



KOTRA INDUSTRIES BERHAD  
(497632-P)

Everyone Deserves A Healthier Tomorrow



2009

Annual Report





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Form of Proxy

## Vision

Humanising Healthcare – Everyone deserves a healthier tomorrow

## 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



# 2 Corporate Information

## BOARD OF DIRECTORS

**Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman**  
*JSM, JMN, DMSM, PSM*  
 (Independent Non-Executive Chairman)

**Piong Teck Onn**  
 (Managing Director)

**Piong Teck Min**  
 (Non-Independent Non-Executive Director)

**Y. Bhg. Datuk Piong Teck Yen**  
*DMSM, DSM, PJK, JP*  
 (Executive Director)

**Chin Swee Chang**  
 (Executive Director)

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

**P'ng Beng Hoe**  
*BKT, PJK, JP*  
 (Independent Non-Executive Director)

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

## COMPANY SECRETARIES

**Ow Pee Juan** (MAICSA 7013304)  
**Mah Li Chen** (MAICSA 7022751)

## AUDIT COMMITTEE

**P'ng Beng Hoe**  
*BKT, PJK, JP* (Chairman)

**Azhar bin Hussain**  
**Piong Teck Min**

## REMUNERATION COMMITTEE

**Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman**  
*JSM, JMN, DMSM, PSM* (Chairman)

**Omar bin Md. Khir**  
**Piong Teck Min**  
**Piong Teck Onn**

## NOMINATION COMMITTEE

**Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman**  
*JSM, JMN, DMSM, PSM* (Chairman)

**Omar bin Md. Khir**  
**Piong Teck Min**

## ESOS COMMITTEE

**Azhar bin Hussain**  
 (Chairman)

**P'ng Beng Hoe**  
*BKT, PJK, JP*

**Piong Teck Onn**

## REGISTERED OFFICE

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

## BUSINESS OFFICE

No. 1, Jalan TTC 12  
 Cheng Industrial Estate  
 75250 Melaka  
 Tel : 06-3352222  
 Fax : 06-3366122

## REGISTRAR

Mega Corporate Services Sdn. Bhd.  
 Level 15-2, Faber Imperial Court  
 Jalan Sultan Ismail  
 50250 Kuala Lumpur  
 Tel : 03-26924271  
 Fax : 03-27325399/03-27325388

## AUDITORS

Horwath  
 535 Jalan Merdeka  
 Melaka Raya  
 75000 Melaka  
 Tel : 06-2825995  
 Fax : 06-2836449

## LEGAL ADVISORS

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

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad  
 Main Market

# Board of Directors

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*From left  
to right:*

**Y. Bhg. Datuk Piong Teck Yen**  
*DMSM, DSM, PJK, JP*  
Executive Director

**Omar bin Md. Khir**  
Independent Non-Executive Director

**Piong Teck Min**  
Non-Independent Non-Executive Director

**P'ng Beng Hoe**  
*BKT, PJK, JP*  
Independent Non-Executive Director

**Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman**  
*JSM, JMN, DMSM, PSM*  
Independent Non-Executive Chairman

**Piong Nam Kim @ Piong Pak Kim**  
Deputy Chairman - Executive  
(Demised on 15.09.2009)

**Piong Teck Onn**  
Managing Director

**Chin Swee Chang**  
Executive Director

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

# Directors' Profile



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

Independent Non-Executive  
Director & Chairman

76, Malaysian  
Date appointed: 5 June 2000

#### Board Committee memberships:

- Chairman, Nomination Committee
- Chairman, Remuneration Committee

#### Academic qualification and honours:

- 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, Universiti Teknologi Malaysia, Universiti Kebangsaan Malaysia and Universiti Putra Malaysia)

#### Experience and career path:

- 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 Universiti Putra Malaysia (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)
- President and CEO of Malaysia University of Science and Technology (MUST) from 2007 -2009

#### Directorships in other companies:

- 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

#### Committees served:

- Ministry of International Trade Industry's (MITI) 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)
- Organization of the Islamic Conference (OIC) Ministerial Committee on Science and Technology Cooperation (COMSTECH)
- Joint Convener of the Langkawi International Smart Partnership Dialogues (LID)
- Current Chairman of Joint-Executive Group for the Southern Africa International Dialogues (SAID).
- Current member of UNESCO's World Commission on Ethics in Scientific Knowledge and Technology (COMEST)
- Current member of the Malaysian Innovation Foundation

#### Associations & affiliations:

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

## directors' profile


**Piong Nam Kim @  
Piong Pak Kim**

Executive Director, Deputy  
Chairman and Founder

77, Malaysian  
Date appointed:  
5 June 2000 (Demised on  
15 September 2009)

**Experience and career path:**

- 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

**Associations & affiliations:**

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

**Relationships with other Directors/Substantial Shareholders:**

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


**Piong Teck Onn**

Managing Director

51, Malaysian  
Date appointed:  
5 June 2000

**Board Committee memberships:**

- Remuneration Committee
- Employees' Share Option Scheme Committee

**Academic qualification:**

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

**Career path:**

- 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)
- Responsible for introducing various 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)

**Associations & Affiliations:**

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

**Relationships with other Directors/Substantial Shareholders:**

- Son of Piong Nam Kim @ Piong Pak Kim
- Brother to Piong Teck Min, Piong Teck They and Y. Bhg. Datuk Piong Teck Yen
- Married to Chin Swee Chang

## directors' profile

**Piong Teck Min**

Non-Independent Non-Executive Director

57, Malaysian  
Date appointed:  
5 June 2000

**Board Committee Memberships:**

- Audit Committee
- Nomination Committee
- Remuneration Committee

**Academic Qualification:**

Malaysian Certificate of Education

**Experience and career path:**

- Handled the pharmaceutical wholesale business of KOT in 1970
- Managing Director of Lonnix (M) Sdn. Bhd., specializing in broad range traditional medicine
- Well-versed with the intricacies of the local pharmaceutical trade
- Built a good business network with Malaysian wholesalers in the pharmaceutical trade

**Associations & Affiliations:**

- Treasurer, Chinese Medicines Manufacturers' Association of Malaysia

**Relationships with other Directors/Substantial Shareholders:**

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

**Y. Bhg. Datuk Piong Teck Yen**

Executive Director

42, Malaysian  
Date appointed:  
5 June 2000

**Academic Qualification:**

- Lewisham College, United Kingdom

**Experience and career path:**

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

**Awards:**

- DMSM, DSM, PJK, JP

**Relationship with other Directors/Substantial Shareholders:**

- 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

52, Malaysian  
Date appointed:  
5 June 2000

#### Academic qualification:

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

#### Experience and career path:

- 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 user support system coordination; coordination/liason 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 the current position, Chief Information Officer responsible for overseeing the operations and development of Management Information Systems, Order Processing and Administration departments.
- Was the Project Manager for the SAP Project implementation which started in November 2008 and went live as scheduled in July 2009. Modules of SD, MM, FICO, and partial PP were implemented together to replace the legacy Infor ERP Syteline system.

#### Relationship with other Directors/Substantial Shareholders:

- Daughter-in-law of Piong Nam Kim @ Piong Pak Kim
- Sister-in-law of Piong Teck Min, Piong Teck They and Y. Bhg. Datuk Piong Teck Yen
- Married to Piong Teck Onn



## directors' profile

**Omar bin Md. Khir**

Independent Non-Executive Director

72, Malaysian  
Date appointed:  
5 June 2000

**Board Committee memberships:**

- Nomination Committee
- Remuneration Committee

**Academic Qualification:**

- Cambridge School Certificate
- Completed an Estate Management Course

**Experience and career path:**

- Assistant Estate Manager in Socfin Plantations in 1958, devoted attention on various rubber and palm oil estates
- Acting Manager of Socfin Plantations 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

**Associations & Affiliations:**

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

**P'ng Beng Hoe**

Independent Non-Executive Director

64, Malaysian  
Date appointed:  
22 August 2007

**Board Committee memberships:**

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

**Professional qualification:**

- Chartered Accountant

**Experience and career path:**

- Was in public practice as a Partner of PricewaterhouseCoopers
- Chartered Accountant with accumulated and 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

**Associations & Affiliations:**

- 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)

## directors' profile

**Azhar bin Hussain**

Independent Non-Executive Director

56, Malaysian  
Date appointed: 12 November 2007

**Board Committee memberships:**

- Chairman, Employees' Share Option Scheme Committee (Elected on 3 December 2008)
- Audit Committee

**Academic Qualification:**

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

**Career Path/Experience:**

- House Pharmacist, Glaxo Malaysia in 1976
- Production Executive, Glaxo Malaysia in 1977
- Assistant Manager, Glaxo Malaysia in 1981
- Production Manager, Glaxo Malaysia in 1983, managing inventory management, production planning, cGMP compliance and overall plant manufacturing
- Technical Manager, Glaxo Malaysia, Glaxo Pakistan in 1989
- Technical Director, Glaxo Malaysia in 1993
- Board of Director, Glaxo Malaysia in 1993
- Executive Director, Intercircle Holdings Sdn. Bhd. for a year
- Managing Director, Pharmaniaga Manufacturing Bhd. from 1994 – 2003 and later Executive Director, Pharmaniaga Bhd
- Managing Director, 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 in 2008

**Directorships in other companies:**

- TPM Biotech Sdn. Bhd.

**Associations & Affiliations:**

- 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)

**Piong Teck They**

Alternate Director to Piong Nam Kim @ Piong Pak Kim

50, Malaysian  
Date appointed: 5 June 2000 (Ceased on 15 September 2009)

**Academic Qualification:**

- Malaysian Certificate of Education

**Work 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

**Relationship with Other Directors/Substantial Shareholders:**

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

**Notes:****1. 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.

**2. Conflict of Interest**

None of the Directors have any conflict of interest with the Company.

**3. Conviction for Offences**

None of the Directors have any conviction for offences (other than traffic offences) within the past 10 years.

**4. Other Directorship**

The Directors do not hold any other directorship of public companies except otherwise stated in individual profiles.

# 10 Chairman's Statement



## Dear Shareholders,

First of all, I would like to take this opportunity to extend my sincere condolences to the family of our late Deputy Chairman, Mr Piong Nam Kim @ Piong Pak Kim who passed away peacefully on September 15, 2009.

As a founder of Kotra Pharma (M) Sdn. Bhd., the late Mr Piong's contribution to the Group during the early phase in the Group's development was invaluable. He will be deeply missed by the Group and members of the Board.

On behalf of the Board, I am pleased to report that the Group's performance has remained resilient for the year ended 30 June 2009 despite the pressures of a weak global economy.

## ECONOMIC AND INDUSTRY OVERVIEW

The financial crisis which led to the global economic meltdown had an adverse impact on the manufacturing sector in Malaysia. A report published by the Ministry of International Trade and Industry ("MITI") in July 2009 revealed that the manufacturing sector felt the brunt of the global economic downturn in the fourth quarter of 2008 and in 2009 due to the decreasing demand in the products of our export-oriented industries.

The Malaysian economy, which remained fairly strong early in 2008, eventually succumbed to the pressures of global meltdown. In July 2009, RAM Ratings, a Malaysian ratings agency, announced that it had revised the country's GDP short-term forecast downwards to negative 3.3%.

The gloomy scenario is worrying but fortunately the pharmaceutical manufacturing industry has been identified by MITI as one of the sectors that had better withstood the challenge. Together with wood-based, healthcare and medical service industries, the pharmaceutical manufacturing industry is expected to experience less negative impact arising from the global economic slowdown. According to MITI, the prospect for the pharmaceutical industry is positive due to growing healthcare needs, an ageing population and the prevalence of various diseases.

Analysts are also optimistic about the future of the local pharmaceutical industry. In their view, the industry is projected to grow about 10% annually with the increasing trends shifting towards generic consumption as well as biotechnology and specialist driven therapy. These opportunities will fuel growth for the pharmaceutical industry in Malaysia. In addition, demand for pharmaceutical products will continue to be driven by medical tourism, specialist therapy, generic and over-the-counter drugs and food supplements. The healthcare industry is therefore expected to experience growth in 2009.

## FINANCIAL UPDATES

In view of the above economic environment, the Group recorded a growth of 3.8% in its revenue from RM86.7 million for the preceding financial year to RM90.0 million for the current financial year while the Group's pre-tax profit rose to RM9.0 million from RM7.7 million for the preceding financial year. The 17% increase in pre-tax profit was primarily attributed to stronger domestic sales as well as gain on foreign exchange arising from export sales due to the strengthening of the US Dollar against Ringgit Malaysia.

## chairman's statement

### OPERATIONAL UPDATES

#### Domestic operations

The domestic sales which grew by 8.2% were driven mainly by the Group's prescription product range which has grown by 19% during this financial year. This is mainly due to the launch of several new products under the Axcel brand which enjoyed favourable response from the medical community. The products include Axcel Ecozalon cream (antifungal), Axcel Clobetasol cream/ointment (psoriasis and dermatitis), Axcel Glucosamine (osteoarthritis), Axcel Clindamycin Topical Solution (anti-acne), and Axcel Cefaclor Suspension (antibacterial).

In addition to the launches, our Marketing team has started to collaborate with the Malaysian Society of Otorhinolaryngologists (head and neck surgeons) in pursuit of our Group's vision to achieve pharmaceutical excellence by publishing an article titled "Consensus Guideline on the Management of Upper Respiratory Tract Infection." The project was meant to promote the proper use of antibiotic for Upper Respiratory Tract Infection among primary care doctors (GPs and physicians).

During the financial year, the Appeton brand has continued to increase its market share of Child Vitamin C from 48% to 55% (according to ACNielsen's Retail Report 2009) due to our continuous effort to strengthen our position.

After having established Appeton as a leader in the children's multivitamins, we have now expanded our product range to adult nutritional products and health supplements under the brand name "Appeton Essential". Most of these products are produced using the breakthrough Zeecap™ Cold Process Technology, which is a liquid encapsulation microspray sealing technology that helps protect the content from moisture and oxidation. This will ensure the products' purity and potency. It allows for better absorption of the nutrients into the body by 30% compared to other ordinary pill forms.

We also introduced Appeton Wellness 60+ to the market in the later part of the financial year. Appeton Wellness 60+ is a complete balanced nutrition supplement for senior citizens above the age of 60. The product, which is manufactured in Belgium, has been specially formulated for seniors and contains a unique formulation with Coenzyme Q10 and B Complex to provide energy and vitality throughout the day.

#### Export operations

In the financial year under review, our sales to the overseas markets fell to RM31.1 million from RM32.3 million achieved in 2008.

The drop in our Group's export sales figures was due to countries that imported our products being adversely affected by the economic downturn. The decrease, fortunately, was minimal.

Nonetheless, during this financial year, our Group has managed to widen its horizon beyond Asia and set its footprint into the Middle East, African and the Eastern European countries.

### CORPORATE SOCIAL RESPONSIBILITY

Our Group aspires to be an exemplary corporate citizen. Since we are involved in the business of improving and maintaining health, giving others a helping hand to recover from a certain illness and helping individuals to stay healthy is second nature to us. We continue to contribute in cash and kind to various educational, social and welfare programmes and will continue to do so in future.

We are also doing our part in developing the country's human capital by giving support to students from various higher learning institutions in Malaysia. We award cash incentives to students who excel in science and pharmaceutical related subjects to motivate them. These awards are imperative investments to the development of future local experts in the field. Hopefully these awards inspire more young people to a career in the healthcare and pharmaceutical industry.

### 2010 OUTLOOK

Recovery is the buzzword in 2010. Signs that the economy is healing are becoming apparent especially in the United States. RAM Ratings predicted that the Malaysian economy will regain its footing in 2010, with an estimated 4.9% GDP growth while Espicom, an independent business intelligence provider, predicted that the Malaysian pharmaceutical market, which stood at US\$1.072 billion (RM3.8 billion) in 2009, will reach US\$1.6 billion (RM5.7 billion) in 2014, growing at an impressive average rate of around 8.2% per annum.

**chairman's statement****2010 OUTLOOK (Cont'd)**

Our Group is hopeful that the economic recovery will usher in more than just a sufficient dose of prosperity in 2010 for us. The completion of our new manufacturing plant which is scheduled in the same year will be another milestone and a boost to our standing as a serious player in the pharmaceutical manufacturing industry. The new manufacturing facility will be a testament to Kotra's commitment to promoting and continuing excellence in Malaysia's pharmaceutical practices and standards.

Moreover, it further accentuates our commitment to achieve our Group's long-term aspirations through carefully measured long-term investments in technology, infrastructure and human capital. The new facility will elevate our status to a world-class Centre of Excellence in the local pharmaceutical industry. Its well equipped R&D facilities and technologies in concert with our human capital expertise will ultimately give rise to the manufacturing of high-quality drugs to meet the varied healthcare needs of consumers.

Our Group has also expanded beyond Malaysia's shores and is becoming an internationally recognized pharmaceutical and nutraceutical product manufacturer. Our foreign market network now spans to over 28 countries across the globe and continues to grow annually.

Although we already have over 210 products registered with the Malaysian National Pharmaceutical Control Board covering various dosage forms including tablets, capsules, cream, ointment, gel, liquid, dry powder preparations and injectables, we will continue to introduce more products in other dosage forms in the future.

**DIVIDEND**

Due to the significant capital outlay required of our new manufacturing facility and the need to invest further into human capital, R&D, marketing and information technology to maximize benefit from this new facility, the Board decided that no dividend will be declared this year.

The Board is of the view that at this point of time, our Group should give priority to investing into the necessary resources so that we realize the benefits from the new manufacturing facility as soon as possible. The Board feels that this prudent stand taken by our Group shall benefit our shareholders in the long term.

**GRATITUDE**

We are fully aware that our achievements depend heavily on the support and loyalty of our valued customers, employees and shareholders. Therefore it is only natural for me, on behalf of the Company to extend our greatest appreciation and hope that they will continue to support us in the future.

Our deepest appreciation also goes to our business partners, financiers, various regulatory authorities and government ministries for their continuous support and invaluable guidance throughout the years. We hope that the partnership will continue to strengthen over time.

Last but not least, I would like to take this opportunity to express my heartfelt gratitude to my esteemed colleagues of the Board for their visionary leadership and counsel in steering our Group through a tough business environment. I also would like to thank the Management and staff for their commitment, passion and persistence in growing our business. It was a bumpy ride but thankfully we managed to overcome the challenges with courage and strength.

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

# Corporate Governance Statement 13

## INTRODUCTION

The economic crisis which created chaos in the financial and business world not only justified the need for good corporate governance but intensified its importance.

The Board of Directors of Kotra Industries Berhad (The "Board") has taken the global economic crisis as an important lesson for the Group. What transpired has only strengthened the Board's commitment in upholding and safeguarding the virtues of good corporate governance as prescribed by the Malaysian Code on Corporate Governance (the "Code").

This Statement explains how Kotra Industries Berhad ("Kotra") has applied the key principles and the extent of its compliance with the best practices set out in the Code for the financial year. The Board confirms that aside from any exceptions as highlighted below, the Group has adhered to the Best Practices of the Code during the year under review.

## DIRECTORS

### The Board

The Board of Directors of Kotra's role is to control and provide stewardship of the Group's affairs on behalf of the shareholders. Its responsibilities include providing strategic direction and approving corporate plans and targets, monitoring and reviewing corporate performance, ensuring adequate systems for good internal control and risk management are in place.

Beyond the matters reserved for the Board's decision, it has delegated the responsibility to achieve the corporate objectives to the Managing Director and the Management. The Managing Director and the Management remain accountable to the Board for the responsibility and authority that is delegated to them and for the performance of the Group. The Board monitors the performance of the Managing Director and the Management to gain assurance that progress is being made towards the Group's corporate objective, within the limits it has imposed.

### Board Balance

The Board composition as at 30 June 2009 is as follows:

Members of the Board	Number
Independent non-executive directors (including the Chairman)	4
Non-independent non-executive director	1
Executive directors	4
Alternate director	1
<b>Total</b>	<b>10</b>

The Board views that its composition continues to remain balanced, with Independent Directors constituting more than one-third (1/3) of the recommended ratio for Board membership. The majority of Directors is non-executive and hence provides a check and balance for the effectiveness of the Board.

All Directors have the relevant experience needed to govern the Group. A brief description of the background of each Director is presented in pages 4 to 9 of the Annual Report.

It is vital to Kotra that those who are appointed to the Board are equipped with the essential knowledge, skills and business acumen to lead the Company through these challenges and succeed. In the year under review, the Board maintained a good mix of individuals with specific knowledge and skills from diverse backgrounds.

Balance of power is ensured by a clear-cut separation of responsibility between the Chairman and the Managing Director. The Chairman, Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman, 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, Mr. Jimmy Piong Teck Onn, is responsible for the day-to-day management of the Group's operations and implementation of the policies and strategies adopted by the Board.

### Supply of Information

The Board meets at least once in every quarter. However, additional meetings are convened if the need arises. During the year under review, five (5) Board meetings were held to discuss and decide on a variety of issues pertaining to the Group including financial results, key risk areas, business plans, proposals, corporate plans and announcements of financial results prior to public release.

The Chairman leads the Board and facilitates the discharging of its duties. He engages directly with the Managing Director to understand and oversee the strategic implementation and performance delivery. He is also responsible for ensuring the processes of the Board are effective in carrying out its duties and responsibilities, including timely provision of sufficient and relevant information on financial and non-financial matters. The Chairman sets agendas for the meetings that focus on strategic direction and performance of the Group with the Managing Director and Company Secretary.

**DIRECTORS (Cont'd)****Supply of Information (Cont'd)**

All Directors are given ample time to prepare for each meeting. They are provided with the minutes of previous meetings and Board reports in advance. These reports provide information on the Group's performance, major operational, financial and corporate issues. If need be, they will also be presented with additional information and are given unlimited access to any information they may require. This includes unrestricted access to the advice and services of the Company Secretary and the Senior Management staff of the Group.

In the spirit of good corporate governance, the Board may seek independent professional counsel at the Company's expense about matters pertaining to the Group, if deemed reasonable and necessary.

Below is the list of attendance of individual directors during the financial year:

No.	Director	Position	Attendance at Board Meetings in 2009
1.	Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman	Independent Non-Executive Chairman	5/5
2.	Piong Nam Kim @ Piong Pak Kim (Demised on 15.09.2009)	Deputy Chairman Executive Director	5/5
3.	Piong Teck Onn	Managing Director	5/5
4.	Piong Teck Min	Non-Independent Non-Executive Director	5/5
5.	Y. Bhg. Datuk Piong Teck Yen	Executive Director	5/5
6.	Chin Swee Chang	Executive Director	5/5
7.	Omar bin Md. Khir	Independent Non-Executive Director	5/5
8.	P'ng Beng Hoe	Independent Non-Executive Director & Chairman of Audit Committee	5/5
9.	Azhar bin Hussain	Independent Non-Executive Director	5/5
10.	Tan Choo Jow (Retired and not elected on 03.12.2008)	Independent Non-Executive Director	3/3
11.	Piong Teck They (Ceased on 15.09.2009)	Alternate Director to Piong Nam Kim @ Piong Pak Kim	0/5

**Appointment to the Board**

The Nomination Committee assists the Board in ensuring that all appointments to the Board comprise individuals of calibre, whose educational background, skills, experience and personal characteristics will augment the present Board and meet the Group's long term corporate objectives. Appointments to the Board are made with considerable care to protect the interest of the Group and the shareholders. In determining the Board composition, the investment of shareholders other than the controlling shareholder is considered to provide balance and fairness to the Board.

Newly appointed members of the Board will be given a briefing by the Managing Director on the overall operations of the Group. The objective of this programme is to facilitate the new Director's understanding of the Group's operations and exposure to its corporate culture. He or she will be also given a tour of the Group's offices and participate in discussions with the senior members of the Management team.

**Re-election**

Under the Company's Articles of Association, all Directors are required to go forward for re-election by shareholders at the Annual General Meeting (AGM) at intervals of no more than three years, together with all new Directors appointed since the previous AGM. Section 129 (6) of the Companies Act 1965 requires that all Directors over seventy (70) years of age go forward for re-appointment each year. Retiring Directors may offer themselves for re-election or reappointment. Each of these Directors who are due to go forward for re-election or reappointment at this year's AGM is as follows:

1. Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman (Chairman)
2. Piong Teck Min
3. Y. Bhg. Datuk Piong Teck Yen
4. Omar bin Md. Khir

## corporate governance statement

**Directors' Training**

Directors of the Board are aware that they must keep abreast with current developments in order to perform effectively in their roles. Continuous education is vital for the Board to gain insight into the state of the economy, technological advances, regulatory updates and management strategies to enhance the Board's skills and knowledge in discharging its responsibilities.

The Board encourages its Directors to evaluate their own training needs on a regular basis and 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.

In the year under review, the Directors have attended trainings and seminars as listed below:

Director	Training / Seminar / Workshop	Dates Attended
Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman	Kedah State Government Conference on "Creating Promising Future through Human Capital Development", Langkawi.	25 to 26 October 2008
	6th East Asia Congress "Increasing Regional Resilience Amidst Rising Risk" organised by ISIS, Kuala Lumpur.	3 to 5 December 2008
	Workshop on "R&D Commercialization and Market Driven Entrepreneurship" organized by Malaysia University of Science and Technology (MUST)	11 to 12 March 2009
	Seminar on "Leading Change in Tough Times" by Prof. John Kotter, Harvard University, organized by Motorola University and Global Talent Development Centre	17 March 2009
	Non-Executive Director Development Series: "Is it Worth the Risk?"	8 April 2009
	Seminar on "Corporate Governance in Asia: Current Issues and Regulatory Impact of Credit Crisis" by Jaime Allen.	20 April 2009
	Seminar on "The Changing Landscape of Corporate Governance in Malaysia"	27 May 2009
Piong Nam Kim @ Piong Pak Kim	Seminar on "The Changing Landscape of Corporate Governance in Malaysia"	27 May 2009
Piong Teck Onn	Seminar on "The Changing Landscape of Corporate Governance in Malaysia"	27 May 2009
Y. Bhg. Datuk Piong Teck Yen	Seminar on "The Changing Landscape of Corporate Governance in Malaysia"	27 May 2009
Chin Swee Chang	Seminar on "The Changing Landscape of Corporate Governance in Malaysia"	27 May 2009
P'ng Beng Hoe	National Seminar on Taxation 2008	11 September 2008
	Non-Executive Director Development Series: "Is it Worth the Risk?"	8 April 2009
	Seminar on "The Changing Landscape of Corporate Governance in Malaysia"	27 May 2009
Omar bin Md. Khir	Non-Executive Director Development Series: "Is it Worth the Risk?"	8 April 2009
	Seminar on "The Changing Landscape of Corporate Governance in Malaysia"	27 May 2009
Azhar bin Hussain	Non-Executive Director Development Series: "Is it Worth the Risk?"	8 April 2009
	Seminar on "The Changing Landscape of Corporate Governance in Malaysia"	27 May 2009
Piong Teck Min	Seminar on "The Changing Landscape of Corporate Governance in Malaysia"	27 May 2009
Piong Teck They	-	-



## corporate governance statement

**DIRECTORS (Cont'd)****Directors' Training (Cont'd)**

Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman has also presented a paper titled: "Science and Technology: Challenges for the Muslim Ummah" in the S&T Management Course for Scientists from OIC Countries organized by the Academy of Sciences Malaysia.

Piong Teck They, who is an Alternate Director, has not been able to attend any training during the year under review due to his tight schedule. The Board will continue to arrange further development and training programmes for the Directors in order to update their skills and knowledge, which are important for carrying out their roles as Directors.

For the record, all appointed Directors have successfully attended and successfully completed the Mandatory Accreditation Programme ("MAP") conducted by the relevant authorities. The Board has assessed and considered the training programmes attended by them and deemed that the trainings were appropriate and sufficient.

**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.

**Audit Committee**

The functions of the Audit Committee are detailed in the Report of the Audit Committee in pages 22 to 24 of this Annual Report.

**Nomination Committee**

The Nomination Committee remains as it was in the previous year. The three (3) Directors in the committee are all Non-Executive Directors as required by Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The list of the members and their attendance record are as follows:

Director	Attendance
Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman	1/1
Omar bin Md. Khir	1/1
Piong Teck Min	1/1

The Nomination Committee is responsible to assist the Board in:

- 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.

**Remuneration Committee**

The Remuneration Committee is responsible to assist the Board 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 as well as market factors.

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 following are the Remuneration Committee members and the recorded attendance:

Director	Attendance
Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman	2/2
Omar bin Md. Khir	2/2
Piong Teck Min	2/2
Piong Teck Onn	2/2

## corporate governance statement

**DIRECTORS' REMUNERATION**

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

**Procedure**

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 remuneration paid by the Group for the financial year ended 30 June 2009 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 Directors	-	1,582	150	1,732
Non-Executive Directors	173	-	4	177
<b>Total</b>	<b>173</b>	<b>1,582</b>	<b>154</b>	<b>1,909</b>

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

	The Group		The Company	
	2009	2008	2009	2008
<b>Non-Executive Directors</b>				
Below RM50,000	6	7	6	7
<b>Executive Directors</b>				
RM250,001 – RM300,000	-	1	-	-
RM300,001 – RM350,000	2	1	-	-
RM350,001 – RM400,000	1	1	-	-
RM400,001 – RM450,000	-	-	-	-
RM450,001 – RM500,000	-	-	-	-
RM500,001 – RM550,000	-	-	-	-
RM550,001 – RM600,000	-	-	-	-
RM600,001 – RM650,000	-	1	-	-
RM650,001 – RM700,000	1	-	-	-

**SHAREHOLDERS****Dialogue between Company and Investors**

Effective and transparent communication enables shareholders, investors and the market at large to make informed evaluation of the Company. It encourages the practice of voluntary disclosure as good governance. In the year under review, the Group has been transparent and accountable to its shareholders and stakeholders.

Online access of the Group's quarterly and interim reports, significant announcements and annual reports can be obtained from Bursa Securities' website ([www.bursamalaysia.com](http://www.bursamalaysia.com)) and the Kotra Pharma (M) Sdn. Bhd.'s website ([www.kotrapharma.com](http://www.kotrapharma.com)) to ensure shareholders are kept abreast with the Group's performance and operations. Investors can also contact the Group's Corporate Affairs Department to obtain information.

**The Annual General Meeting (AGM)**

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

**SHAREHOLDERS (Cont'd)****The Annual General Meeting (AGM) (Cont'd)**

At the AGM, the Managing Director presents the Group's performance and progress and welcomes questions from shareholders. All the Directors are present to attend to any issues raised by shareholders. 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 is 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.

**ACCOUNTABILITY AND AUDIT****Financial Reporting**

The Board continually strives to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects primarily through the audited financial statements, annual reports and quarterly announcements of results to shareholders.

The Audit Committee assists the Board in reviewing and reporting of financial information to ensure accuracy, completeness and quality. The Report of the Audit Committee is outlined from pages 22 to 24 of this Annual Report.

**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.

Information and significant developments in the Group's internal control system during the year is presented in the Director's Statement on Internal Control presented in page 21 of this Annual Report.

**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. The External Auditors meet with the Audit Committee twice a year without the presence of any executive directors.

**DIRECTORS' RESPONSIBILITY FOR PREPARING THE ANNUAL FINANCIAL STATEMENTS**

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 ongoing 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 subsidiaries 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.

## corporate governance statement

## 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 BIII	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. Nevertheless, 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 as well as 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	At present, the Nomination Committee assesses the effectiveness of the Board and the committees of the Board as a whole. Moving forward, the Board is in the midst of establishing a process to assess the effectiveness and contribution of each director and expects this process to be in place by the end of the forthcoming financial year.
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 is presently looking into identifying the most meaningful non-financial based KPIs and expects to have these KPIs in use by the financial year commencing 1 July 2012.

## ADDITIONAL COMPLIANCE INFORMATION

## 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 2009 are as follows:-

Name of Mandated Related Party	Relationship with the Group	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.	• Sale of goods	305
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	64 -
Appeton Laboratory Sdn. Bhd. (67336-V)	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 interest. Piong Teck Min, Y. Bhg. Datuk Piong Teck Yen and Piong Teck They who are Directors and Alternate Director of the Company have direct interest.	• Rental of premises paid/payable	6
Piong Nam Kim @ Piong Pak Kim	An Executive Director of the Company.	• Rental of premises paid/payable	27

**ADDITIONAL COMPLIANCE INFORMATION (Cont'd)****Recurrent Related Party Transactions (Cont'd)**

Name of Mandated Related Party	Relationship with the Group	Nature of Transactions	RM'000
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	38
Piong Teck Onn	An Executive Director of the Company.	• Rental of premises paid/payable	14
Y. Bhg. Datuk Piong Teck Yen	An Executive Director of the Company.	• Rental of premises paid/payable	45
<b>Aggregate value of related party transactions</b>			<b>499</b>

The Company is seeking shareholders' approval on Recurrent Related Party Transactions ("RRPT") of a revenue or trading nature to be entered by the Company's subsidiary with related parties in the ordinary course of business in the forthcoming AGM. Details of the transactions are furnished in the Circular, which is distributed together with the Annual Report.

**Share Buy-back**

There was no share buy-back activity during the financial year ended 30 June 2009.

**Options, Warrants or Convertible Securities**

There were no options, warrants or convertible securities exercised during the financial year ended 30 June 2009.

**Sanctions and/or Penalties Imposed**

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

**Non-audit Fees Paid to External Auditors**

During the financial year ended 30 June 2009, non-audit fees paid to external auditors and affiliated firms amounted to RM40,000.

**Variation in Results**

There was no significant variance between the results for the financial year ended 30 June 2009 as per the audited financial statements and the unaudited results previously announced. The Company and its subsidiaries did not make any release on profit estimate, forecast or projections for the financial year.

**Profit Guarantee**

There was no profit guarantee given by the Company and its subsidiaries in respect of the financial year.

**Material Contracts Involving Directors' and Major Shareholders' Interest**

Other than RRPT of a revenue in nature as disclosed, there were no material contracts entered into by the Company and its subsidiaries 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.

**Revaluation of Landed Properties**

The Company and its subsidiaries did not revalue its property, plant and equipment during the financial year ended 30 June 2009, as these assets are carried in the Company's financial statements at historical cost less accumulated depreciation.

# Statement on Internal Control 21

## Introduction

The Board of Directors ("Board") of Kotra Industries Berhad is pleased to present the Statement on Internal Control pursuant to Paragraph 15.26 (b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements, which outlines the Group's key elements of internal control system for the financial year ended 30 June 2009.

## Board responsibility

The Board recognises the importance of sound internal controls and risk management practices for good corporate governance and affirms its ultimate responsibility to maintain an effective system of internal controls and risk management practices for the Group. This includes the establishment of an appropriate control environment and framework as well as periodical reviews of its effectiveness, adequacy and integrity so as to safeguard shareholders' interest and investment and the Group's assets.

The system of internal controls covering financial, operational and compliance controls as well as risk management procedures, is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives. In pursuing these objectives, system of internal controls can only provide reasonable and not absolute assurance against material misstatement, loss and fraud.

The Board confirms that there is a continuous 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 Internal Control Guidance.

## Risk management framework

Risk Management is an integral part of the Group's business processes and internal control system. In 2007, 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 was carried out during the financial year ended 30 June 2009 and the results of the risk assessment update were presented to the Audit Committee on 3 December 2008. Besides strengthening risk management functions, the enterprise risk management project was carried out to sensitise all employees within the Group more strongly to risk identification, evaluation, control, ongoing monitoring and reporting.

Based on the results thereof, an updated risk profile of the key business risks in the Group was drawn up to enable Management to deploy action plans to manage the risks on an ongoing basis.

## Internal audit function

The Group's internal audit function is outsourced to an independent firm of professionals. The total cost incurred for internal audit function for the financial year ended 30 June 2009 was RM55,451. The internal audit function facilitates the Board in its review and evaluation of the adequacy and integrity of the Group's internal control systems.

The internal audit function adopts a risk-based approach and prepares its audit strategy and detailed internal audit plan based on the Group's updated risk profile. Internal audits were carried out according to the internal audit strategy and plan approved by the Audit Committee.

During the financial year under review, two cycles of internal audit were carried out for Kotra Pharma (M) Sdn. Bhd., being the active subsidiary in the Group. The findings of the internal audit function, including its recommendations and Management's responses, were reported to the Audit Committee. In addition, the internal audit function also followed up on the implementation of recommendations from previous cycles of internal audit and updated the Audit Committee on the status of Management-agreed action plan implementation.

## Other risk and control processes

To further strengthen the Board's control, the Board has put into place the following processes to provide certain degree of assurances on the proper conduct of the Group's business operations:

- An organizational structure with formally defined lines of responsibility and delegation of authority is in place. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability.
- Review of strategic planning, budgeting and forecasting of revenue and expenses are in line with the policies and guidelines defined by the Board.
- The Group Managing Director reports to the Board significant changes in the business and the external environment which affects the risks faced by the Group.
- The Group has performed ongoing review and timely updating of departmental operational manuals from time to time. With the operational manuals, the key operational risks are being identified so as to ensure that reasonable assurance on the effectiveness and efficiency of the system of internal controls will mitigate various risks faced by the Group to an appropriate level and acceptable to the Board.

The Board remains committed towards operating a sound system of internal control which continuously evolves to support the growth and objectives of the Group. As such, 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

The Board, having considered all audit findings is of the opinion that the system of internal control that has been instituted throughout the Group was satisfactory and has not resulted in any material losses, contingencies or uncertainties that would warrant a separate disclosure in this annual report. The Management will continue to take the necessary measures to strengthen the control environment within the Group.

This statement is issued in accordance with a resolution of the Directors dated 6 October 2009.

# 22 Report of the Audit Committee

The Board is pleased to present the following report of the Audit Committee and its activities during the financial year ended 30 June 2009.

## 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:

- P'ng Beng Hoe (Chairman)  
Independent Non-Executive Director
- Azhar bin Hussain  
Independent Non-Executive Director
- Piong Teck Min  
Non-Independent Non-Executive Director

## Audit Committee Attendance Record

During the year, a total of six (6) meetings were held. The status and attendance record of each of the members is set out as follows:

No.	Director	Attendance
1.	P'ng Beng Hoe	6/6
2.	Azhar bin Hussain	6/6
3.	Piong Teck Min	5/6

## Terms of Reference of the Audit Committee

### 1. Constitution

The Audit Committee was formed pursuant to a resolution passed by the Board on 12 September 2000. The terms of reference were amended on 14 October 2002 and subsequently updated on 28 February 2008 and 6 October 2009. The amended terms of reference are consistent with the recommendations of the Malaysian Code on Corporate Governance ("the Code") and also the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") which was revamped on 3 August 2009.

### 2. Membership

The Audit Committee will be composed of no fewer than three (3) members all of which are non-executive directors and majority of whom shall be independent directors. All members of the Audit Committee should be financially literate.

At least one (1) member of the Audit Committee must be a member of the Malaysian Institute of Accountants or if he is a not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and;

- (i) he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
- (ii) he/she must be a member of one of the associations of accountants as specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- (iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

Subject to endorsement by the Board, the Audit Committee shall elect a Chairman amongst themselves who is an independent director.

### 3. Meetings and Procedures

The Committee shall meet at least 4 times in each financial year. The quorum shall be 2 members, the majority of members present must be independent directors.

The finance manager, the head of internal audit and the external auditors (or their representative) are to be invited to attend the committee meetings. Other Board members may also be present upon invitation. However, the committee shall meet with the external auditors without the presence of any executive directors, at least twice a year.

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 of minutes.

The Chairman shall convene a meeting of the Audit Committee if a request is made by the Board, any committee member, the Company's Managing Director, the internal auditors or external auditors.

## report of the audit committee

The external auditors have the right to appear and to be heard at any meeting of the Audit Committee from time to time and shall appear if so required by the Committee.

Motions put forward to the Audit Committee shall be decided on a majority of votes. Each member shall be entitled to only one vote. The Chairman shall be entitled to a casting vote in the event of an equality in the voting except for a meeting attended by only two members in which the decision must be unanimous in order for the motion to be put through.

#### 4. Authority

The Audit Committee shall, in accordance with procedures stipulated by the Board, and at the cost of the Company:

- Have explicit authority to investigate any matters within its terms of reference;
- Have the resources which it needs to perform its duties;
- Have full access to any information which it requires in the course of performing its duties;
- Have unrestricted access to the chief executive officer and the chief financial officer;
- Have direct communication channels with the external auditors and internal auditors;
- Be able to obtain independent professional or other advice in the performance of its duties at the cost of the Company;
- Be able to invite outsiders with relevant experience to attend its meetings, if necessary; and
- Be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company and/or the Group, whenever deemed 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 with the terms of reference.

#### 7. Duties and Responsibilities

The Audit Committee shall undertake the following duties and responsibilities, and report its findings to the Board:

- Consider the appointment of external auditors, the audit fees and any question of resignation or dismissal;
- Review the adequacy of external audit arrangements, with particular emphasis on the scope and quality of the audit;
- Review the assistance given by the Company and/or the Group's officers to the external auditors;
- Review the quarterly and annual financial statements of the Company and its subsidiaries as well as the consolidated financial statements of the Group with management (and the external auditors in respect of the annual financial statements), including the following:
  - i) Any change in accounting policies and practices
  - ii) Significant adjustments arising from the audit
  - iii) The going concern assumption
  - iv) Compliance with accounting standards and other legal requirements;
- Review the external auditors' audit report;
- Review any management letter sent by the Company's or any of its subsidiaries' external auditors and management's response to such letter;
- Review any letter of resignation from the external auditors of the Company or any of its subsidiaries;
- Discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss - in the absence of management where necessary;
- Review the adequacy of the scope, functions and resources, competency of the internal audit function and that it has the authority to carry out the work;



## report of the audit committee

### 7. Duties and Responsibilities (Cont'd)

- Review the internal audit programme and 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 the internal auditors function;
- Approve any appointment or termination of the internal auditors;
- Take cognizance of resignations of internal auditors;
- To review all related-party transactions and potential conflict of interests situations that may arise within the Company or Group;
- 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;
- Consider the major findings of internal investigations and management's response; and
- Consider other topics as defined by the Board.
- 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 and follow up actions taken by management;
- Reviewed the related party transactions entered into by the Company and its subsidiaries as well as the disclosure of such transactions in the Annual Report of the Group;
- Reviewed the significant business and financial risks which the Group is exposed to and updates to these risks on a regular basis to ascertain whether or not arrangements, where feasible and practicable, are in place to mitigate such risks;
- Monitored the progress of the Group's new ERP system implementation; and
- Reviewed the 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 Malaysia.

#### 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 on page 21 of this Annual Report.

#### Statement on Employees' Share Option Scheme ("ESOS")

The Audit Committee hereby confirms that during the financial year under review, there is no allocation of options offered by the Company to eligible employees of the Group.

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

#### Activities of the Audit Committee

During the year under review, the Audit Committee has discharged its duties in accordance with the terms of reference. The following are the list of its completed tasks:

- Reviewed the external auditors' scope of work, audit plans and fees for the year, for the Company and its subsidiaries, and their reappointment;
- Reviewed 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 financial statements to ensure the Company's compliance with the Listing Requirements of Bursa Malaysia, MASB and other relevant legal and regulatory requirements;



# Financial Statements

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# 26 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 2009.

## PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and the provision of management services. The principal activities of its subsidiaries 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 tax for the financial year	9,124	(306)

## DIVIDENDS

No dividend was paid since the end of the previous financial year and the directors do not recommend the payment of any 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 and issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

## OPTIONS GRANTED OVER UNISSUED SHARES

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

**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 15% 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 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 1.7.2008	← During the year →		Balance at 30.6.2009
				Rescinded	Lapsed	
24.7.2003	24.7.2004	0.58	2,259,840	(320,000)	(29,920)	1,909,920
24.7.2003	24.7.2006	0.58	4,520,120	(640,000)	(59,840)	3,820,280
24.7.2003	24.7.2009	0.58	4,533,760	(640,000)	(59,840)	3,833,920
15.6.2004	15.6.2005	0.51	247,720	-	(27,720)	220,000
15.6.2004	15.6.2007	0.51	495,440	-	(55,440)	440,000
15.6.2004	15.6.2010	0.51	495,440	-	(55,440)	440,000
12.7.2005	12.7.2006	0.53	249,800	-	(61,600)	188,200
12.7.2005	12.7.2008	0.53	585,200	-	(123,200)	462,000
12.7.2005	12.7.2011	0.53	585,200	-	(123,200)	462,000
21.7.2006	21.7.2007	0.53	260,600	-	(46,200)	214,400
21.7.2006	21.7.2009	0.53	541,200	-	(92,400)	448,800
21.7.2006	21.7.2012	0.53	541,200	-	(92,400)	448,800
2.7.2007	2.7.2008	0.78	143,000	-	-	143,000
2.7.2007	2.7.2010	0.78	286,000	-	-	286,000
2.7.2007	2.7.2012	0.78	286,000	-	-	286,000
			16,030,520	(1,600,000)	(827,200)	13,603,320

**EMPLOYEES' SHARE OPTION SCHEME (Cont'd)**

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

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the list of option holders holding share options of less than 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 (Deceased)	1,800,000
2.	Piong Teck Onn	1,800,000
3.	Y. Bhg. Datuk Piong Teck Yen	1,800,000
4.	Chin Swee Chang	1,800,000
5.	Thanasekaran Dorairajah	550,000
6.	Alan Martin Lewis	550,000
7.	Hiew Mein Foong	440,000
8.	Daniel Chua Chong Liang	440,000

**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 had been made for doubtful.

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 the making of 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 41 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  
Chin Swee Chang  
Y. Bhg. Datuk Piong Teck Yen  
Omar Bin Md. Khir  
Piong Nam Kim @ Piong Pak Kim (Demised on 15 September 2009)  
Piong Teck Min  
Piong Teck Onn  
P'ng Beng Hoe  
Azhar Bin Hussain  
Piong Teck They (Ceased on 15 September 2009)  
(Alternate Director to Piong Nam Kim @ Piong Pak Kim)

## directors' report

**DIRECTORS** (Cont'd)

Y. Bhg. Tan Sri Datuk Dr. Omar Bin Abdul Rahman and Omar Bin Md. Khir retire at the forthcoming annual general meeting in accordance with Section 129(2) of the Companies Act 1965 in Malaysia and offer themselves for re-election. The Board recommends that Y. Bhg. Tan Sri Datuk Dr. Omar Bin Abdul Rahman 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, Piong Teck Min and Y. Bhg. Datuk Piong Teck Yen 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 30.6.2009
	At 1.7.2008	Allotment/ Bought	Sold	
<b>The Company</b>				
<i>Direct Interests</i>				
Y. Bhg. Tan Sri Datuk Dr. Omar Bin Abdul Rahman	4,840	-	-	4,840
Piong Teck Min	1,276,220	-	-	1,276,220
Y. Bhg. Datuk Piong Teck Yen	2,200	-	-	2,200
Omar Bin Md. Khir	1,093,560	-	(75,500)	1,018,060
Piong Teck They	1,113,186	-	-	1,113,186

	Number of Ordinary Shares of RM0.50 each			At 30.6.2009
	At 1.7.2008	Allotment/ Bought	Sold	
<b>The Company</b>				
<i>Indirect Interests</i>				
Piong Nam Kim @ Piong Pak Kim (Deceased)	64,624,362	-	-	64,624,362
Piong Teck Min	64,624,362	-	-	64,624,362
Piong Teck Onn	64,624,362	-	-	64,624,362
Y. Bhg. Datuk Piong Teck Yen	64,624,362	-	-	64,624,362
Piong Teck They	64,624,362	-	-	64,624,362
<i>Deemed Indirect Interest</i>				
Chin Swee Chang	64,624,362	-	-	64,624,362

	Options Over Ordinary Shares of RM0.50 each			
	At 1.7.2008	Allotment/ Bought	Rescinded	At 30.6.2009
<b>The Company</b>				
Piong Nam Kim @ Piong Pak Kim (Deceased)	2,200,000	-	(400,000)	1,800,000
Piong Teck Onn	2,200,000	-	(400,000)	1,800,000
Y. Bhg. Datuk Piong Teck Yen	2,200,000	-	(400,000)	1,800,000
Chin Swee Chang	2,200,000	-	(400,000)	1,800,000

	Number of Ordinary Shares of RM1 each			
	At 1.7.2008	Bought	Sold	At 30.6.2009
<b>Holding Company</b>				
<b>Piong Nam Kim Holdings Sdn. Bhd.</b>				
<i>Direct Interests</i>				
Piong Nam Kim @ Piong Pak Kim (Deceased)	11,375	-	-	11,375
Piong Teck Min	10,000	-	-	10,000
Piong Teck Onn	51,000	-	-	51,000
Y. Bhg. Datuk Piong Teck Yen	10,000	-	-	10,000
Piong Teck They	6,250	-	-	6,250
<i>Deemed Interest</i>				
Chin Swee Chang	51,000	-	-	51,000

By virtue of their interests in the holding company, Piong Nam Kim @ Piong Pak Kim (Deceased), Piong Teck Min, Piong Teck Onn, Y. Bhg. Datuk Piong Teck Yen, Chin Swee Chang and Piong Teck They are deemed to have interests in shares in its subsidiaries to the extent of the Company's interest, in accordance with Section 6A of the Companies Act 1965 in Malaysia.

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



**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by directors, or the fixed salary of a full-time employee of the Company as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except as disclosed in Note 39 to the financial statements.

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

**AUDITORS**

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

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 6 OCTOBER 2009

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Piong Teck Onn

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Y. Bhg. Datuk Piong Teck Yen

# Statement by Directors & Statutory Declaration

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## STATEMENT BY DIRECTORS

We, Piong Teck Onn and Y. Bhg. Datuk Piong Teck Yen, being two of the directors of Kotra Industries Berhad, state that, in the opinion of the directors, the financial statements set out on pages 36 to 70 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 2009 and of their results and cash flows for the financial year ended on that date.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 6 OCTOBER 2009

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Piong Teck Onn

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Y. Bhg. Datuk Piong Teck Yen

## 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 36 to 70 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by  
Daniel Chua Chong Liang, I/C No.  
740823-04-5351, in the state of Melaka  
on 6 October 2009

Before me

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Daniel Chua Chong Liang

# Independent Auditors' Report

To the Members of Kotra Industries Berhad (Incorporated in Malaysia) Company No: 497632-P

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Kotra Industries Berhad, which comprise the balance sheets as at 30 June 2009 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 36 to 70.

### *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 2009 and of their financial performance and cash flows for the financial year then ended.

**independent auditors' report****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 subsidiaries have been properly kept in accordance with the provisions of the Act;
- (b) We are satisfied that the accounts of the subsidiaries 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 financial statements of the subsidiaries 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  
6 October 2009

**Tan Lin Chun**  
Approval No : 2839/10/11 (J)  
Partner

# 36 Balance Sheets

At 30 June 2009

	Note	The Group		The Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Investment in subsidiaries	7	-	-	78,482	69,052
Property, plant and equipment	8	120,493	36,397	-	-
Investment properties	9	1,675	1,701	-	-
Prepaid land lease payments	10	4,449	4,500	-	-
Development expenditure	11	671	428	-	-
Deferred tax assets	12	750	613	-	-
		<b>128,038</b>	<b>43,639</b>	<b>78,482</b>	<b>69,052</b>
<b>CURRENT ASSETS</b>					
Inventories	13	21,111	17,043	-	-
Trade receivables	14	30,464	26,068	-	-
Other receivables, deposits and prepayments	15	8,266	10,113	1	18
Tax recoverable		119	14	11	7
Amount owing by a subsidiary	16	-	-	12,576	12,829
Deposits with licensed banks	17	1,600	10,446	-	-
Cash and bank balances		6,962	2,821	69	43
		<b>68,522</b>	<b>66,505</b>	<b>12,657</b>	<b>12,897</b>
<b>TOTAL ASSETS</b>		<b>196,560</b>	<b>110,144</b>	<b>91,139</b>	<b>81,949</b>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	18	61,903	61,903	61,903	61,903
Share premium reserve	19	3	3	3	3
Share option reserve	20	314	241	314	241
Other reserve	21	-	-	24,521	15,091
Retained profits	22	28,886	19,762	4,365	4,671
<b>SHAREHOLDERS' EQUITY</b>		<b>91,106</b>	<b>81,909</b>	<b>91,106</b>	<b>81,909</b>
<b>NON-CURRENT LIABILITIES</b>					
Deferred income	23	46	72	-	-
Long-term borrowings	24	63,045	3,448	-	-
		<b>63,091</b>	<b>3,520</b>	<b>-</b>	<b>-</b>
<b>CURRENT LIABILITIES</b>					
Trade payables	27	18,868	12,864	-	-
Other payables and accruals	28	10,206	8,105	33	40
Short-term borrowings	29	9,497	3,746	-	-
Bank overdrafts	30	3,792	-	-	-
		<b>42,363</b>	<b>24,715</b>	<b>33</b>	<b>40</b>
<b>TOTAL LIABILITIES</b>		<b>105,454</b>	<b>28,235</b>	<b>33</b>	<b>40</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>196,560</b>	<b>110,144</b>	<b>91,139</b>	<b>81,949</b>

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

# Income Statements

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For the financial year ended 30 June 2009

	Note	The Group		The Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
REVENUE	31	89,994	86,682	300	300
OTHER OPERATING INCOME		3,552	1,563	5	-
RAW MATERIALS AND CONSUMABLES USED		(34,413)	(28,189)	-	-
CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS		2,558	1,034	-	-
EMPLOYEE BENEFITS EXPENSE	32	(20,715)	(20,410)	(288)	(354)
SELLING AND DISTRIBUTION EXPENSES		(22,401)	(22,670)	-	-
DEPRECIATION AND AMORTISATION		(2,585)	(2,467)	-	-
OTHER OPERATING EXPENSES		(6,400)	(7,615)	(322)	(286)
FINANCE COSTS	33	(605)	(252)	(5)	-
PROFIT/(LOSS) BEFORE TAX	34	8,985	7,676	(310)	(340)
TAX CREDIT/(EXPENSE)	35	139	523	4	(9)
PROFIT/(LOSS) AFTER TAX		9,124	8,199	(306)	(349)
EARNINGS PER SHARE					
- BASIC	36	7.4 SEN	6.6 SEN		
- DILUTED	36	7.4 SEN	6.6 SEN		

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

# 38 Statements of Changes in Equity

For the financial year ended 30 June 2009

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 1.7.2007		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 tax for the financial year		-	-	-	8,199	8,199
Share options granted under ESOS		-	-	149	-	149
Dividends paid	37	-	-	-	(641)	(641)
Balance at 30.6.2008/1.7.2008		61,903	3	241	19,762	81,909
Profit after tax for the financial year		-	-	-	9,124	9,124
Share options granted under ESOS		-	-	73	-	73
Balance at 30.6.2009		61,903	3	314	28,886	91,106

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 1.7.2007		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 tax for the financial year		-	-	-	-	(349)	(349)
Share options granted under ESOS		-	-	-	149	-	149
Dividends paid	37	-	-	-	-	(641)	(641)
Balance at 30.6.2008/1.7.2008		61,903	3	15,091	241	4,671	81,909
Net gain arising from fair value of the investment in subsidiary recognised directly in equity		-	-	9,430	-	-	9,430
Loss after tax for the financial year		-	-	-	-	(306)	(306)
Share options granted under ESOS		-	-	-	73	-	73
Balance at 30.6.2009		61,903	3	24,521	314	4,365	91,106

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

# Cash Flow Statements

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For the financial year ended 30 June 2009

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES</b>				
Profit/(Loss) before tax	8,985	7,676	(310)	(340)
Adjustments for:-				
Allowance for doubtful debts	584	81	-	-
Amortisation of development expenditure	15	82	-	-
Amortisation of prepaid land lease payments	51	51	-	-
Bad debts written off	148	16	-	-
Depreciation of property, plant and equipment	2,509	2,390	-	-
Depreciation of investment properties	26	26	-	-
Interest expense	526	213	-	-
Inventories written down	657	-	-	-
(Gain)/Loss on disposal of plant and equipment	(15)	14	-	-
Share options granted under ESOS	73	149	73	149
Amortisation of deferred income	(26)	(26)	-	-
Doubtful debts recovered	(17)	(83)	-	-
Interest income	(97)	(188)	-	-
Rental income	(62)	(105)	-	-
Reversal of doubtful debts	-	(133)	-	-
Reversal of inventories written off	-	(89)	-	-
Unrealised gain on foreign exchange	(986)	(619)	-	-
Operating profit/(loss) before working capital changes	12,371	9,455	(237)	(191)
Increase in inventories	(4,725)	(1,214)	-	-
(Increase)/Decrease in trade and other receivables	(2,567)	(468)	17	(17)
Increase/(Decrease) in trade and other payables	8,133	6,850	(6)	(10)
<b>CASH FROM/(FOR) OPERATIONS</b>	13,212	14,623	(226)	(218)
Interest paid	(526)	(213)	-	-
Tax paid	(103)	(51)	(1)	(35)
Tax refunded	-	200	-	-
<b>NET CASH FROM/(FOR) OPERATING ACTIVITIES CARRIED FORWARD</b>	12,583	14,559	(227)	(253)



## cash flow statements

	Note	The Group		The Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>NET CASH FROM/(FOR) OPERATING ACTIVITIES BROUGHT FORWARD</b>		<b>12,583</b>	<b>14,559</b>	<b>(227)</b>	<b>(253)</b>
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>					
Interest received		97	188	-	-
Proceeds from disposal of plant and equipment		15	22	-	-
Rental received		62	105	-	-
Development expenditure paid		(258)	(222)	-	-
Purchase of property, plant and equipment		(85,555)	(14,270)	-	-
<b>NET CASH FOR INVESTING ACTIVITIES</b>		<b>(85,639)</b>	<b>(14,177)</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Drawdown of bankers' acceptances		5,435	3,730	-	-
Drawdown of term loans		59,929	3,433	-	-
Proceeds from issuance of shares		-	35	-	35
Dividends paid		-	(641)	-	(641)
Interest paid		(1,050)	-	-	-
Net repayment from a subsidiary		-	-	253	885
Repayment of hire purchase loans		(16)	(16)	-	-
<b>NET CASH FROM FINANCING FINANCING ACTIVITIES</b>		<b>64,298</b>	<b>6,541</b>	<b>253</b>	<b>279</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>261</b>	<b>312</b>	<b>-</b>	<b>-</b>
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(8,497)</b>	<b>7,235</b>	<b>26</b>	<b>26</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>13,267</b>	<b>6,032</b>	<b>43</b>	<b>17</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	38	<b>4,770</b>	<b>13,267</b>	<b>69</b>	<b>43</b>

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

# Notes to the Financial Statements

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For the financial year ended 30 June 2009

## 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 6 October 2009.

## 2. PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and the provision of management services. The principal activities of its subsidiaries 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 business 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 Risks

#### (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.

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.

**4. FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)****(b) Credit Risks**

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 risks in relation to financial assets. No other financial assets carry a significant exposure to credit risks.

**(c) Liquidity and Cash Flow Risks**

The Group manages its liquidity risks 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.

The Group has applied early adoption of FRS 123, Borrowing Costs for the current financial year although compliance with this standard is mandatory only with effect from 1 January 2010. The effect of the change in the accounting policy due to the early adoption of FRS 123 increase the profit before tax of the Group for the current financial year by RM1,050,018 and increased the property, plant and equipment as at balance sheet date by the same amount.

The Group has not adopted the following FRSs and Issues Committee ("IC") Interpretations that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group:

**(i) FRS issued and effective for financial periods beginning on or after 1 July 2009:**

FRS 8            Operating Segments

FRS 8 replaces FRS 114<sub>2004</sub> Segment Reporting and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of disclosures presented in the financial statements of the Group. This FRS is expected to have no material impact on the financial statements of the Group upon its initial application.

**(ii) FRSs issued and effective for financial periods beginning on or after 1 January 2010:**

FRS 4            Insurance Contracts  
FRS 7            Financial Instruments: Disclosures  
FRS 101        Presentation of Financial Statements  
FRS 139        Financial Instruments: Recognition and Measurement

FRS 4 is not relevant to the Group's operations. The possible impacts of FRS 7 and FRS 139 on the financial statements upon their initial applications are not disclosed by virtue of the exemptions given in these standards. The adoption of FRS 101 only impacts the form and content of disclosures presented in the financial statements of the Group.

## notes to the financial statements

(iii) Amendments issued and effective for financial periods beginning on or after 1 January 2010:

Amendments to FRS 1 and FRS 127	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2	Vesting Conditions and Cancellations
Amendments to FRS 132	Financial Instruments : Presentation
Amendments to FRS 139	Financial Instruments : Recognition and Measurement
Amendments to FRS 7	Financial Instruments : Disclosures

Improvements to FRSs (2009)

Amendments to FRS 1 and FRS 127 are not relevant to the Group's operations.

The amendments to FRS 2 clarify that vesting conditions under a share based payment are service conditions and performance conditions only and do not include other features of a share based payment. The amendments also clarify that cancellations on share based payment by parties other than the entity are to be treated in the same way as cancellations by an entity. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

The possible impacts of amendments to FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in FRS 7 and FRS 139 respectively.

The amendments to FRS 132 are not relevant to the Group's operations.

Improvements to FRSs (2009) contained amendments to 21 FRSs. Some of the improvements involve accounting changes to presentation, recognition or measurement whilst some are changes to terminology with little effect on accounting. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

(iv) IC Interpretations issued and effective for financial periods beginning on or after 1 January 2010:

IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2: Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The above IC Interpretations are not relevant to the Group's operations except for IC Interpretation 10. IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation is expected to have no material impact on the financial statements of the Group upon its initial application.

## 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, income and expenses are discussed below.

#### (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/or 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.

## notes to the financial statements

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

*(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.

**6. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(d) Basis of Consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June 2009.

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

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

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

**(e) Investment in Subsidiaries**

Investment in subsidiaries are 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%

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.

**notes to the financial statements****(f) Property, Plant and Equipment (Cont'd)**

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) Borrowing Costs**

Borrowing costs incurred on the construction of property, plant and equipment which require a period of time to get them ready for their intended use are capitalised and included as part of the cost of the related assets.

For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowings is used.

All other borrowing costs are charged to the income statement as expenses in the period in which they are incurred.

**(h) 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.

**(i) 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.

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.

**(j) 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.



**6. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(k) 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.

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.

**(l) 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.

**(m) 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.

**(n) Receivables**

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

## notes to the financial statements

**(o) 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.

**(p) 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 substantively 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 substantively enacted at the balance sheet date.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly 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.

**(q) Government Grants**

Government grants are recognised at fair value when there is reasonable assurance that the Group 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.

**(r) 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.

**(s) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, 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.

**6. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(t) 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.

**(u) 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.

**(v) Related Parties**

A party is related to an entity if:-

- (i) directly, or indirectly through one or more intermediaries, the party:-
  - controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
  - has an interest in the entity that gives it significant influence over the entity; or
  - has joint control over the entity;
- (ii) the party is an associate of the entity;
- (iii) the party is a joint venture in which the entity is venturer;
- (iv) the party is a member of the key management personnel of the entity or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is related party of the entity.

## notes to the financial statements

**(w) 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.

**(x) 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 SUBSIDIARIES**

	The Company	
	2009 RM'000	2008 RM'000
Unquoted shares, at valuation	78,482	69,052

**(a) Subsidiaries**

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Effective Equity Interest		Principal Activities
		2009 %	2008 %	
Kotra Pharma (M) Sdn. Bhd.	Malaysia	100	100	Developing, manufacturing and trading of pharmaceutical and healthcare products
Appeton Healthcare Sdn. Bhd.	Malaysia	100	-	Dormant

**(b) Acquisition of a subsidiary**

During the financial year, the Company acquired the entire issued and paid-up share capital of Appeton Healthcare Sdn. Bhd. for a total purchase consideration of RM2. The purchase consideration of Appeton Healthcare Sdn. Bhd. was satisfied by cash.

## notes to the financial statements

## 8. PROPERTY, PLANT AND EQUIPMENT

The Group	Carrying	Additions	Depreciation	Carrying
	Amount As At		Charges	Amount As At
	1 July 2008	RM'000	RM'000	30 June 2009
	RM'000	RM'000	RM'000	RM'000
Industrial buildings and installations	11,532	-	(338)	11,194
Machinery and equipment	9,468	569	(1,671)	8,366
Motor vehicles	767	72	(122)	717
Office equipment	212	16	(34)	194
Computer equipment	791	1,458	(271)	1,978
Furniture and fittings	364	23	(61)	326
Renovation	102	7	(12)	97
Building and machinery under construction	13,161	84,460	-	97,621
<b>Total</b>	<b>36,397</b>	<b>86,605</b>	<b>(2,509)</b>	<b>120,493</b>

	Carrying	Additions	Disposals	Depreciation	Carrying
	Amount As At			Charges	Amount As At
	1 July 2007	RM'000	RM'000	RM'000	30 June 2008
	RM'000	RM'000	RM'000	RM'000	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>

## notes to the financial statements

## 8. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The Group	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
<b>At 30 June 2009</b>			
Industrial buildings and installations	14,455	(3,261)	11,194
Machinery and equipment	20,378	(12,012)	8,366
Motor vehicles	2,091	(1,374)	717
Office equipment	596	(402)	194
Computer equipment	3,433	(1,455)	1,978
Furniture and fittings	967	(641)	326
Renovation	119	(22)	97
Building and machinery under construction	97,621	-	97,621
<b>Total</b>	<b>139,660</b>	<b>(19,167)</b>	<b>120,493</b>
	<b>At Cost RM'000</b>	<b>Accumulated Depreciation RM'000</b>	<b>Carrying Amount RM'000</b>
<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>

A motor vehicle of the Group acquired under hire purchase terms was carried at carrying amount of RM311,085 (2008 - RM351,225) at the balance sheet date.

Interest expense capitalised during the financial year of the Group amounted to RM1,050,018 (2008 - Nil).

The carrying amount of property, plant and equipment pledged to licensed banks for banking facilities extended to the Group are as follows:-

	The Group	
	2009 RM'000	2008 RM'000
Industrial buildings and installations	11,194	-
Building under construction	51,272	11,178
	<b>62,466</b>	<b>11,178</b>

## notes to the financial statements

## 9. INVESTMENT PROPERTIES

The Group	Carrying Amount As At 1 July 2008 RM'000	Depreciation Charge RM'000	Carrying Amount As At 30 June 2009 RM'000
Freehold land and buildings	1,701	(26)	1,675
	Carrying Amount As At 1 July 2007 RM'000	Depreciation Charge RM'000	Carrying Amount As At 30 June 2008 RM'000
Freehold land and buildings	1,727	(26)	1,701
	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
At 30 June 2009			
Freehold land and buildings	2,105	(430)	1,675
	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
At 30 June 2008			
Freehold land and buildings	2,105	(404)	1,701
			The Group
At fair value:			2009
Freehold land and buildings			2008
			RM'000
			RM'000
			2,235
			2,270

## 10. PREPAID LAND LEASE PAYMENTS

	The Group	
	2009 RM'000	2008 RM'000
Balance at 1 July	4,500	4,551
Amortisation for the year	(51)	(51)
Balance at 30 June	4,449	4,500
Analysed as:		
Long-term leasehold land	4,449	4,500

The prepaid land lease payments that have been pledged as security for banking facilities extended to the Group are as follows:-

	The Group	
	2009 RM'000	2008 RM'000
Long-term leasehold land	4,449	2,723

## notes to the financial statements

## 11. DEVELOPMENT EXPENDITURE

	The Group	
	2009 RM'000	2008 RM'000
Cost	1,412	1,154
Accumulated amortisation	(741)	(726)
	<b>671</b>	<b>428</b>
Balance at 1 July	428	288
Additional development expenditure capitalised	258	222
Amortisation charge for the year	(15)	(82)
Balance at 30 June	<b>671</b>	<b>428</b>

## 12. DEFERRED TAX ASSETS

	The Group	
	2009 RM'000	2008 RM'000
Balance at 1 July	613	38
Recognised in the income statement (Note 35)	137	575
Balance at 30 June	<b>750</b>	<b>613</b>
The deferred taxation arises as a result of:		
Deferred tax liabilities		
An excess of carrying value over tax base	(2,381)	(2,327)
Development expenditure capitalised	(168)	(72)
Other deferred tax liabilities	(262)	(154)
Gross deferred tax liabilities	<b>(2,811)</b>	<b>(2,553)</b>
Deferred tax assets		
Unutilised capital and industrial building allowances	231	-
Unabsorbed tax losses	1,190	1,190
Provisions	281	281
Other deferred tax assets	1,859	1,695
Gross deferred tax assets	<b>3,561</b>	<b>3,166</b>
Net deferred tax assets	<b>750</b>	<b>613</b>



## notes to the financial statements

## 12. DEFERRED TAX ASSETS (Cont'd)

The components and movements of deferred tax liabilities and assets during the financial year are as follows:-

Deferred tax assets:-

	Unutilised capital and industrial building allowances RM'000	Unabsorbed tax losses RM'000	Provisions RM'000	Other deferred tax assets RM'000	Total RM'000
Balance at 1.7.2008	-	1,190	281	1,695	3,166
Recognised in income statement	231	-	-	164	395
Balance at 30.6.2009	231	1,190	281	1,859	3,561
Balance at 1.7.2007	744	327	195	1,151	2,417
Recognised in income statement	(744)	863	86	544	749
Balance at 30.6.2008	-	1,190	281	1,695	3,166

Deferred tax liabilities:-

	Accelerated capital allowance RM'000	Development expenditure capitalised RM'000	Other deferred tax liabilities RM'000	Total RM'000
Balance at 1.7.2008	2,327	72	154	2,553
Recognised in income statement	54	96	108	258
Balance at 30.6.2009	2,381	168	262	2,811
Balance at 1.7.2007	2,299	78	2	2,379
Recognised in income statement	28	(6)	152	174
Balance at 30.6.2008	2,327	72	154	2,553

## 13. INVENTORIES

	The Group	
	2009 RM'000	2008 RM'000
At Cost:-		
Raw materials	7,592	6,081
Work-in-progress	55	106
Finished goods	13,464	10,856
	<b>21,111</b>	<b>17,043</b>

None of the inventories are carried at net realisable value.

## notes to the financial statements

## 14. TRADE RECEIVABLES

	The Group	
	2009	2008
	RM'000	RM'000
Trade receivables	31,180	26,393
Less: Allowance for doubtful debts	(716)	(325)
	<u>30,464</u>	<u>26,068</u>

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 at the balance sheet date are as follows:-

	The Group	
	2009	2008
	RM'000	RM'000
United States Dollar	11,332	8,779
Singapore Dollar	302	252
	<u>11,634</u>	<u>9,031</u>

## 15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Deposits	184	98	1	1
Other receivables	7,960	9,887	-	-
Prepayments	122	128	-	17
	<u>8,266</u>	<u>10,113</u>	<u>1</u>	<u>18</u>

## 16. AMOUNT OWING BY A SUBSIDIARY

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
<b><i>Non-trade related balances</i></b>				
Subsidiary	-	-	12,576	12,829

***Amount owing by a subsidiary***

The amount owing by a subsidiary is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

**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 1.15% (2008 – 2.88%) per annum and 1 day (2008 – 6 days) respectively.

**18. SHARE CAPITAL**

	The Company			
	2009	2008	2009	2008
	Number of shares		RM'000	
	'000	'000	RM'000	RM'000
Authorised:-				
Ordinary Shares Of RM0.50 Each:-				
At 1 July/30 June	200,000	200,000	100,000	100,000
Issued And Fully Paid-Up:-				
At 1 July	123,806	56,247	61,903	28,123
Bonus issue	-	67,496	-	33,748
Allotment during the financial year	-	63	-	32
At 30 June	123,806	123,806	61,903	61,903

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 15% 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 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 shall be 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.

## notes to the financial statements

**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 1.7.2008	← During the year →		Balance at 30.6.2009
				Rescinded	Lapsed	
24.7.2003	24.7.2004	0.58	2,259,840	(320,000)	(29,920)	1,909,920
24.7.2003	24.7.2006	0.58	4,520,120	(640,000)	(59,840)	3,820,280
24.7.2003	24.7.2009	0.58	4,533,760	(640,000)	(59,840)	3,833,920
15.6.2004	15.6.2005	0.51	247,720	-	(27,720)	220,000
15.6.2004	15.6.2007	0.51	495,440	-	(55,440)	440,000
15.6.2004	15.6.2010	0.51	495,440	-	(55,440)	440,000
12.7.2005	12.7.2006	0.53	249,800	-	(61,600)	188,200
12.7.2005	12.7.2008	0.53	585,200	-	(123,200)	462,000
12.7.2005	12.7.2011	0.53	585,200	-	(123,200)	462,000
21.7.2006	21.7.2007	0.53	260,600	-	(46,200)	214,400
21.7.2006	21.7.2009	0.53	541,200	-	(92,400)	448,800
21.7.2006	21.7.2012	0.53	541,200	-	(92,400)	448,800
2.7.2007	2.7.2008	0.78	143,000	-	-	143,000
2.7.2007	2.7.2010	0.78	286,000	-	-	286,000
2.7.2007	2.7.2012	0.78	286,000	-	-	286,000
			16,030,520	(1,600,000)	(827,200)	13,603,320

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	
	2009 RM'000	2008 RM'000
Share options granted under ESOS:		
Balance at 1 July	241	92
Addition during the year (Note 32)	73	149
Balance at 30 June	314	241

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:

	<b>The Group/The Company</b>	
	<b>2009</b>	<b>2008</b>
Fair value of share options at the following grant dates (RM'000): 2 July 2007 (sen)	-	39.48
Weighted average share price (RM)	-	0.86
Weighted average exercise price (RM)	-	0.78
Expected volatility (%)	-	34.20
Expected life (years)	-	6.0
Risk free rate (%)	-	4.8

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 (2008 – 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 (2008 – RM942,000) out of its retained profits.

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

At the balance sheet date, the Company has not elected for the single tier tax system. 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. Under the single tier tax system, tax on the Company's profit is a final tax, and dividends distributed to the shareholders will be exempted from tax.

## notes to the financial statements

## 23. DEFERRED INCOME

	The Group	
	2009	2008
	RM'000	RM'000
Cost	261	261
Less: Deferred income recognised to date	(215)	(189)
	46	72
Balance at 1 July	72	98
Recognised as income during the financial year	(26)	(26)
Balance at 30 June	46	72

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

## 24. LONG-TERM BORROWINGS

	The Group	
	2009	2008
	RM'000	RM'000
Term loans (Note 25)	63,045	3,433
Hire purchase payable (Note 26)	-	15
	63,045	3,448

## 25. TERM LOANS

	The Group	
	2009	2008
	RM'000	RM'000
Term loans	63,362	3,433
Less : Portion repayable within twelve months (Note 29)	(317)	-
Portion repayable after twelve months (Note 24)	63,045	3,433
The term loans are repayable as follows:		
Within one year	317	-
More than one year and less than five years	28,000	515
Five years or more	35,045	2,918
	63,362	3,433

## notes to the financial statements

**25. TERM LOANS (Cont'd)**

The term loans of the Group bear a weighted average effective interest at 4.83% per annum at the balance sheet date and are secured by way of:-

- (i) fixed charge over certain of the Group's property, plant and equipment and prepaid land lease payments as disclosed in Note 8 and Note 10 to the financial statements;
- (ii) debentures over all fixed and floating assets of a subsidiary in the Group's present and future assets; and
- (iii) corporate guarantee from the Company.

At the end of the financial year, the Group has drawn down a total of RM63,361,945 from the four term loan facilities secured amounting to RM15,000,000, RM25,000,000, RM4,000,000 and RM39,000,000 respectively which are repayable by 120 to 180 monthly instalments commencing on the 13<sup>th</sup> month after full draw down of the respective term loans.

**26. HIRE PURCHASE PAYABLE**

	The Group	
	2009 RM'000	2008 RM'000
Minimum hire purchase payments:-		
- not later than one year	15	18
- later than one year but not later than five years	-	15
	15	33
Less: Future finance charges	-	(2)
Present value of hire purchase payable	15	31
Present value of hire purchase payable:-		
Not later than one year (Note 29)	15	16
Later than one year but not later than five years (Note 24)	-	15
	15	31

The hire purchase liabilities bear interest at the balance sheet date at the rate of 2.74% (2008 – 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 Group on a case-by-case basis.

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

	The Group	
	2009 RM'000	2008 RM'000
Australian Dollar	559	-
Euro	5,743	744
United States Dollar	460	310
Singapore Dollar	12	15
	6,774	1,069

## notes to the financial statements

**28. OTHER PAYABLES AND ACCRUALS**

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Accrued expenses	2,120	1,886	33	39
Other payables	4,826	3,136	-	-
Payroll liabilities	3,260	3,083	-	1
	<b>10,206</b>	<b>8,105</b>	<b>33</b>	<b>40</b>

**29. SHORT-TERM BORROWINGS**

	The Group	
	2009 RM'000	2008 RM'000
Bankers' acceptances	9,165	3,730
Hire purchase payable (Note 26)	15	16
Term loans (Note 25)	317	-
	<b>9,497</b>	<b>3,746</b>

The bankers' acceptances bear a weighted average effective interest rate of 3.77% (2008 – 4.00%) 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. BANK OVERDRAFTS**

The bank overdrafts to a limit of RM5,000,000 are payable on demand and bear interest at the rate of 8% per annum and are secured by way of corporate guarantee from the Company.

**31. REVENUE**

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Sale of goods	89,994	86,682	-	-
Management fees	-	-	300	300
	<b>89,994</b>	<b>86,682</b>	<b>300</b>	<b>300</b>

**32. EMPLOYEE BENEFITS EXPENSE**

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Short-term employee benefits	18,016	17,544	211	201
Contributions to a defined contribution plan	1,649	1,594	4	4
Share options granted under ESOS (Note 20)	73	149	73	149
Other personnel expenses	977	1,123	-	-
	<b>20,715</b>	<b>20,410</b>	<b>288</b>	<b>354</b>

Included in employee benefits expense is key management personnel compensation as disclosed in Note 39 (d) to the financial statements.



## notes to the financial statements

## 33. FINANCE COSTS

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Total interest expense	1,655	252	5	-
Less : Interest expense capitalised in property, plant and equipment	(1,050)	-	-	-
Net interest expense recognised in the income statement	605	252	5	-

## 34. PROFIT/(LOSS) BEFORE TAX

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Profit/(Loss) before tax is arrived at after charging:</b>				
Bad and doubtful debts				
- allowance	584	81	-	-
- written off	148	16	-	-
Loss on disposal of plant and equipment	-	14	-	-
Amortisation of development expenditure	15	82	-	-
Amortisation of prepaid land lease payments	51	51	-	-
Audit fees	42	38	12	8
Other fees paid to external auditors and affiliated firms	40	33	13	8
Depreciation				
- property, plant and equipment	2,509	2,390	-	-
- investment properties	26	26	-	-
Directors' remuneration				
- fees	173	164	173	164
- emoluments	1,582	1,436	-	-
- other short-term employee benefits	150	141	-	-
Interest expense	526	213	-	-
Inventories written down	657	-	-	-
Loss on foreign exchange				
- realised	-	1,960	-	-
Rental of equipment	28	-	-	-
Rental of premises	204	120	-	-
Research and development expenses	191	283	-	-
<b>and after crediting:</b>				
Bad and doubtful debts				
- recovered/reversal	17	216	-	-
Gain on disposal of plant and equipment	15	-	-	-
Gain on foreign exchange				
- realised	1,823	-	-	-
- unrealised	986	619	-	-
Interest income	97	188	-	-
Rental income	62	105	-	-
Reversal of inventories written off	-	89	-	-

## notes to the financial statements

## 35. TAX (CREDIT)/EXPENSE

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Current tax:-				
- for the current financial year	33	45	-	7
- (over)/under provision in the previous financial year	(35)	7	(4)	2
	(2)	52	(4)	9
Deferred taxation (Note 12)				
- relating to origination or reversal of temporary differences	(8)	(212)	-	-
- under provision of deferred tax credit in prior year	(129)	(395)	-	-
- reduction in income tax rate	-	32	-	-
	(137)	(575)	-	-
Total tax (credit)/expense	(139)	(523)	(4)	9

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	
	2009 RM'000	2008 RM'000
Unutilised reinvestment allowances	1,246	840
Unutilised capital and industrial building allowances	923	-
Unabsorbed tax losses	4,761	4,761
	6,930	5,601

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

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Profit/(Loss) before tax	8,985	7,676	(310)	(340)
Malaysian taxation at statutory rate	2,247	1,996	(77)	(88)
Tax effect of :-				
Non-deductible expenses	285	169	77	95
Reinvestment allowance utilised	-	(373)	-	-
Double deduction incentives	(2,261)	(1,959)	-	-
Under provision of deferred tax credit in previous financial years	(129)	(395)	-	-
(Over)/Under provision of Malaysian Income Tax in previous financial years	(35)	7	(4)	2
Non taxable income	(246)	-	-	-
Reduction in income tax rate	-	32	-	-
Tax (credit)/expense for the financial year	(139)	(523)	(4)	9

## notes to the financial statements

**36. EARNINGS PER SHARE**

The basic earnings per share for the financial year is arrived at by dividing the Group's profit after tax of RM9,123,548 (2008 - RM8,198,941) by the weighted average number of ordinary shares of RM0.50 each in issue during the financial year of 123,805,563 (2008 - 123,792,499).

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.

**37. DIVIDENDS**

	The Company	
	2009	2008
	RM'000	RM'000
Recognised during the year:		
- Nil (2008 - final dividend of 0.7 sen per ordinary share less 26% tax in respect of financial year 2007)	-	641
	-	641

**38. CASH AND CASH EQUIVALENTS**

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

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	1,600	10,446	-	-
Cash and bank balances	6,962	2,821	69	43
Bank overdrafts	(3,792)	-	-	-
	4,770	13,267	69	43

## notes to the financial statements

## 39. RELATED PARTY DISCLOSURES

(a) For the purpose of the financial statements, the Group and the Company have related party relationships with :-

- (i) its subsidiaries and directors;
- (ii) the directors who are key management personnel;
- (iii) companies in which key management personnel have significant financial interests; and
- (iv) a company in which a close member of the family of certain key management personnel has significant financial interest.

(b) In addition to the information disclosed elsewhere in the financial statements, the Group and the Company carried out the following transactions with its related parties during the financial year:-

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Ultimate holding company</b>				
Dividend paid	-	-	-	335
<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	64	100	-	-
Rental of premises paid/payable	92	65	-	-
Royalty paid/payable	38	41	-	-
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	-	-
Sale of goods	305	674	-	-

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.

## notes to the financial statements

## 39. RELATED PARTY DISCLOSURES (Cont'd)

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

	The Group	
	2009 RM'000	2008 RM'000
<b>Amount owing to a company in which a key management personnel has significant financial interests</b>		
Trade payables	163	191
Trade receivables	67	-
<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	148	561

(d) Key management personnel compensation

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Directors' remuneration				
- fees	173	164	173	164
- emoluments	1,582	1,436	-	-
- other short-term employee benefits (including estimated monetary value of benefits-in-kind)	154	150	4	6
	<b>1,909</b>	<b>1,750</b>	<b>177</b>	<b>170</b>

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

	The Group/The Company	
	2009 '000	2008 '000
At 1 July	8,800	4,000
Bonus issue	-	4,800
Rescindment	(1,600)	-
At 30 June	<b>7,200</b>	<b>8,800</b>

The share options were granted on the same terms and conditions as those offered to other employees of the Group. During the financial year, certain 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 Market.

## notes to the financial statements

## 40. CAPITAL COMMITMENTS

	The Group	
	2009	2008
	RM'000	RM'000
Approved and contracted for:		
- property, plant and equipment	37,915	70,790
Approved but not contracted for:		
- property, plant and equipment	13,964	56,649

## 41. CONTINGENT LIABILITIES

- (a) Corporate guarantee given to licensed banks for credit facilities granted to a subsidiary amounted to RM277,712,057 (2008 – RM102,200,000).
- (b) In the year 2000, a third party ("the plaintiff") initiated legal action against a subsidiary for alleged infringement of trade marks on two products sold by the subsidiary. As at the date of this report, the litigation has been resolved. Kotra's subsidiary, Kotra Pharma (M) Sdn Bhd ("KPM") entered into a settlement agreement with LEO Pharmaceutical Products Ltd. A/S ("Leo"). As at 31 March 2009, KPM paid Leo a sum of USD125,000 as full and final settlement of the damages and costs payable by KPM to Leo.

## 42. SEGMENTAL REPORTING

	The Group	
	2009	2008
	RM'000	RM'000
SALES REVENUE BY GEOGRAPHICAL MARKET:-		
Malaysia	58,856	54,377
Asia Pacific Countries	31,138	32,305
	89,994	86,682

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) Amount owing by subsidiary**

The carrying amounts approximated their fair values at the balance sheet date.

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

	2009		2008	
	Nominal Amount RM'000	Net Fair Value RM'000	Nominal Amount RM'000	Net Fair Value RM'000
Corporate guarantees	277,712	*	102,200	*

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

# List of Properties **71**

Title/ Location	Description & Usage	Land area/ Existing Use	Tenure	Built-Up Area (sq. m.)	Approximate Age of Building	Net Book Value as at 30-Jun-09 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 m <sup>2</sup> / pharmaceutical manufacturing plant	Leasehold expiring on 14.8.2096	5,120.04	12 years	12,922,106
	Warehouse and production area	Warehouse and production area		6,613.00	9 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 m <sup>2</sup> / office, store & warehouse	Freehold	1,539.31	Office & Store - 17 years Warehouse -13 years	1,330,898
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 m <sup>2</sup> / Double storey shophouse	Freehold	488.90	34 to 38 years	344,000
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 m <sup>2</sup>	Leasehold expiring on 15.8.2096	22,808.00	-	53,994,269
						<b>68,591,273</b>



# 72 Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Tenth Annual General Meeting of the Company will be held at Function Room 3, Holiday Inn, Jalan Syed Abdul Aziz, 75000 Melaka on Wednesday, 25 November 2009 at 2.30 p.m. to transact the following business: -

## AGENDA

### ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2009 together with the reports of the Directors and Auditors thereon.

#### RESOLUTION 1

2. To approve the payment of Directors' fees amounting to RM173,000 for the year ended 30 June 2009.

#### 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) Piong Teck Min **RESOLUTION 3**

ii) Y. Bhg. Datuk Piong Teck Yen **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, 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 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 6

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

#### RESOLUTION 7

## 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 8

- b. **Ordinary Resolution 2 – Proposed renewal of the existing shareholders' mandate for recurrent related party transactions of a revenue or trading nature**

That approval be and is hereby given for the Company and/or its subsidiaries 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 2 November 2009 ("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
- Y. Bhg. Datuk Piong Teck Yen

#### RESOLUTION 9

## notice of annual general meeting

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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities");
- (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.

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;

By order of the Board

**OW PEE JUAN**  
(MAICSA 7013304)  
Company Secretary

**MAH LI CHEN**  
(MAICSA 7022751)  
Company Secretary

MELAKA  
Date: 2 November 2009

### 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 8

The proposed Ordinary Resolution No. 8 under Special Business, if passed, will give the Directors of the Company authority to issue shares of the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

#### Resolution 9

Please refer to the Circular to the shareholders of the Company dated 2 November 2009 which is despatched together with the Annual Report.

# Statement Accompanying Notice of Annual General Meeting

Pursuant to Rule 8.27(2) of The Main Market Listing Requirements of Bursa Malaysia Securities Berhad

## 1. Directors who are standing for re-election

The Directors standing for re-election at the Tenth Annual General Meeting are as follows:-

- Piong Teck Min - Retiring pursuant to Article 97 of the Company's Articles of Association
- Y. Bhg. Datuk Piong Teck Yen - Retiring pursuant to Article 97 of the Company's Articles of Association
- Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman - Retiring pursuant to Section 129 of the Companies Act, 1965
- 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 on 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 75 of the Annual Report.
- (c) Piong Teck Min, Piong Teck Onn and Y. Bhg. Datuk Piong Teck Yen who are brothers to one another. Chin Swee Chang is the wife of Piong Teck Onn.

Collectively, the above Directors hold 1,278,420 shares (1.03%), and an indirect shareholding of 64,624,362 shares (52.20%) of the total issued and paid up capital in the Company as at 12 October 2009.

- (d) Save for Piong Teck Min, Piong Teck Onn, Y. Bhg. Datuk Piong Teck Yen and Chin Swee Chang who have interests or deemed interests in certain companies which are involved in recurrent related party transactions of a revenue or trading nature with the Company's subsidiary none of the above Directors who are standing for re-election have any conflict of interest with the Company.
- (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 2009, the Board met on 5 occasions.

No.	Director	Position	Attendance at Board Meetings in 2009
1.	Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman	Independent Non-Executive Chairman	5/5
2.	Piong Nam Kim @ Piong Pak Kim (Demised on 15.09.2009)	Deputy Chairman - Executive	5/5
3.	Piong Teck Onn	Managing Director	5/5
4.	Piong Teck Min	Non-Independent Non-Executive Director	5/5
5.	Y. Bhg. Datuk Piong Teck Yen	Executive Director	5/5
6.	Chin Swee Chang	Executive Director	5/5
7.	Omar bin Md. Khir	Independent Non-Executive Director	5/5
8.	P'ng Beng Hoe	Independent Non-Executive Director & Chairman of Audit Committee	5/5
9.	Azhar bin Hussain	Independent Non-Executive Director	5/5
10.	Tan Choo Jow (Retired and not elected on 03.12.2008)	Independent Non-Executive Director	3/3
11.	Piong Teck They (Ceased on 15.09.2009)	Alternate Director to Piong Nam Kim @ Piong Pak Kim	Nil

## 4. Place, Date and Time of meeting

The Tenth Annual General Meeting of the Company will be convened and held at Function Room 3, Holiday Inn, Jalan Syed Abdul Aziz, 75000 Melaka, on Wednesday, 25 November 2009 at 2.30 p.m.

# Shareholding Statistics

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As at 12 October 2009

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	31	2.3938	1,093	0.0009
100 to 1,000 shares	123	9.4981	52,678	0.0425
1,001 to 10,000 shares	769	59.3822	3,413,000	2.7567
10,001 to 100,000 shares	305	23.5521	7,847,523	6.3386
100,001 to less than 5% of issued shares	66	5.0965	47,866,907	38.6630
5% and above of issued shares	1	0.0773	64,624,362	52.1983
<b>Total</b>	<b>1,295</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	52.20	-	0.00
2.	Piong Nam Kim @ Piong Pak Kim*	-	0.00	64,624,362	52.20
3.	Piong Teck Onn*	-	0.00	64,624,362	52.20
4.	Piong Teck Min*	1,276,220	1.03	64,624,362	52.20
5.	Piong Teck They*	1,113,186	0.90	64,624,362	52.20
6.	Y. Bhg. Datuk Piong Teck Yen*	2,200	+	64,624,362	52.20
7.	Yong Soon Moi*	4,514,364	3.65	64,624,362	52.20
8.	Chin Swee Chang**	-	0.00	64,624,362	52.20

### Notes:

+ Less than 0.01%

\* Deemed interested by virtue of 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.	Directors	No. of Shares Held			
		Direct	%	Indirect	%
1.	Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman	4,840	+	-	0.00
2.	Piong Teck Onn*	-	0.00	64,624,362	52.20
3.	Piong Teck Min*	1,276,220	1.03	64,624,362	52.20
4.	Y. Bhg. Datuk Piong Teck Yen*	2,200	+	64,624,362	52.20
5.	Chin Swee Chang**	-	0.00	64,624,362	52.20
6.	Omar bin Md. Khir	1,018,060	0.82	-	0.00
7.	P'ng Beng Hoe	-	0.00	-	0.00
8.	Azhar bin Hussain	-	0.00	-	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

## 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. [AmTrustee Berhad for Galleon Asset Ltd (CS-GALLEON)]	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 [Great Eastern Life Assurance (Malaysia) Berhad (LGF)]	2,694,120	2.1761
7.	Lin Ah Lan	1,825,360	1.4744
8.	Seah Tin Kim	1,675,320	1.3532
9.	Platinum Essence Sdn. Bhd.	1,530,040	1.2358
10.	Cresdel Holdings Sdn. Bhd.	1,486,560	1.2007
11.	Piong Teck Min	1,276,220	1.0308
12.	Ho Jonathan Lep Kee	1,210,000	0.9773
13.	Lok Suet Leng	1,188,000	0.9596
14.	Vijay Kanchan	1,029,300	0.8314
15.	Omar bin Md. Khir	1,018,060	0.8223
16.	Piong Teck They	808,280	0.6529
17.	Piong Teck Wah	627,220	0.5066
18.	Malaysia Nominees (Tempatan) Sendirian Berhad [Great Eastern Life Assurance (Malaysia) Berhad (LPF)]	614,240	0.4961
19.	JF Apex Nominees (Tempatan) Sdn. Bhd. [Pledged Securities Account for Teo Kwee Hock (MARGIN)]	579,900	0.4684
20.	TA Nominees (Tempatan) Sdn. Bhd. [Pledged Securities Account for Vanitha A/P Kaneson]	549,660	0.4440
21.	Yew Lai Mae	540,000	0.4362
22.	Teo Kwee Hock	535,700	0.4327
23.	Chin Kee Kwong	514,800	0.4158
24.	Chin Chee Keong	512,600	0.4140
25.	Chin Chee Min	512,600	0.4140
26.	TA Nominees (Tempatan) Sdn. Bhd. [Pledged Securities Account for Ting Leong Hua]	461,560	0.3728
27.	Piong Teck Fong	461,560	0.3728
28.	JF Apex Nominees (Tempatan) Sdn. Bhd. [Pledged Securities Account for Teo Siew Lai (MARGIN)]	460,800	0.3722
29.	Lembaga Tabung Amanah Warisan Negeri Terengganu	460,164	0.3717
30.	Koay Hooi Lian	458,260	0.3701

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**KOTRA INDUSTRIES BERHAD**  
(497632-P)

# Form of Proxy

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

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):-

No.	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 10th Annual General Meeting of the Company which will be held at Function Room 3, Holiday Inn, Jalan Syed Abdul Aziz, 75000 Melaka on Wednesday, 25 November 2009 at 2.30 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 2009 together with the reports of the Directors and Auditors thereon.		
2.	To approve the payment of Directors' fees amounting to RM173,000 for the year ended 30 June 2009.		
3.	To re-elect Piong Teck Min as Director.		
4.	To re-elect Y. Bhg. Datuk Piong Teck Yen as Director.		
5.	To re-appoint Y. Bhg. Tan Sri Datuk Dr. Omar bin Abdul Rahman.		
6.	To re-appoint Omar bin Md. Khir.		
7.	To re-appoint Messrs Horwath as auditors of the Company and to authorise the Directors to fix their remuneration.		
<b>SPECIAL BUSINESS</b>			
8.	Authority pursuant to Section 132D of the Companies Act, 1965 for the Directors to issue shares.		
9.	Proposed renewal of the existing shareholders' mandate for 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 Tenth 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:-**

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



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AFFIX  
STAMP

**KOTRA INDUSTRIES BERHAD**  
(497632-P)

535B Jalan Merdeka  
Melaka Raya  
75000 Melaka

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**KOTRA INDUSTRIES BERHAD** (497632-P)

No. 1, Jalan TTC 12, Cheng Industries Estate, 75250 Melaka.

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