEREST	
			2008 %	2007 %
Kotra Pharma (M) Sdn. Bhd. *	Malaysia	Developing, manufacturing and trading of pharmaceutical and healthcare products.	100	100

\* Audited by Horwath

## 8. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	NET BOOK VALUE AS AT 1 JULY 2007 RM'000	ADDITIONS RM'000	DISPOSALS RM'000	DEPRECIATION CHARGES RM'000	NET BOOK VALUE AS AT 30 JUNE 2008 RM'000
Industrial buildings and installations	11,870	-	-	(338)	11,532
Machinery and equipment	9,712	1,418	(19)	(1,643)	9,468
Motor vehicles	702	173	-	(108)	767
Office equipment	146	94	-	(28)	212
Computer equipment	459	554	(17)	(205)	791
Furniture and fittings	415	10	-	(61)	364
Renovation	43	66	-	(7)	102
Building and machinery under construction	1,206	11,955	-	-	13,161
<b>Total</b>	<b>24,553</b>	<b>14,270</b>	<b>(36)</b>	<b>(2,390)</b>	<b>36,397</b>

THE GROUP	NET BOOK VALUE AS AT 1 JULY 2006 RM'000	ADDITIONS RM'000	DISPOSALS RM'000	DEPRECIATION CHARGES 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 and machinery under construction	-	1,206	-	-	1,206
<b>Total</b>	<b>22,866</b>	<b>4,165</b>	<b>(291)</b>	<b>(2,187)</b>	<b>24,553</b>

THE GROUP	AT COST RM'000	ACCUMULATED DEPRECIATION RM'000	NET BOOK VALUE RM'000
<b>At 30 June 2008</b>			
Industrial buildings and installations	14,455	(2,923)	11,532
Machinery and equipment	19,809	(10,341)	9,468
Motor vehicles	2,093	(1,326)	767
Office equipment	580	(368)	212
Computer equipment	1,975	(1,184)	791
Furniture and fittings	944	(580)	364
Renovation	112	(10)	102
Building and machinery under construction	13,161	-	13,161
<b>Total</b>	<b>53,129</b>	<b>(16,732)</b>	<b>36,397</b>
<b>At 30 June 2007</b>			
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 and machinery under construction	1,206	-	1,206
<b>Total</b>	<b>38,922</b>	<b>(14,369)</b>	<b>24,553</b>

A motor vehicle of the Group acquired under hire purchase terms was carried at net book value of RM351,225 (2007 - RM391,365) at the balance sheet date.

**9. INVESTMENT PROPERTIES**

THE GROUP	NET BOOK VALUE AS AT 1 JULY 2007 RM'000	DEPRECIATION CHARGE RM'000	NET BOOK VALUE AS AT 30 JUNE 2008 RM'000
Freehold land and buildings	1,727	(26)	1,701

	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

	AT COST RM'000	ACCUMULATED DEPRECIATION RM'000	NET BOOK VALUE RM'000
<b>AT 30 JUNE 2008</b>			
Freehold land and buildings	2,105	(404)	1,701
<b>AT 30 JUNE 2007</b>			
Freehold land and buildings	2,105	(378)	1,727

	THE GROUP	
	2008 RM'000	2007 RM'000
At fair value:		
Freehold land and buildings	2,270	2,240

**10. PREPAID LAND LEASE PAYMENTS**

	THE GROUP	
	2008 RM'000	2007 RM'000
Balance at 1 July	4,551	4,602
Amortisation for the year	(51)	(51)
Balance at 30 June	4,500	4,551
Analysed as:		
Long term leasehold land	4,500	4,551

**11. DEVELOPMENT EXPENDITURE**

	THE GROUP	
	2008 RM'000	2007 RM'000
Cost	1,154	932
Accumulated amortisation	(726)	(644)
	428	288
Balance at 1 July	288	245
Additional development expenditure capitalised	222	139
Amortisation charge for the year	(82)	(96)
Balance at 30 June	428	288

## 12. DEFERRED TAX ASSETS

	THE GROUP	
	2008 RM'000	2007 RM'000
Balance at 1 July	38	(525)
Recognised in the income statement (Note 33)	575	563
Balance at 30 June	613	38
The deferred taxation arises as a result of:		
Deferred tax liabilities		
An excess of carrying value over tax base	(2,327)	(2,299)
Development expenditure capitalised	(72)	(78)
Gross deferred tax liabilities	(2,399)	(2,377)
Deferred tax assets		
Unutilised capital and industrial building allowances	-	744
Unabsorbed tax losses	1,190	327
Provisions	281	195
Other deferred tax assets	1,541	1,149
Gross deferred tax assets	3,012	2,415
Net deferred tax assets	613	38

## 13. INVENTORIES

	THE GROUP	
	2008 RM'000	2007 RM'000
AT COST:-		
Raw materials	6,081	5,812
Work-in-progress	106	87
Finished goods	10,856	9,841
	17,043	15,740

None of the inventories are carried at net realisable value.

## 14. TRADE RECEIVABLES

	THE GROUP	
	2008 RM'000	2007 RM'000
Trade receivables	26,393	33,190
Less: Allowance for doubtful debts	(325)	(466)
	26,068	32,724

The Group's normal trade credit terms range from 60 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	
	2008 RM'000	2007 RM'000
United States Dollar	8,779	10,362
Singapore Dollar	252	175
	9,031	10,537

## 15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP		THE COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deposits	98	79	1	1
Other receivables	9,887	2,395	-	-
Prepayments	128	89	17	-
	10,113	2,563	18	1

## 16. AMOUNT OWING BY A SUBSIDIARY

The amount owing by a subsidiary represents advances which are unsecured, interest-free and repayable on demand.

## 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 2.88% (2007 – 2.80%) per annum and 6 days (2007 – 1 day) respectively.

## 18. SHARE CAPITAL

	THE COMPANY		2008 RM'000	2007 RM'000
	2008 NUMBER OF SHARES ( '000)	2007 NUMBER OF SHARES ( '000)		
AUTHORISED:				
ORDINARY SHARES OF RM0.50 EACH:-				
At 1 July	200,000	100,000	100,000	50,000
Increase during the financial year	-	100,000	-	50,000
At 30 June	200,000	200,000	100,000	100,000
ISSUED AND FULLY PAID-UP:				
At 1 July	56,247	56,242	28,123	28,121
Bonus issue	67,496	-	33,748	-
Allotment during the financial year	63	5	32	2
At 30 June	123,806	56,247	61,903	28,123

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.
- The option price may be subjected to a discount of not more than 10% of the average of the mean market quotation of the shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the five trading days immediately preceding the offer date, or at par value of the shares of the Company, whichever is higher.
- An Option is personal to the grantee. Save and except as provided in Clause 20.1 of the Bye-Laws, an Option shall be non-assignable and non-transferable.
- The ESOS is in force for a period of 10 years from 24 July 2003 and expires on 23 July 2013.

## 18. SHARE CAPITAL *cont'd*

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

DATE OF OFFER	EXERCISE PERIOD	EXERCISE PRICE PER ORDINARY SHARE RM	BALANCE AT 1.7.2007	DURING THE YEAR				BALANCE AT 30.6.2008
				GRANTED	BONUS ISSUE	EXERCISED	LAPSED	
24.7.2003	24.7.2004	0.58	1,030,400	-	1,236,480	(6,160)	(880)	2,259,840
24.7.2003	24.7.2006	0.58	2,061,000	-	2,473,200	(12,320)	(1,760)	4,520,120
24.7.2003	24.7.2009	0.58	2,061,600	-	2,473,920	-	(1,760)	4,533,760
15.6.2004	15.6.2005	0.51	116,800	-	140,160	-	(9,240)	247,720
15.6.2004	15.6.2007	0.51	233,600	-	280,320	-	(18,480)	495,440
15.6.2004	15.6.2010	0.51	233,600	-	280,320	-	(18,480)	495,440
12.7.2005	12.7.2006	0.53	133,000	-	159,600	(34,000)	(8,800)	249,800
12.7.2005	12.7.2008	0.53	274,000	-	328,800	-	(17,600)	585,200
12.7.2005	12.7.2011	0.53	274,000	-	328,800	-	(17,600)	585,200
21.7.2006	21.7.2007	0.53	135,000	-	162,000	(10,000)	(26,400)	260,600
21.7.2006	21.7.2009	0.53	270,000	-	324,000	-	(52,800)	541,200
21.7.2006	21.7.2012	0.53	270,000	-	324,000	-	(52,800)	541,200
2.7.2007	2.7.2008	0.78	-	65,000	78,000	-	-	143,000
2.7.2007	2.7.2010	0.78	-	130,000	156,000	-	-	286,000
2.7.2007	2.7.2012	0.78	-	130,000	156,000	-	-	286,000
			7,093,000	325,000	8,901,600	(62,480)	(226,600)	16,030,520

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 amounts incurred for listing expenses and utilised for bonus share issue.

## 20. SHARE OPTION RESERVE

	THE GROUP/THE COMPANY	
	2008	2007
	RM'000	RM'000
Share options granted under ESOS:		
Balance at 1 July	92	-
Addition during the year (Note 31)	149	92
Balance at 30 June	241	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.



**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	
	2008	2007
Fair value of share options at the following grant dates (RM'000):		
21 July 2006 (sen)	-	10.27
2 July 2007 (sen)	39.48	-
Weighted average share price (RM)	0.86	1.23
Weighted average exercise price (RM)	0.78	1.17
Expected volatility (%)	34.20	10.00
Expected life (years)	6.0	7.0
Risk free rate (%)	4.8	7.0
Expected dividend yield (%)	-	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 granted 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 less amount utilised for bonus share issue.

**22. RETAINED PROFITS**

Subject to the agreement of the tax authorities, at the balance sheet date, the Company has:-

- (a) tax-exempt income of approximately RM5,296,000 (2007 – RM5,296,000) available for the purpose of paying tax-exempt dividends; and
- (b) tax credits under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends of approximately RM942,000 (2007 – RM1,436,000) out of its retained profits.

The balance of the retained profits, if distributed as dividends, will be taxed at the statutory tax rate.

Effective from 1 January 2008, the Company is allowed an irrevocable option to elect for the single tier tax system or continue with the use of the tax credit balance for the purpose of dividend distribution. When the tax credit balance is fully utilised, or by 31 December 2013 at the latest, the Company will automatically move to the single tier tax system.

**23. DEFERRED INCOME**

	THE GROUP	
	2008 RM'000	2007 RM'000
Cost	261	261
Less: Deferred income recognised to date	(189)	(163)
	72	98
Balance at 1 July	98	124
Recognised as income during the financial year	(26)	(26)
Balance at 30 June	72	98

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

## 24. LONG TERM BORROWINGS

	THE GROUP	
	2008 RM'000	2007 RM'000
Term loans (Note 25)	3,433	-
Hire purchase payables (Note 26)	15	31
	<hr/>	<hr/>
	3,448	31

## 25. TERM LOANS

	THE GROUP	
	2008 RM'000	2007 RM'000
Portion repayable after twelve months (Note 24)	3,433	-
The term loans are repayable as follows:		
More than two years and less than five years	515	-
Five years or more	2,918	-
	<hr/>	<hr/>
	3,433	-

The term loans of the Group bear a weighted average effective interest at 3.95% per annum at the balance sheet date and are secured by way of:-

- (i) corporate guarantee from the Company; and
- (ii) debentures, and fixed and floating charges over present and future assets of the Company.

At the end of the financial year, the Group has drawn down a total of RM3,432,855 from the two term loan facilities secured earlier amounting to RM15,000,000 and RM25,000,000 respectively which are repayable by 120 monthly instalments of RM160,938 and RM268,230 each commencing on the 13th month after full draw down of the respective term loan.

## 26. HIRE PURCHASE PAYABLE

	THE GROUP	
	2008 RM'000	2007 RM'000
Minimum hire purchase payments:-		
- not later than one year	18	18
- later than one year but not later than five years	15	32
	<hr/>	<hr/>
	33	50
Less: Future finance charges	(2)	(3)
	<hr/>	<hr/>
Present value of hire purchase payable	31	47
Present value of hire purchase payable:-		
Not later than one year (Note 29)	16	16
Later than one year but not later than five years (Note 24)	15	31
	<hr/>	<hr/>
	31	47

The hire purchase liabilities bear interest at the balance sheet date at the rate of 2.74% (2007 – 2.74%) per annum.

## 27. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 60 to 90 days. Other credit terms are granted to the Company on a case-by-case basis.

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

	THE GROUP	
	2008 RM'000	2007 RM'000
Euro	744	758
United States Dollar	310	43
Singapore Dollar	15	12
	1,069	813

## 28. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Accrued expenses	1,886	928	39	49
Other payables	3,136	1,840	-	-
Payroll liabilities	3,083	1,990	1	1
	8,105	4,758	40	50

## 29. SHORT TERM BORROWINGS

	THE GROUP	
	2008 RM'000	2007 RM'000
Bankers' acceptances	3,730	-
Hire purchase payables (Note 26)	16	16
	3,746	16

The bankers' acceptances bear a weighted average effective interest rate of 4% per annum at the balance sheet date and are secured in the same manner as the term loans as disclosed in Note 25 to the financial statements.

## 30. REVENUE

	THE GROUP		THE COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Sales of goods	86,682	83,168	-	-
Management fees	-	-	300	300
	86,682	83,168	300	300

## 31. PERSONNEL EXPENSES

	THE GROUP		THE COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Short term employee benefits	17,544	13,933	201	170
Contributions to a defined contribution plan	1,594	1,329	4	4
Share options granted under ESOS (Note 20)	149	92	149	92
Other personnel expenses	1,123	871	-	-
	20,410	16,225	354	266

Included in personnel expenses is key management personnel compensation as disclosed in note 38 (c) to the financial statements.

### 32. PROFIT/(LOSS) BEFORE TAX

	THE GROUP		THE COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Profit/(Loss) before tax is arrived at after charging:</b>				
Bad and doubtful debts				
- allowance	81	207	-	-
- written off	16	15	-	-
Loss on disposal of plant and equipment	14	-	-	-
Amortisation of development expenditure	82	96	-	-
Amortisation of prepaid land lease payments	51	51	-	-
Audit fee	38	38	8	8
Depreciation				
- property, plant and equipment	2,390	2,187	-	-
- investment properties	26	26	-	-
Directors' remuneration				
- fees	164	136	164	136
- emoluments	1,436	1,289	-	-
- other short term employee benefits	141	122	-	-
Interest expense	213	70	-	-
Inventories written off	-	154	-	-
Loss on foreign exchange				
- realised	1,960	1,482	-	-
- unrealised	-	12	-	-
Rental of equipment	-	7	-	-
Rental of premises	120	97	-	-
Research and development expenses	283	92	-	-
<b>and after crediting:</b>				
Bad and doubtful debts				
- recovered/reversal	216	45	-	-
Gain on disposal of plant and equipment	-	6	-	-
Gain on foreign exchange				
- unrealised	619	-	-	-
Interest income	188	155	-	-
Rental income	105	115	-	-
Reversal of inventories written off	89	-	-	-

### 33. TAXATION

	THE GROUP		THE COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Malaysian Income Tax:-				
- Current year	45	-	7	-
- Under provision in prior years	7	54	2	54
	52	54	9	54
Deferred taxation (Note 12)				
- Relating to origination or reversal of temporary differences	(212)	(804)	-	-
- (Under)/Over provision in prior year	(395)	270	-	-
- Reduction in income tax rate	32	(29)	-	-
	(575)	(563)	-	-
Total tax (credit)/expense	(523)	(509)	9	54

**33. TAXATION** *cont'd*

Subject to agreement with the tax authorities, at the balance sheet date, the unutilised reinvestment allowances, unutilised capital and industrial building allowances and unabsorbed tax losses of the Group are as follows:

	THE GROUP	
	2008 RM'000	2007 RM'000
Unutilised reinvestment allowances	840	4,010
Unutilised capital and industrial building allowances	-	2,700
Unabsorbed tax losses	4,761	1,200
	5,601	7,910

During the financial year, the statutory tax rate was reduced from 27% to 26%, as announced in the Malaysian Budget 2007.

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	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Profit/(Loss) before taxation for the year	7,676	9,091	(340)	(526)
Malaysian taxation at statutory rate	1,996	2,454	(88)	(142)
Tax effect of :-				
Expenses disallowed for tax purposes	169	506	95	142
Reinvestment allowance utilised	(373)	-	-	-
Double deduction incentives	(1,959)	(3,764)	-	-
(Under)/Over provision of deferred tax credit in prior year	(395)	270	-	-
Underprovision of Malaysian Income Tax in prior years	7	54	2	54
Reduction in income tax rate	32	(29)	-	-
Current financial year's taxation (credit)/expense	(523)	(509)	9	54

**34. EARNINGS PER SHARE**

The basic earnings per share for the financial year is arrived at by dividing the Group's profit after taxation of RM8,198,941 (2007 - RM9,600,361) by the weighted average number of ordinary shares of RM0.50 each in issue during the financial year of 123,792,499 (2007 - 123,743,083).

The effect on the basic earnings per share for the current financial year arising from the assumed conversion of the existing ESOS is anti-dilutive. Accordingly, the diluted earnings per share for the current financial year is presented as equal to basic earnings per share.

**35. DIVIDENDS**

	THE GROUP/THE COMPANY	
	2008 RM'000	2007 RM'000
<b>Recognised during the year:</b>		
- final dividend of 0.7 sen per ordinary share less 26% tax in respect of financial year 2007 (2007 - final dividend of 1.0 sen per ordinary share less 27% tax in respect of financial year 2006)	641	562
	641	562

### 36. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	THE GROUP	
	2008 RM'000	2007 RM'000
Cost of property, plant and equipment purchased	14,270	4,165
Amount financed through hire purchase	-	(50)
Cash disbursed for purchase of property, plant and equipment	14,270	4,115

### 37. CASH AND CASH EQUIVALENTS

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

	THE GROUP		THE COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Fixed deposits with licensed banks	10,446	5,700	-	-
Cash and bank balances	2,821	332	43	17
	13,267	6,032	43	17

### 38. RELATED PARTY DISCLOSURES

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

	THE GROUP		THE COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Ultimate holding company</b>				
Dividend paid	-	-	335	294
<b>Subsidiary</b>				
Management fee received/receivable	-	-	300	300
<b>Companies in which key management personnel have significant financial interests</b>				
Contract manufacturing costs paid/payable	100	-	-	-
Purchase of goods	-	40	-	-
Rental of premises received/receivable	-	9	-	-
Rental of premises paid/payable	65	54	-	-
Royalty paid/payable	41	23	-	-
Distribution fee received/receivable	84	-	-	-
<b>A company in which a close member of the family of certain key management personnel has significant financial interests</b>				
Rental of premises received/receivable	3	13	-	-
Sales of goods	674	684	-	-

In the opinion of the directors, the above transactions have been entered into in the ordinary course of business and have been established under terms that were mutually agreed between the parties.

**38. RELATED PARTY DISCLOSURES** *cont'd*

(b) The significant outstanding balances at the balance sheet date are as follows:-

	THE GROUP	
	2008 RM'000	2007 RM'000
<b>Amount owing to a company in which a key management personnel has direct interest</b>		
Trade payables	191	33
<b>Amount owing by a company in which a close member of the family of certain key management personnel has significant financial interests</b>		
Trade receivables	561	411

(c) Key management personnel compensation

	THE GROUP		THE COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Directors' remuneration				
- fees	164	136	164	136
- emoluments	1,436	1,289	-	-
- other short term employee benefits (including estimated monetary value of benefits-in-kind)	150	154	6	6
	1,750	1,579	170	142

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

	THE GROUP/THE COMPANY	
	2008 '000	2007 '000
At 1 July	4,000	4,000
Bonus issue	4,800	-
At 30 June	8,800	4,000

The share options were granted on the same terms and conditions as those offered to other employees of the Group. Subsequent to the financial year, the key management personnel voluntarily accepted a rescindment of 1,600,000 of the above ESOS granted to them pursuant to an amendment of the Company's ESOS Bye-Laws to ensure compliance with the Listing Requirements of Bursa Malaysia Securities Berhad for main board companies.

**39. CAPITAL COMMITMENTS**

	THE GROUP	
	2008 '000	2007 '000
Approved and contracted for:		
- property, plant and equipment	70,790	10,164
Approved but not contracted for:		
- property, plant and equipment	56,649	37,459

**40. CONTINGENT LIABILITIES**

- (a) Corporate guarantee given to licensed banks for credit facilities granted to the subsidiary amounted to RM102,200,000 (2007 – RM72,500,000).
- (b) In the year 2000, a third party ("the plaintiff") initiated legal action against the subsidiary for alleged infringement of trade marks on two products sold by the subsidiary. As at the date of this report, the suits are at the end of trial stage and both parties had filed their final submission and are 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 in the financial statements.

#### 41. 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	
	2008 RM'000	2007 RM'000
Euro	5.157	4.690
United States Dollar	3.267	3.422
Hong Kong Dollar	N/A	0.453
Indonesian Rupiah (100 unit)	N/A	0.040
Singapore Dollar	2.400	2.231

#### 42. SEGMENTAL REPORTING

	THE GROUP	
	2008 RM'000	2007 RM'000
SALES REVENUE BY GEOGRAPHICAL MARKET:-		
Malaysia	54,377	56,067
Other countries in Asia Pacific	32,305	27,101
	86,682	83,168

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.

#### 43. 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 sale or liquidation.

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

##### (a) Cash and bank balances and other short term receivables

The carrying amounts approximated the fair values due to the relatively short term maturity of these instruments.

##### (b) Short term bank borrowings and other current liabilities

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

##### (c) Long term bank borrowings

The carrying amount approximated the fair value as this instrument bears interest at variable rates.

##### (d) Hire purchase obligations

The fair values of hire purchase payables are determined by discounting the relevant cash flows using current interest rates for similar types of instruments.

##### (e) Amount owing by subsidiary

The Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be paid.

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

	2008		2007	
	NOMINAL AMOUNT RM'000	NET FAIR VALUE RM'000	NOMINAL AMOUNT RM'000	NET FAIR VALUE RM'000
Corporate guarantees	102,200	*	72,500	*

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



**44. COMPARATIVE FIGURES**

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

	<b>As RESTATED RM'000</b>	<b>As PREVIOUSLY REPORTED RM'000</b>
<b>THE GROUP</b>		
<b>INCOME STATEMENTS (EXTRACT):-</b>		
Other operating expenses	6,490	27,622
Personnel expenses	16,225	-
Selling and distribution expenses	20,996	-
Staff costs	-	16,089
<hr/>		
<b>THE COMPANY</b>		
<b>INCOME STATEMENTS (EXTRACT):-</b>		
Other operating expenses	560	696
Personnel expenses	266	-
Staff Costs	-	130
<hr/>		

## 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 2008 RM
H.S.(D) 35311 & H.S.(D) 35312. Lot Nos. PT4239 & PT4240, Mukim of Cheng, District of Melaka Tengah, Malacca	Two joined plots of land with a single storey factory and two storey office block	17,611 sq.m./ pharmaceutical manufacturing plant	Leasehold expiring on 14.8.2096	5,120.04	11 years	13,280,003
	Warehouse and production area	Warehouse and production area		6,613.00	8 years	
GPP 7972 & GPP 5156, Lot Nos. 43 & 45, Town Area III (3), District of Melaka Tengah, Malacca	Two plots of land with a 2 ½ storey office building, a store and a warehouse	2,252.10 sq.m./ office, store & warehouse	Freehold	1,539.31	Office & Store - 16 years Warehouse - 12 years	1,353,794
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	33 to 37 years	347,000
H.S.(D) 35316 & H.S.(D) 35317. Lot Nos. PT4244 & PT4245, Mukim of Cheng, District of Melaka Tengah, Malacca	Two plots of land with a factory under construction	23,614 sq.m.	Leasehold expiring on 15.8.2096	-	-	13,931,182
						28,911,979

## notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of the Company will be held at Meranti Room, Level 2, Hotel Equatorial Melaka, Bandar Hilir, 75000 Melaka, on Wednesday, 3 December 2008 at 2.00 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 2008 together with the reports of the Directors and Auditors thereon. RESOLUTION 1
- 2) To approve the payment of Directors' fees amounting to RM164,000 for the year ended 30 June 2008. RESOLUTION 2
- 3) 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) Tan Choo Jow PPN RESOLUTION 3
  - ii) Chin Swee Chang RESOLUTION 4
- 4) 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 *JSM, JMN, DMSM, PSM*, a Director who retires in accordance with Section 129 (2) of the Companies Act 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting." RESOLUTION 5
  - ii) "That Piong Nam Kim @ Piong Pak Kim, a Director who retires in accordance with Section 129 (2) of the Companies Act 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting." RESOLUTION 6
  - 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 Annual General Meeting." RESOLUTION 7
- 5) To re-appoint Messrs Horwath as auditors of the Company and to authorise the Directors to fix their remuneration. RESOLUTION 8

#### SPECIAL BUSINESS

- 6) 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 Annual General Meeting upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being, subject always to the approval of all the relevant authorities being obtained for such allotment and issue." RESOLUTION 9
  - b. Ordinary 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 2.3.2 (a) of the Circular to Shareholders dated 7 November 2008 ("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.
- Piong Teck Onn
- Datuk Piong Teck Yen *DMSM, DSM, PJK, JP*

RESOLUTION 10

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 2.3.2 (b) of the Circular:-

- Datuk Piong Teck Yen *DMSM, DSM, PJK, JP*

RESOLUTION 11

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");

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

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

whichever is 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.

By order of the Board

OW PEE JUAN  
(MAICSA 7013304)  
*Company Secretary*

MAH LI CHEN  
(MAICSA 7022751)  
*Company Secretary*

MELAKA  
Date: 7 November 2008

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 9

The proposed Ordinary Resolution No. 9 under Special Business, if passed, will give the Directors of the Company authority to issue shares of the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

##### Resolutions 10 & 11

Please refer to the Circular to the shareholders of the Company dated 7 November 2008 which is despatched together with the Annual Report.

## 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 Ninth Annual General Meeting are as follows:-

- |   |  |
|---|--|
| (a) Tan Choo Jow <i>PPN</i>   | - Retiring pursuant to Article 97 of the Company's Articles of Association |
| (b) Chin Swee Chang   | - Retiring pursuant to Article 97 of the Company's Articles of Association |
| (c) Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman<br><i>JSM, JMN, DMSM, PSM</i> | - Retiring pursuant to Section 129 of the Companies Act 1965               |
| (d) Piong Nam Kim @ Piong Pak Kim   | - Retiring pursuant to Section 129 of the Companies Act 1965               |
| (e) 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

- (a) Details of the above Directors who are standing for re-election are set out in the Directors' Profile appearing in pages 4 to 9 of the Annual Report.
- (b) The direct and indirect shareholdings of the above Directors who are standing for re-election are set out in page 61 of the Annual Report.
- (c) Piong Nam Kim @ Piong Pak Kim is the father to Piong Teck Min, Piong Teck Onn, Piong Teck They and Datuk Piong Teck Yen *DMSM, DSM, PJK, JP* who are brothers to one another. Chin Swee Chang is the wife of Piong Teck Onn.

Collectively, the above Directors hold 2,391,606 shares (1.93%), and an indirect shareholding of 64,624,362 shares (52.20%) of the total issued and paid up capital in the Company as at 24 October 2008.

- (d) Save for Piong Nam Kim @ Piong Pak Kim, Piong Teck Min, Piong Teck Onn, Piong Teck They, Datuk Piong Teck Yen *DMSM, DSM, PJK, JP* 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.
- (e) 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.

### 3. Details of attendance of Directors at board meetings

During the financial year ended 30 June 2008, the Board met on 5 occasions.

No.	DIRECTOR	POSITION	ATTENDANCE AT BOARD MEETINGS IN 2008
1.	Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman <i>JSM, JMN, DMSM, PSM</i>	Independent Non-Executive Chairman	5
2.	Piong Nam Kim @ Piong Pak Kim	Deputy Chairman - Executive	4
3.	Piong Teck Onn	Managing Director	5
4.	Piong Teck Min	Non-Independent Non-Executive Director	3
5.	Datuk Piong Teck Yen <i>DMSM, DSM, PJK, JP</i>	Executive Director	5
6.	Chin Swee Chang	Executive Director	5
7.	Omar bin Md. Khir	Independent Non-Executive Director	5
8.	P'ng Beng Hoe <i>BKT, PJK, JP</i> (Appointed on 22.08.2007)	Independent Non-Executive Director & Chairman of Audit Committee	4
9.	Azhar bin Hussain (Appointed on 12.11.2007)	Independent Non-Executive Director	2
10.	Tan Choo Jow <i>PPN</i>	Independent Non-Executive Director	5
11.	Piong Teck They	Alternate Director to Piong Nam Kim @ Piong Pak Kim	Nil

### 4. Place, Date and Time of meeting

The Ninth Annual General Meeting of the Company will be convened and held at Meranti Room, Level 2, Hotel Equatorial Melaka, Bandar Hilir, 75000 Melaka, on Wednesday, 3 December 2008 at 2.00 p.m.

## shareholding statistics as at 24 October 2008

Authorised Share Capital	:	RM100,000,000
Issued and Fully Paid-up Share Capital	:	RM61,902,781.50
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	27	2.1226	843	0.0006
100 to 1,000 shares	123	9.6698	54,869	0.0449
1,001 to 10,000 shares	756	59.4340	3,294,940	2.6450
10,001 to 100,000 shares	298	23.4277	7,415,062	6.0094
100,001 to less than 5% of issued shares	67	5.2673	48,415,487	39.1018
5% and above of issued shares	1	0.0786	64,624,362	52.1983
<b>Total</b>	<b>1,272</b>	<b>100.0000</b>	<b>123,805,563</b>	<b>100.0000</b>

### SUBSTANTIAL SHAREHOLDERS

No. SHAREHOLDER	NO. OF SHARES HELD		%
	DIRECT	INDIRECT	
1. Piong Nam Kim Holdings Sdn. Bhd.	64,624,362	-	0.00
2. Piong Nam Kim @ Piong Pak Kim*	-	64,624,362	52.20
3. Piong Teck Onn*	-	64,624,362	52.20
4. Piong Teck Min*	1,276,220	64,624,362	52.20
5. Piong Teck They*	1,113,186	64,624,362	52.20
6. Datuk Piong Teck Yen* <i>DMSM, DSM, PJK, JP</i>	2,200	64,624,362	52.20
7. Yong Soon Moi*	4,514,364	64,624,362	52.20
8. Chin Swee Chang**	-	64,624,362	52.20

Notes:

+ Less than 0.01%

\* Deemed interested by virtue of his/her interests in Piong Nam Kim Holdings Sdn. Bhd. pursuant to Section 6A (4) of the Companies Act, 1965.

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

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

No. DIRECTOR	NO. OF SHARES HELD		%
	DIRECT	INDIRECT	
1. Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman <i>JSM, JMN, DMSM, PSM</i>	4,840	-	0.00
2. Piong Nam Kim @ Piong Pak Kim*	-	64,624,362	52.20
3. Piong Teck Onn*	-	64,624,362	52.20
4. Piong Teck Min*	1,276,220	64,624,362	52.20
5. Piong Teck They*	1,113,186	64,624,362	52.20
6. Datuk Piong Teck Yen* <i>DMSM, DSM, PJK, JP</i>	2,200	64,624,362	52.20
7. Chin Swee Chang**	-	64,624,362	52.20
8. Omar bin Md. Khir	1,064,060	-	0.00
9. P'ng Beng Hoe <i>BKT, PJK, JP</i>	-	-	0.00
10. Tan Choo Jow <i>PPN</i>	241,900	-	0.00
11. Azhar bin Hussain	-	-	0.00

Notes:

+ Less than 0.01%

\* Deemed interested by virtue of his/her interests in Piong Nam Kim Holdings Sdn. Bhd. pursuant to Section 6A (4) of the Companies Act, 1965.

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

## shareholding statistics as at 24 October 2008 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	52.1983
2. AMSEC Nominees (Asing) Sdn. Bhd. <i>[AmTrustee Berhad for Galleon Asset Ltd (CS-GALLEON)]</i>	6,125,402	4.9476
3. Yong Soon Moi	4,514,364	3.6463
4. Malaysian Technology Development Corporation Sdn. Bhd.	3,631,423	2.9332
5. Chin Ai Mei	2,819,801	2.2776
6. Malaysia Nominees (Tempatan) Sendirian Berhad <i>[Great Eastern Life Assurance (Malaysia) Berhad (LGF)]</i>	2,694,120	2.1761
7. Malaysia Nominees (Tempatan) Sendirian Berhad <i>[Great Eastern Life Assurance (Malaysia) Berhad (DR)]</i>	2,019,820	1.6314
8. Lin Ah Lan	1,825,360	1.4744
9. Seah Tin Kim	1,539,520	1.2435
10. Platinum Essence Sdn. Bhd.	1,530,040	1.2358
11. Cresdel Holdings Sdn. Bhd.	1,486,560	1.2007
12. Piong Teck Min	1,276,220	1.0308
13. Ho Jonathan Lep Kee	1,210,000	0.9773
14. Lee Chow	1,144,000	0.9240
15. Omar bin Md. Khir	1,064,060	0.8595
16. Piong Teck They	808,280	0.6529
17. Malaysia Nominees (Tempatan) Sendirian Berhad <i>[Overseas Assurance Corporation (Malaysia) Berhad (MSF)]</i>	687,940	0.5557
18. Piong Teck Wah	627,220	0.5066
19. Malaysia Nominees (Tempatan) Sendirian Berhad <i>[Great Eastern Life Assurance (Malaysia) Berhad (LPF)]</i>	614,240	0.4961
20. JF Apex Nominees (Tempatan) Sdn. Bhd. <i>[Pledged Securities Account for Teo Kwee Hock (MARGIN)]</i>	519,900	0.4199
21. Chin Kee Kwong	514,800	0.4158
22. Chin Chee Keong	512,600	0.4140
23. Chin Chee Min	512,600	0.4140
24. TA Nominees (Tempatan) Sdn. Bhd. <i>[Pledged Securities Account for Ting Leong Hua]</i>	503,900	0.4070
25. Teo Kwee Hock	479,000	0.3869
26. JF Apex Nominees (Tempatan) Sdn. Bhd. <i>[Pledged Securities Account for Teo Siew Lai (MARGIN)]</i>	463,800	0.3746
27. Piong Teck Fong	461,560	0.3728
28. Lembaga Tabung Amanah Warisan Negeri Terengganu	460,164	0.3717
29. Koay Hooi Lian	458,260	0.3701
30. TA Nominees (Tempatan) Sdn. Bhd. <i>[Pledged Securities Account for Vanitha A/P Kaneson]</i>	430,060	0.3474

# form of proxy

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



KOTRA INDUSTRIES BERHAD  
(497632-P)

No. of ordinary shares held: \_\_\_\_\_

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 Ninth Annual General Meeting of the Company which will be held at Meranti Room, Level 2, Hotel Equatorial Melaka, Bandar Hilir, 75000 Melaka, on Wednesday, 3 December 2008 at 2.00 p.m. for the following purposes:-

No. RESOLUTION	FOR	AGAINST
<b>ORDINARY BUSINESS</b>		
1. To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2008 together with the reports of the Directors and Auditors thereon.	_____	_____
2. To approve the payment of Directors' fees amounting to RM164,000 for the year ended 30 June 2008.	_____	_____
3. To re-elect Tan Choo Jow PPN as Director.	_____	_____
4. To re-elect Chin Swee Chang as Director.	_____	_____
5. To re-appoint Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman JSM, JMN, DMSM, PSM	_____	_____
6. To re-appoint Piong Nam Kim @ Piong Pak Kim.	_____	_____
7. To re-appoint Omar bin Md. Khir.	_____	_____
8. To re-appoint Messrs Horwath as auditors of the Company and to authorise the Directors to fix their remuneration.	_____	_____
<b>SPECIAL BUSINESS</b>		
9. Authority pursuant to Section 132D of the Companies Act 1965 for the Directors to issue shares.	_____	_____
10. Proposed renewal of the existing shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	_____	_____
11. Proposed new shareholders' mandate for new recurrent related party transactions of a revenue or trading nature.	_____	_____

(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 Ninth 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 \_\_\_\_\_

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

### 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.



Affix  
Stamp

**KOTRA INDUSTRIES BERHAD**

(497632-P)

535B Jalan Merdeka

Melaka Raya

75000 Melaka

