

**B** **BIOSIS** GROUP BERHAD  
618768-D

*Nourishing Your Life!*

ANNUAL REPORT  
**2009**



# CONTENTS

# 2009

- 3 • Corporate Information
- 4 • Corporate Structure
- 5 • Financial Highlights
- 6 • Corporate Calendar
- 8 • Group's Products
- 11 • Chairman's Statement
- 13 • Board of Directors' Profile
- 17 • Statement on Corporate Governance
- 23 • Statement on Internal Control
- 24 • Audit Committee Report
- 27 • Other Information
- 28 • Corporate Social Responsibility Statement
- 29 • Financial Statements
- 81 • Analysis of Shareholdings
- 83 • List of Properties
- 84 • Notice of Annual General Meeting
- 87 • Statement Accompanying  
Notice of Annual General Meeting

Proxy Form



**BIOSIS**

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**DISTINGUISHED LIVING ORGANISM**

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We give you a distinguished way of living. A nourishing total human care solution catering to one's personal needs externally and internally from head to toe.

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**BIOSIS**

*Nourishing Your Life!*

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Professor Emeritus Dato' Paduka Dr. Khairuddin Bin Mohamed Yusof**  
Chairman / Executive Director

**Khoo Chee Kong**  
Managing Director / Chief Executive Officer

**Tang Tat Chun**  
Non Independent Non-Executive Director

**Soo Yoke Mun**  
Independent Non-Executive Director

**Rithauddin Hussein Jamalattiff Bin Jamaluddin**  
Independent Non-Executive Director

**Dato' Ir. Hj. Wan Ab. Ghaffar Bin Wan Ahmad**  
Independent Non-Executive Director  
(Appointed on 02-03-2010)

**Datuk Sr Haji Zakaria Bin Hashim**  
Independent Non-Executive Director  
(Resigned on 01-03-2010)

## AUDIT COMMITTEE

Soo Yoke Mun (Chairman)

Rithauddin Hussein Jamalattiff Bin Jamaluddin

Dato' Ir. Hj. Wan Ab. Ghaffar Bin Wan Ahmad  
(Appointed on 02-03-2010)

Datuk Haji Zakaria Bin Hashim  
(Resigned on 01-03-2010)

## NOMINATION COMMITTEE

Rithauddin Hussein Jamalattiff Bin Jamaluddin  
(Chairman)

Dato' Ir. Hj. Wan Ab. Ghaffar Bin Wan Ahmad  
(Appointed on 02-03-2010)

Soo Yoke Mun

Datuk Sr Haji Zakaria Bin Hashim  
(Resigned on 01-03-2010)

## REMUNERATION COMMITTEE

Rithauddin Hussein Jamalattiff Bin Jamaluddin  
(Chairman)

Soo Yoke Mun

## COMPANY SECRETARIES

Chok Kwee Wah (MACS 00550)

Leong Mee Lee (LS 0001836)

## REGISTERED OFFICE

Lot 10, The Highway Centre  
Jalan 51/205  
46050 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-7784 3922  
Fax : 03-7784 1988

## BUSINESS ADDRESS

1572, Jalan Besar Valdor, Mukim 12  
Seberang Perai Selatan  
14200 Sungai Bakap, Penang  
Tel : 04-582 1121  
Fax : 04-582 9121

Plot 22 Lorong Perusahaan Maju 2  
Prai Industrial Estate  
Phase 4  
13600 Prai, Penang  
Tel : 04-507 2057  
Fax : 04-507 5686

Website : [www.biosis.com.my](http://www.biosis.com.my)  
Email : [info@biosis.com.my](mailto:info@biosis.com.my)

## SHARE REGISTRAR

Bina Management (M) Sdn Bhd  
Lot 10, The Highway Centre  
Jalan 51/205  
46050 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03 7784 3922  
Fax : 03 7784 1988

## AUDITORS

Grant Thornton (AF 0042)  
Chartered Accountants  
51-8-A, Menara BHL Bank  
Jalan Sultan Ahmad Shah  
10050 Penang  
Tel : 04 228 7828  
Fax : 04 227 9828

## SOLICITORS

Wong-Chooi & Mohd. Nor  
Sreenevasan

## PRINCIPAL BANKERS

Alliance Islamic Bank Berhad  
AmBank (M) Berhad  
Bank Islam Malaysia Berhad  
EON Bank Berhad  
Hong Leong Bank Berhad  
HSBC Bank Malaysia Berhad  
RHB Bank Berhad  
CIMB Bank Berhad

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad

# CORPORATE STRUCTURE



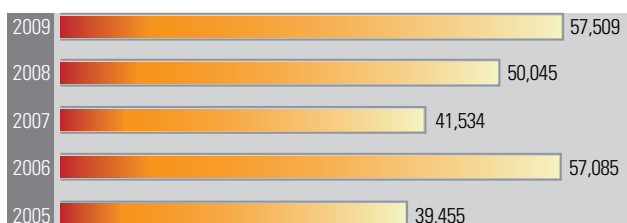
**BIOSIS** GROUP BERHAD 618768-D *Nourishing Your Life!*



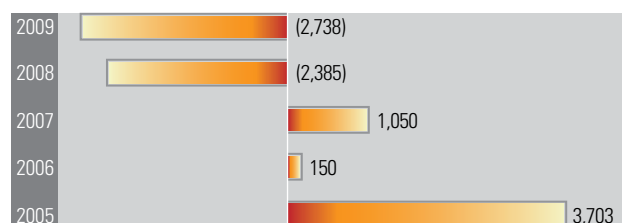
# FINANCIAL HIGHLIGHTS

|   | 2005<br>RM'000 | 2006<br>RM'000 | 2007<br>RM'000 | 2008<br>RM'000 | 2009<br>RM'000 |
|---|----------------|----------------|----------------|----------------|----------------|
| <b>Financial Performance</b>                                      |                |                |                |                |                |
| Turnover  | 39,455         | 57,085         | 41,534         | 50,045         | 57,509         |
| (Loss) / profit before tax  | 4,977          | 1,576          | 989            | (1,646)        | (2,017)        |
| Net (loss) / profit attributable to equity holders of the Company | 3,703          | 150            | 1,050          | (2,385)        | (2,738)        |
| <b>Financial Ratio</b>  |                |                |                |                |                |
| Earnings per share (sen) - Basic                                  | 4.60           | 0.19           | 1.31           | (2.98)         | (3.42)         |
| <b>Financial Position</b>   |                |                |                |                |                |
| Total assets  | 79,770         | 98,676         | 101,109        | 117,100        | 115,854        |
| Total liabilities   | 28,133         | 47,689         | 49,333         | 66,034         | 66,642         |
| Shareholders' fund  | 51,637         | 50,987         | 51,776         | 49,481         | 47,283         |
| Minority interest   | -              | -              | -              | 1,585          | 1,929          |

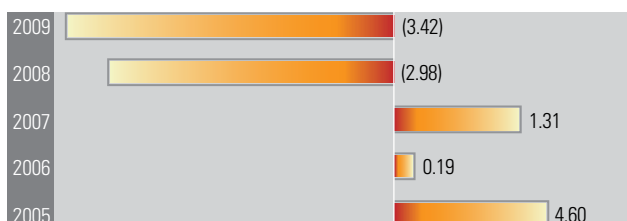
**Turnover (RM'000)**



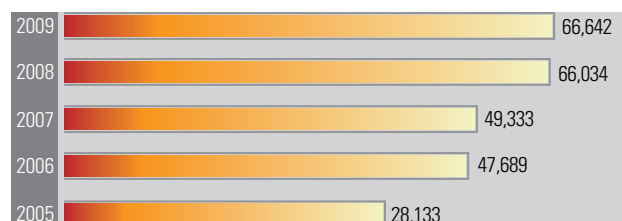
**Net (loss)/profit attributable to equity holders of the Company (RM'000)**



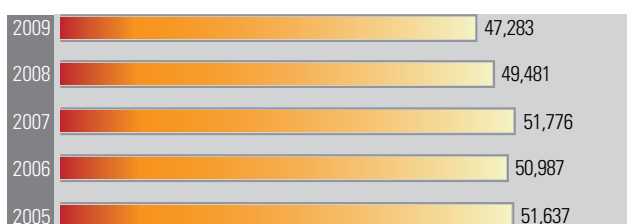
**Earnings per share (sen) - Basic**



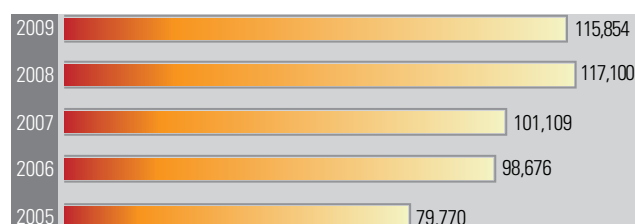
**Total Liabilities (RM'000)**



**Shareholders' equity (RM'000)**



**Total Assets (RM'000)**



# CORPORATE CALENDAR

## February 2009



Company Annual Dinner and Dance

## March 2009



Launching of kid's products range



d' Hair Shop hair styling contest

## April 2009

Signing of Subscription Agreement, Shareholders Agreement and Option Agreement with Crystal Anthem Sdn Bhd

## CORPORATE CALENDAR (CONT'D)

### July 2009



Launching of shower cream products range

### August 2009

Signing of Collaboration Agreement with OneBiotech Pte Ltd

### September 2009

Signing of Sale of Shares Agreement with FCW Holdings Berhad ("FCW") for the sale of 50% equity interest in Coscolab

### November 2009



d' Hair Shop 1st anniversary celebration



Launching of d' Therapist range of products with rare apple stem cell therapy for hair longevity

# GROUP'S PRODUCTS

## CONTRACT MANUFACTURING

Offers services from R&D, product development to logistics and warehousing - manufacturing capabilities in a wide range of product dosage forms and packaging designs.



## GROUP'S PRODUCTS (CONT'D)

### PHARMACEUTICAL

Pharmaceutical products for nourishment of health and prevention of diseases.



### PERSONAL CARE

Personal care products for rejuvenating and enhancing your self confidence.



## GROUP'S PRODUCTS (CONT'D)

### HOSPITALITY

Offers a wide range of hospitality products to hotels and airlines.  
- replenish, refresh and energise.



### RETAILING

A one-stop centre selling complete range of premium quality hair care products and accessories for men and women under the d' Hair Shop brand name. The quality of each hair care product will be of the highest professional grade based on French formulation designed to enhance the natural beauty in all hair types.



# CHAIRMAN'S STATEMENT



## INTRODUCTION

The year 2009 was globally one of consolidation as economies around the world worked to put their financial markets in order. Countries continued to experience various degrees of economic contraction during the first half of year 2009. The Malaysian Government was zealous in maintaining confidence in the marketplace through a number of measures, creating a climate that enabled the businesses to go forward with cautious optimism. It was within this environment that BIOSIS continued to make further headway in its industry, not only nationally but also regionally. On behalf of the Board, we are pleased to present BIOSIS's significant developments in this Annual Report and Financial Statements for the year ended 31 December 2009.

## FINANCIAL PERFORMANCE

The global economy in the year 2009 began stabilising in the second half after governments worldwide intervened with stimulus plans. Some economies picked up earlier, particularly those within the Asian region; proving themselves to be more resilient to the downturn than initially feared.

The Group achieved a turnover of RM57.51 million in 2009 as compared with RM50.05 million in 2008, an increase of 14.9%. The Group recorded a loss before tax of RM2.017 million for the year. The loss incurred was due to pre-operating costs incurred since May 2008 in the new pharmaceutical factory which started operating only in the third quarter of 2009.

The performance of the Group in 2009 was not adversely affected by the global economic crisis as the Group's products are mostly basic necessities which are more in demand during hard times as consumers turn to more affordable products. The spread of H1N1 virus roused a surge in global demand for hand sanitiser which is one of the major contributors to the improvement in turnover for the year. The ratio of local sales over export sales is 60:40. In comparison with the previous year the local sales showed an improvement of 9.6% while export sales achieve an improvement of 23.9% respectively. After adjusting for the unusual item of pre-operating expenses incurred in the new pharmaceutical factory the profit before tax recorded by the Group amounted to RM1.353 million.

## CHAIRMAN'S STATEMENT (CONT'D)

### DIVIDEND

In view of the performance of the Group for the financial year under review, the Board does not recommend any dividend for the financial year ended 31 December 2009.

### CORPORATE DEVELOPMENT

On 13 April 2009 Biosis entered into the following agreements with Crystal Anthem Sdn Bhd ("Crystal Anthem") in respect of the investment by Crystal Anthem in Clini-Foods Sdn Bhd ("Clini-Foods") a wholly owned subsidiary of Biosis:

1. Subscription agreement between Biosis, Crystal Anthem and Clini-Foods for the subscription by Crystal Anthem of 1,000,000 ordinary shares of RM1.00 each and 9,000,000 redeemable convertible cumulative preference shares of RM0.01 each ("RCCPS") (collectively, the "Subscription Shares") in Clini-Foods for a subscription price of RM1.00 for each ordinary share and RCCPS or an aggregate subscription price of RM10,000,000;
2. Shareholders agreement between Biosis, Crystal Anthem and Clini-Foods to regulate the affairs of Clini-Foods and the respective rights of Biosis and the Investor as shareholders of Clini-Foods; and
3. Option Agreement between Biosis and Crystal Anthem for the grant of a call option by Crystal Anthem to Biosis over two-thirds of all RCCPS held by Crystal Anthem at the option price set out in such agreement.

On 28 August 2009, Biosis, through its subsidiary Clini-Foods Sdn Bhd entered into a Collaboration Agreement with OneBiotech Pte Ltd for the setting up of a new business entity to provide and offer affordable public healthcare services in relation to stem cell technologies and services subject to the terms of a shareholders agreement to be subsequently entered into. As at to-date, the said Collaboration Agreement has lapsed.

Biosis signed a Sale of Shares Agreement on 15 September 2009 with FCW Holdings Berhad ("FCW") for the sale by the Company to FCW 250,000 ordinary shares of RM1.00 each in Coscolab Sdn Bhd (representing 50% equity interest) for total consideration of RM5.25 million. The disposal was completed on 20 November 2009.

### 2010 OUTLOOK

The Board is confident of achieving an improved performance of the Group for the year ending 31 December 2010. The Group turnover is expected to improve especially in the healthcare sector with more aggressive marketing strategies adopted by the management to complement the advanced facilities of the new pharmaceutical factory. As the population worldwide is becoming more health conscious an increase in demand for healthcare products is imminent while the new facilities at the pharmaceutical factory will enable several pharmaceutical products under development to commence commercial production by the second quarter. These products also have higher profit margins which will help provide better rate of returns on the investment in the said factory. Likewise, demand for personal care products is also expected to grow at a healthy pace as the Group establishes its reputation for a comprehensive range of quality products and efficient services. The Group's research and development teams of both the pharmaceutical and personal care divisions are constantly working on improving the quality of existing products as well as undertaking research on new products.

### ACKNOWLEDGEMENT

At Biosis we always strive to deliver our best services to our stakeholders, customers as well as the society through the talents and capabilities within the organization not just in terms of financial returns but more importantly in enriching lives and nurturing a better quality of living. We aim to be an active participant and fulfill our role in making Malaysia a developed nation.

What we have achieved today would not have been a reality without our most valuable asset - our management team and employees. Their invaluable contribution, through sheer hard work, dedication, loyalty, professionalism and creativity, has ensured the Group come through the global economic crisis unscathed. In fact, the Group is now in a better position to take on the challenges the future has in store. I would like to express my utmost gratitude to them for their contribution to our Group's ongoing success.

It is with sadness that we bid farewell to Datuk Sr Haji Zakaria Bin Hashim. Meanwhile, I would like to extend a warm welcome to our new director Dato' Ir Hj Wan Ab Ghafar Bin Wan Ahmad. I thank the Board members for their continuing support and trust in me to take the Group to greater heights during these challenging times.

**Professor Emeritus Dato' Paduka Dr. Khairuddin Bin Mohd Yusof**  
DPMK, JMN, KMN, MBBS (Sydney), FRCDG, FICS  
Chairman  
Dated: 27 May 2010

## BOARD OF DIRECTORS' PROFILE



**Y. BHG. PROFESSOR EMERITUS  
DATO' PADUKA DR. KHAIRUDDN BIN MOHAMED YUSOF**  
Chairman/Executive Director  
Malaysian, aged 70

Y. Bhg. Professor Emeritus Dato' Paduka Dr. Khairuddin Bin Mohamed Yusof graduated with a MBBS degree from Sydney University, Australia in 1964 and became a member of the Royal College of Obstetrics and Gynaecology (Sydney) in 1972. He was made a fellow of the Royal of Obstetrics and Gynaecology (United Kingdom) and a fellow of the Institute and College of Surgeons (United Kingdom) in 1984. He was a senior consultant in clinical obstetrics and gynaecology at Universiti Malaya Medical Centre (then known as University Hospital), while at the same time holding the post of Professor of Obstetrics and Gynaecology in Universiti Malaya. He was awarded lifetime achievement award by the Asia Pacific Academic Consortium for Public Health. For a time he was an Honorary Professor at the School of Public Health, University of Hawaii.

Y. Bhg. Professor Emeritus Dato' Paduka Dr. Khairuddin Bin Mohamed Yusof has had a distinguished career in medicine and tertiary education, having served Universiti Malaya in various capacities, starting as a lecturer and then progressing through the ranks to Dean, Faculty of Medicine in 1986. He was also the Deputy Vice-Chancellor (Finance and Development) from 1986 to 1989 and on several occasions served the University in his capacity as the Acting Vice-Chancellor. He was conferred and coveted Professor Emeritus award by Universiti Malaya in 2004 for his outstanding contributions to the nation and university. He is very active in community service, having served at various times as a consultant in his field of expertise to the Malaysian Government and international organisations such as the World Bank, UNICEF, Rand Corporation, Asia Pacific Academic Consortium for Public Health and World Health Organisation. He was actively involved as a consultant to SIRIM on artificial intelligence, and is currently a Director of Telemedicine Services, WorldCare Health (Malaya) Sdn Bhd. He has published textbooks and academic papers during his career. A sports and dance enthusiast, Y. Bhg actively participates in dancing, mountaineering, marathon, triathlon and iron-man challenge.

He does not have any family relationship with any director and/or major shareholder, or any conflict of interest with the Company, and has no convictions for any offences over the past ten years. He also sits in the Board of Directors of Hing Yap Knitting Industries Berhad.

## BOARD OF DIRECTORS' PROFILE (CONT'D)



### **KHOO CHEE KONG**

Managing Director/Chief Executive Director  
Malaysian, aged 48

Mr. Khoo Chee Kong began his career with Messrs. BDO Binder in 1979 as an Audit Assistant and promoted to Audit Senior in 1980. He joined United Industries group of companies as an Internal Auditor. He joined Kopena Holdings Sdn. Bhd. as Financial Accountant in 1984. He joined Innovest Hart Engineering Sdn. Bhd. as the Finance Manager in 1988 and Lyman Group of Indonesia as the Head of Corporate Finance and Business Development Department in 1990. He started the Kyros Kebab business in 1997 and expanded the business into an international fast food chain which merged with CAB Cakaran Corporation Group Berhad ("CAB"). He was appointed as an Executive Director of CAB from 2003 to 2006. Presently, Mr. Khoo Chee Kong is the Managing Director of Biosis Group Berhad.

He does not have any family relationship with any director and/or major shareholder, or any conflict of interest with the Company, and has no convictions for any offences over the past ten years.



### **TANG TAT CHUN**

Non-Independent Non-Executive Director  
Malaysian, aged 44

Mr. Tang Tat Chun was appointed to the Board as Non-Independent Non-Executive Director on 1 December 2007. He holds a Bachelor Degree in Business (Accounting) from Australia and a member of CPA Australia and Malaysian Institute of Accountants. He started his career with Ernst & Young (Singapore Office) and has held senior positions in internal audit units of several public listed companies involved in industries such as manufacturing, trading, property development and telecommunications.

He does not have any family relationship with any director and/or major shareholder, or any conflict of interest with the Company, and has no convictions for any offences over the past ten years. His directorships in other public listed companies include Goh Ban Huat Berhad and Jasa Kita Berhad.

## BOARD OF DIRECTORS' PROFILE (CONT'D)

**SOO YOKE MUN**

Independent Non-Executive Director  
Malaysian, aged 60

Mr Soo Yoke Mun is a Public Accountant by profession. He obtained his Bachelor degree in Economics from University of Malaya and he is a member of Malaysian Institute of Accountants. He has more than 20 years of working experience in the field of accounting, auditing and taxation. He is the partner of Y M Soo & Co, an accounting firm which was established since 1978.

He does not have any family relationship with any director and/or major shareholder, or any conflict of interest with the Company, and has no convictions for any offences over the past ten years. His directorships in other public listed companies include The Ayer Molek Rubber Company Berhad and Kawan Food Berhad.

**RITHAUDDIN HUSSEIN JAMALATIFF BIN JAMALUDDIN**

Independent Non-Executive Director  
Malaysian, aged 45

En. Rithauddin Hussein Jamalattiff Bin Jamaluddin was appointed to the Board as Independent Non-Executive Director on 1 March 2008. He is a lawyer by profession and he obtained his Bachelor of Law (LLB, Honours) degree from University of Buckingham, United Kingdom and his Certificate of Legal Practice from University of Malaya in 1989 and 1990 respectively and he was called to the Malaysian Bar in 1991. He is the co-founder of Rithauddin and Azlin, a legal firm in Kuala Lumpur since May 1992.

He does not have any family relationship with any director and/or major shareholder, or any conflict of interest with the Company, and has no convictions for any offences over the past ten years. His directorships in other public listed companies include United Kotak Berhad and ES Ceramics Technology Berhad.

## BOARD OF DIRECTORS' PROFILE (CONT'D)



**DATO' IR HJ WAN AB GHAFFAR BIN WAN AHMAD**  
Independent Non-Executive Director  
Malaysian, aged 50

Dato' Ir Hj Wan Ab Ghaffar Bin Wan Ahmad was appointed to the Board as Independent Non-Executive Director on 2 March 2010. He holds an Honours Degree in Mechanical Engineering from University of Wales and Diploma in Islamic Studies from the International Islamic University. He started his career with Perusahaan Otomobil Nasional Berhad as Head of Quality Assurance. He was formerly a Director of Proton Edar Sdn Bhd, Automotive Manufacturers (M) Sdn Bhd and the University College of Engineering & Technology Malaysia.

He does not have any family relationship with any director and/or major shareholder, or any conflict of interest with the Company, and has no convictions for any offences over the past ten years. His directorships in other public listed companies include

### Notes:

#### (i) Directors' Shareholdings

Details of the Directors' shareholdings in the Company are provided in the Analysis of Shareholdings Section on page 81 of this Annual Report.

#### (ii) Attendance at Board Meetings

Please refer to the Statement on Corporate Governance on page 17 of this Annual Report.



# STATEMENT ON CORPORATE GOVERNANCE

The Malaysian Code on Corporate Governance (the “Code”) sets out the principles and best practices on structure and processes that companies may use to achieve and maintain the highest standards of corporate governance throughout the Group so as to enhance corporate accountability towards shareholders. The Board is entirely committed to the maintenance of high standards of corporate governance by supporting and implementing prescriptions of the principles and best practices set out in parts 1 and 2 respectively of the Code with the aim of ensuring board effectiveness in enhancing financial performance of the Group and shareholders’ value. The following statement sets out how the Company has applied the principles and best practices of the Code.

## BOARD OF DIRECTORS

### Board Responsibilities

The Board is responsible for the overall corporate governance of the Group, including the strategic direction, risk management and establishes the vision and strategic objectives of the Group for development which includes management development, succession planning and policies to ensure all procedures within the Group are to be carried out in a systematic and orderly manner to ease the decision-making process.

### Meetings

The Board ordinarily meets at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. Meeting agenda includes review and approve the quarterly financial results before announcements, business reviews, macro strategies and other major corporate matters arising such as acquisitions, mergers and disposals (if any). Senior management team from different business units are also invited to participate at the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group. All proceedings from the Board meetings are minuted and signed by the Chairman of the meetings.

During the financial year ended 31 December 2009, the Board met on five (5) occasions, where it deliberated upon and considered various important matters including the approval of annual budgets of the Group, approval for quarterly financial results for announcements, consideration and approval for major investments and acquisitions, strategic decisions and directions of the Group.

Details of Directors’ meeting attendances for the financial year ended 31 December 2009 are as follows:-

| Directors   | Total meetings<br>Attended |
|---|----------------------------|
| Professor Emeritus Dato’ Paduka Dr. Khairuddin Bin Mohamed Yusof (Chairman) | 5/5                        |
| Khoo Chee Kong  | 5/5                        |
| Tang Tat Chun   | 5/5                        |
| Soo Yoke Mun  | 5/5                        |
| Rithauddin Hussein Jamalattiff Bin Jamaluddin                               | 5/5                        |
| Dato’ Ir Hj Wan Ab. Ghaffar Bin Wan Ahmad<br>(appointed on 2-3-10)          | N/A                        |
| Datuk Sr Haji Zakaria Bin Hashim<br>(resigned on 1-3-10)                    | 3/3                        |

### Board Committees

The Board of Directors delegates certain responsibilities to the Board Committees as follows:

- (i) Audit Committee;
- (ii) Remuneration Committee; and
- (iii) Nomination Committee

These committees are formed in order to enhance business and operational efficiency as well as efficacy. The Chairmen of these committees report to the Board the outcome (including their recommendations) of the Committees meetings for the Board’s considerations and approvals and extracts of such reports are incorporated in the minutes of the Board meetings.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### Board Balance and Board Effectiveness

As at the date of this statement, the Board consists of six (6) members; comprising one (1) executive Chairman, one (1) Managing Director/Chief Executive Officer, three (3) independent non-executive Directors and one (1) non-independent non-executive Director. A brief profile of each Director is presented in the Profile of Directors section of this Annual Report.

The concept of independence adopted by the Board is in tandem with the definition of an independent director in paragraph 1.01 of the Listing Requirements of the Bursa Malaysia Securities Berhad (Listing Requirements") and Practice Note 13/2002 of the Listing Requirements. The key elements for fulfilling the criteria are the appointment of independent Directors who are not members of management (non-executive) and who are free of any relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the Company. The Board complies with paragraph 15.02 of the Listing Requirements which requires that at least two (2) directors or one third of the Board of Directors of the Company, whichever is higher, are independent Directors.

The Directors, with their different backgrounds and specialisation, collectively bring with them many years of experience and expertise in areas such as finance, marketing and operations. The executive Director are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as co-ordinating the development and implementation of business and corporate strategies of the Group.

The independent non-executive Directors bring to bear objective and independent judgement to the decision making of the Board and provide a capable check and balance for the executive Director. Together with the executive Directors who has intimate knowledge of their respective fields and businesses, the Board is constituted of individual who are committed to business integrity and professionalism in all its activities and have a proper understanding and competence to deal with the current and emerging business related issues locally and internationally.

The roles of the Chairman and the Managing Director are distinct and separate and each has a clearly accepted division of duties and responsibilities so as to ensure a balance of power and authority. The Chairman is responsible for running the Board and ensures that all Directors receive sufficient relevant information on financial and non-financial matters of the Group so as to enable them to participate actively and effectively in Board meetings. The Managing Director is responsible to carry out the implementation of Board policies and decisions as well as to oversee the day-to-day management of the Group.

The Board is satisfied that the current Board composition fairly reflects the interests of all shareholders in the Company.

### Supply of Information

The Board recognises that the decision making process is highly contingent on the quality of information furnished. As such, all Directors have unrestricted access to any information pertaining to the Company and the Group. The Directors are also notified of any corporate announcements released to Bursa Securities and the impending restriction in dealing with the securities of the Company prior to the announcement of the financial results or corporate proposals.

All Directors have full and timely access to information with Board papers distributed in advance of meetings. This ensures that all Directors have sufficient time to appreciate issues to be deliberated at the Board meetings and expedites the decision making process effectively. Every Director also unhindered access to the advice and services of the Company Secretaries. The Board is regularly updated by the Company Secretary on new statutory and regulatory requirements relating to the duties and responsibilities of Directors.

The Audit Committee, Remuneration Committee and Nomination Committee play a pivotal role in channeling pertinent operational and assurance related issues to the Board. The Committees partly function as a filter to ensure that only pertinent matters are tabled and deliberated at the Board level. The Board collectively determines, whether as a full Board or in their individual capacity, to take independent professional advice where necessary and under appropriate circumstances, in furtherance of their duties at the Company's expense.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**Audit Committee**

The primary objective of the Audit Committee is to assist the Board to review issues of accounting policies and financial statements and the adequacy and integrity of the Group's internal control systems. The Audit Committee works closely with the internal and external auditors.

The composition and terms of reference of the Audit Committee together with its report are presented on pages 22 to 23 of the Annual Report.

**Nomination Committee**

The Nomination Committee currently comprises the following:

| Name   | Designation                        |
|--|------------------------------------|
| Rithauddin Hussein Jamalattiff Bin Jamaluddin (Chairman) | Independent non-executive Director |
| Soo Yoke Mun   | Independent non-executive Director |
| Dato' Ir Hj Wan Ab. Ghaffar Bin Wan Ahmad                | Independent non-executive Director |

The Nomination Committee consists entirely of non-executive Directors, all of whom are independent.

The Nomination Committee is empowered by the Board and its terms of reference include bringing to the Board recommendations on the appointment of new directors besides assessing the effectiveness of Board Committees and the Board as a whole. The Nomination Committee is also entrusted to systematically assess the contribution of each Director due for retirement before recommending to the Board for their re-election.

The Board, through the Nomination Committee, appraises the composition of the Board and believes that the current composition brings the required mix of skills and core competencies required for the Board to discharge its duties effectively. New appointees will be considered and evaluated by the Nomination Committee. The Nomination Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretary will ensure that all appointments are properly made and that legal and regulatory obligations are met.

**Remuneration Committee**

The Remuneration Committee currently comprises the following:

| Name   | Designation                        |
|--|------------------------------------|
| Rithauddin Hussein Jamalattiff Bin Jamaluddin (Chairman) | Independent non-executive Director |
| Soo Yoke Mun   | Independent non-executive Director |

The Remuneration Committee consists of Non-Executive Directors, all of whom are independent

The Remuneration Committee is responsible for recommending to the Board the remuneration framework for Directors as well as the remuneration packages of executive Directors.

The Executive Directors did not participate in decisions relating to their individual remuneration. The Board as a whole determines the remuneration of non-executive Directors with individual Directors abstaining from decisions in respect of their individual remuneration. In deciding an appropriate level of fees and benefits of each non-executive Directors, the Board considered the responsibility and time commitments taking into account the number of Board meetings, special meetings and the time required for reading Board and other papers, as well as the membership and chairmanship of Board Committees.

The policy practised on Directors' remuneration by the Remuneration Committee is to provide the remuneration packages necessary to attract, retain and motivate Directors with the qualities required to manage the business of the Group and to align the interest of the Directors with those of the shareholders.

Further details of Directors' remuneration are set out below and in the Notes to the financial statements.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### Appointments to the Board

The Nomination Committee through a formal and transparent procedure is responsible for the recommendation to the Board suitable candidates for appointment to the Board in making those recommendations, due consideration is given to the required mix of skills, knowledge, expertise and experience, professionalism and integrity that the proposed Director shall bring to the Board.

### Re-election of Directors

The Articles of Association provide that all Directors of the Company are subject to retirement. At least one-third of the Directors for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest to, but not more than one-third of the total shall retire from office at the Annual General Meeting, provided always that all Directors shall retire from office at least once in every three (3) years. A retiring Director shall be eligible for re-election. This provides an opportunity for shareholders to renew their mandates.

The election of each director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance and their shareholdings in the Group of each Director standing for election are furnished in the Annual Report accompanying the Notice of Annual General Meeting.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

### Directors' Training

All Directors have attended and successfully completed the Mandatory Accreditation Programme prescribed by Bursa Securities. The Directors are encouraged to attend various professional training programs to keep abreast with the new statutory and regulatory requirement by related authorities.

The Board continually identifies and determines the training needs of its members. The Board also ensures that appointees to the Board are individuals of sufficient caliber, knowledge as well as experience to fulfill their duties as a Director of the Company.

Professor Emeritus Dato' Paduka Dr. Khairuddin Bin Mohd Yusof had attended the training conducted by the Malaysian Institute of Accountants on the Financial Reporting During Financial Turbulence during the year.

Mr. Khoo Chee Kong and Mr. Rithauddin Hussein Jamalattiff Bin Jamaluddin had attended the forum organized by the Malaysian Institute of Corporate Governance entitled A Turning Point for Corporate Governance during the year.

Mr Tang Tat Chun had attended the training conducted by the Malaysian Institute of Accountants on the Financial Reporting During Financial Turbulence. Besides that, Mr Tang Tat Chun had also attended various training on Best Practices of Boardroom Affairs, Six Thinking Hats, Directors' Duties and A Turning Point for Corporate Governance during the year.

Mr. Soo Yoke Mun had attended the training on National Accountant Conference, National Tax Conference and 2010 Budget Seminar during the year.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**Directors' Remuneration**

Details of the nature and amount of each major element of the remuneration of each Director of the Company for the financial year ended 31 December 2009 are as follows:

|                         | Salaries<br>& Bonuses<br>RM | Fees<br>RM | Other<br>emoluments<br>RM | Benefits<br>-in-kind<br>RM |
|-------------------------|-----------------------------|------------|---------------------------|----------------------------|
| Executive Directors     |                             |            |                           |                            |
| - Company               | 130,000                     | 24,000     | -                         | -                          |
| - Subsidiaries          | 93,000                      | -          | -                         | -                          |
| Subtotal                | 223,000                     | 24,000     | -                         | -                          |
| Non-Executive Directors |                             |            |                           |                            |
| - Company               | -                           | 43,000     | -                         | -                          |
| - Subsidiaries          | -                           | -          | -                         | -                          |
| Total                   | 223,000                     | 67,000     | -                         | -                          |

**Directors' Remuneration (Cont'd)**

The Number of Directors whose remuneration falls into the following bands comprises:

| Range of remuneration<br>RM | Number of Directors |               |
|-----------------------------|---------------------|---------------|
|                             | Executive           | Non-Executive |
| 50,000 and below            | 1                   | 6             |
| 50,001 to 100,000           | 2                   | 1             |
| 100,001 to 150,000          | -                   | 1             |
| 150,001 to 200,000          | -                   | -             |

**INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION**

The policy of the Company is to maintain an active dialogue with its shareholders with the intention of giving its shareholders as clear and complete information of the Company's financial performance and position as possible.

The key elements of the Company's dialogue with its shareholders is the opportunity to gather views of, and answer questions from, both the individual and institutional investors on all aspects relevant to the Company at the AGM. It is also a requirement for the Company to send the Notice of the AGM and related circular to its shareholders at least twenty one (21) days before the meeting. At the AGM, shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general to seek more information.

The Company also participated in analysts' briefing. Press conferences were also held to brief members of the media on key events of the Group.

The Company's website, [www.biosis.com.my](http://www.biosis.com.my) provides a comprehensive avenue for information dissemination about the Company and the Group.

The Company is also committed to a policy to provide a detailed and complete disclosure of corporate information and in this respect the Company follows the disclosure guidelines and regulations of Bursa Securities. The release of material information will be made publicly via Bursa Securities, and other means. Members of the public can also obtain the full financial results and the Company's announcements from the Bursa Securities' website.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### ACCOUNTABILITY AND AUDIT

#### Financial Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly announcements of financial results as well as the Chairman and Group Managing Director's statements in the Annual Report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the completeness of its financial reporting.

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the financial year then ended. In preparing the financial statements, the Directors have ensured that Financial Reporting Standards ("FRS") and the Companies Act, 1965 in Malaysia have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates where applicable.

The Directors also have a general responsibility for taking steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

#### Internal control

The Statements on Internal Control set out in that particular section of this Annual Report provides an overview on the state of internal controls within the Group.

#### Relationship with External Auditors

The external auditors of the Company fulfill an essential role on behalf of Company shareholders in giving an assurance to the shareholders and others on the reliability of the financial statements of the Group and of the Company.

The external auditors have an obligation to bring to the attention of the Board of Directors, the Audit Committee and Company management any significant defects in the Group's systems of reporting, internal control and compliance with approved accounting standards and regulatory requirements. The external auditors of the Company are invited to attend at least two (2) meetings of the Audit Committee a year.

The key features underlying the relationship of the Audit Committee with external auditors are included in the Audit Committee's terms of reference as detailed in Audit Committee section of this Annual Report.

#### Compliance Statement

The Board is committed to achieve high standards of corporate governance throughout the Group and high level of integrity and ethics in its business dealings. The Board has taken steps to ensure that the Group has implemented as far as possible the Best Practices as set out in the Code.

In line with a principle set out in the Malaysian Code on Corporate Governance, the Board of Directors ("Board") of a listed company should maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Paragraph 15.26(b) of Bursa Malaysia's Listing Requirements also requires the Board of a listed company to include a statement on internal control in its annual report.

# STATEMENT ON INTERNAL CONTROL

The Board acknowledges that it is responsible for the Group's system of internal control and for ensuring its adequacy and integrity. The internal control system of the Group is designed to provide reasonable assurance of the effective operations, appropriate risks control measures and compliance with legislations and regulations. Due to the inherent limitations in any system of internal control, the system of internal control of the Group is in place to manage, rather than eliminate the risk of failure to achieve business objectives and would only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has in place an organisation structure that clearly defines the lines of responsibility and delegation of authority and a hierarchical reporting system which includes the establishment of appropriate authority limits, proper segregation of duties and functions.

The Group's Management committee conducts periodic meetings that are attended by the respective heads of business units and key personnel to discuss the Group's current and future business conditions, and to assess the Group's financial and operational risks exposure. Reviews of each business unit's risk profile, control procedures and status of action plans are undertaken during these meetings. Each business unit are also required to present their annual budget which includes the financial and operating targets, capital expenditure proposals and performance indicators for approval by the Chief Executive Officer and a half yearly review of actual performance against budget is undertaken to identify and address significant variances.

Quarterly meetings held by the Board and Audit Committee to discuss matters raised by the Management on business performance and operational matters including potential risks and control issues.

The Internal Audit function is provided by the Internal Auditors employed by the Group based on the plan approved by the Audit Committee to undertake regular and systemic review of the internal controls. The audit reports are prepared on a quarterly basis to the Audit Committee for review and approval. Recommendations of corrective measures on risks identified and improvements on the adequacy, effectiveness and efficiency of the internal control system, if any, are included in the audit reports for implementation by the Management.

The process of reviewing the adequacy and integrity of the internal control is a continuous process and the Board and Management committee shall continue to take the necessary measures to ensure proper management of risks and mitigate any weaknesses in the control environment of the Group.

There were no material losses incurred during the financial year as a result of weaknesses in the system of internal control.

# AUDIT COMMITTEE REPORT

The Audit Committee currently comprises the following:

| Name  | Designation                        |
|---|------------------------------------|
| Soo Yoke Mun (Chairman)                       | Independent non-executive Director |
| Rithauddin Hussein Jamalattiff Bin Jamaluddin | Independent non-executive Director |
| Dato' Ir Hj Wan Ab. Ghaffar Bin Wan Ahmad     | Independent non-executive Director |

## TERMS OF REFERENCE

The Committee is governed by the following terms of reference:

### Membership

The Committee shall be appointed by the Board from among its members and shall consist of not less than three members all of whom must be non-executive directors with a majority of them Independent Directors. An Independent Director shall be the one who fulfills the requirements as provided in the Listing Requirements of Bursa Securities.

At least one member of the Committee must be a member of the Malaysian Institute of Accountants, or if he is not a member of the Malaysian Institute of Accountants, must have at least three (3) years working experience and either have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967, or a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967 or fulfil such other requirements as prescribed or approved by Bursa Securities.

The members of the Committee shall elect a Chairman from among their number who is Independent Non-Executive Director. All members of the Committee, including the Chairman, will hold office until otherwise determined by the Board. No alternate director shall be appointed as a member of the Committee.

If the number of members is reduced to below three, due to whatsoever reasons, the Board shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three members.

### Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference and shall have the resources required to perform its duties. The Committee has full and unrestricted access to all information and documents relevant to its activities as well as to the internal auditors and employees of the Group.

The Committee is authorised by the Board to obtain external legal, independent or other professional advice and be able to convene meetings with external parties whenever deemed necessary. It shall also have the power to establish Sub-Audit Committee(s) to carry out certain investigations on behalf of the Committee in such manner, as the Committee shall deemed fit and necessary.

### Duties and Responsibilities

The duties and responsibilities of the Audit Committee are:

- to consider and recommend to the Board on the nomination, appointment and termination of external auditors as well as the audit fee;
- to discuss with the external auditors before the audit commences, the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;
- to review the external auditors management letter and managements response;
- to review the internal audit programs and results of the internal audit process and where necessary to ensure that appropriate action is taken on the recommendations of the internal audit function;
- to review the adequacy of the scope, functions and resources of the internal audit functions;

## AUDIT COMMITTEE REPORT (CONT'D)

- to review any related party transactions and conflict of interest situation that may arise within the Company or Group and to monitor any inter-company transaction or any transactions between the Company and any related parties outside the Group;
- to review the quarterly and year-end financial statements of the Company and the Group prior to presentation to the Board for approval; focusing particularly on the changes in and implementation of major accounting policies and compliance with accounting standards and other legal requirements;
- to review and evaluate the adequacy and effectiveness of the Group's accounting policies, procedures and internal controls;
- to identify principal risks and ensure the implementation of appropriate systems to manage these risks; and
- to perform such other duties if any as may be agreed to by the Committee and the Board.

### Attendance, Quorum and Frequency of Meetings

The Director of Finance, the Head of Internal Audit and representatives of the external auditors shall normally attend meetings. Other Board members and employees shall attend meetings only at the invitation of the Committee.

The Company Secretaries shall be the secretaries of the Committee.

In order to form a quorum for a Committee meeting, the majority of members present must be independent Directors.

The Committee shall meet not less than four (4) times a year. The external auditors may request for a meeting if they consider it necessary.

### Reporting Procedures

The Committee is authorised to regulate its own procedure and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceeding thereat, the keeping of minutes and the custody, production and inspection of such meetings.

The Minutes of the meetings shall be concluded by the Secretary of the Committee to the Committee members and all the other Board members.

### MEETINGS

The Committee met five (5) times during the financial year ended 31 December 2009.

Details of attendance of each members at the Committee meetings during the financial year ended 31 December 2009 are as follows:

|   | Meetings held | Attendance |
|---|---------------|------------|
| Soo Yoke Mun (Chairman)   | 5             | 5          |
| Rithauddin Hussein Jamalattiff Bin Jamaluddin   | 5             | 5          |
| Professor Emeritus Dato' Paduka Dr. Khairuddin Bin Mohamed Yusof<br>(resigned on 15-4-2009) | 2             | 2          |
| Dato' Ir Hj Wan Ab. Ghaffar Bin Wan Ahmad<br>(appointed on 2-3-10)                          | N/A           | N/A        |
| Datuk Sr Haji Zakaria Bin Hashim<br>(appointed on 15-4-2009 & resigned on 1-3-2010)         | 3             | 3          |

## AUDIT COMMITTEE REPORT (CONT'D)

### ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

During the financial year ended 31 December 2009, the Audit Committee carried out the following activities in the discharge of its functions and duties:

- (i) Reviewed the unaudited interim financial results, annual audited financial statements of the Group and management letters of the external auditors;
- (ii) Discussed and reviewed with the external auditors on the Group's audited year end financial statements together with the Audit Report to the Committee in relation to the significant matters noted in the course of the audit of the Group's financial statements as well as new developments on accounting standards and regulatory requirements;
- (iii) Reviewed with internal auditor on their audit findings and approved for adoption their recommendations;
- (iv) Reviewed the internal audit plan and reports so as to assess the state of the internal control system of the Group;
- (v) Reviewed the related party transactions of the Group;
- (vi) Reviewed the statutory payments of the Group to ensure compliance with the relevant statutory requirements;
- (vii) Reviewed the re-appointment of external auditors for the ensuing year; and
- (viii) Reviewed all capital expenditure irrespective of completed or pending completion and the cash flow situation of the Group.

### INTERNAL AUDIT FUNCTION

The Internal Audit Function, which has been outsourced to an Audit Firm, reports to the Committee and tables an Annual Internal Audit Plan for the consideration and approval of the Committee for the year 2010. The Internal Audit Function has been tasked to undertake regular and systemic risk assessments based on the risk profiles of the business operations of the Group so as to provide reasonable assurance that such systems are adequate and continues to operate effectively in managing the key risks of the Group.

# OTHER INFORMATION

## 1. Material Contracts

Saved as disclosed below, there are no other material contracts entered into by Biosis Group during the two (2) years preceeding the date of this report:

- On 6 June 2008 Biosis entered signed a Shares sale Agreement with Teo Ker Wei for the acquisition of 350,000 ordinary shares of RM1 each representing 70% equity interest in Coscolab Sdn Bhd for a total cash consideration of RM3,640,000. The acquisition was completed on 19 August 2008.
- On 13 April 2009 Biosis entered into the following agreements with Crystal Anthem Sdn Bhd ("Crystal Anthem") in respect of the investment by Crystal Anthem in Clini-Foods sdn Bhd ("Clini-Foods") a wholly owned subsidiary of Biosis:
  1. Subscription agreement between Biosis, Crystal Anthem and Clini-Foods for the subscription by Crystal Anthem of 1,000,000 ordinary shares of RM1.00 each and 9,000,000 redeemable convertible cumulative preference shares of RM0.01 each ("RCCPS") (collectively, the "Subscription Shares") in Clini-Foods for a subscription price of RM1.00 for each ordinary share and RCCPS or an aggregate subscription price of RM10,000,000;
  2. Shareholders agreement between Biosis, Crystal Anthem and Clini-Foods to regulate the affairs of Clini-Foods and the respective rights of Biosis and the Investor as shareholders of Clini-Foods; and
  3. Option Agreement between Biosis and Crystal Anthem for the grant of a call option by Crystal Anthem to Biosis over two-thirds of all RCCPS held by Crystal Anthem at the option price set out in such agreement.
- On 28 August 2009, Biosis, through its subsidiary Clini-Foods Sdn Bhd entered into a Collaboration Agreement with OneBiotech Pte Ltd for the setting up of a new business entity to provide and offer affordable public healthcare services in relation to stem cell technologies and services subject to the terms of a shareholders agreement to be subsequently entered into. As at to-date, the said Collaboration Agreement has lapsed.
- Biosis signed a Sale of Shares Agreement on 15 September 2009 with FCW Holdings Berhad ("FCW") for the sale by the Company to FCW 250,000 ordinary shares of RM1.00 each in Coscolab Sdn Bhd (representing 50% equity interest) for total consideration of RM5.25 million. The disposal was completed on 20 November 2009.

## 2. Non- audit Fees

There were no non-audit fees paid to the external auditors by the Group for the financial year ended 31 December 2009, other than the taxation fee totaling RM575 payable to a company in which certain partners of the audit firm are shareholders and directors.

## 3. Share Buybacks

The Group did not enter into any share buyback transactions during the financial year ended 31 December 2009.

## 4. Variations in Results

There is no variance between the results for the financial year and the unaudited results previously announced by the Company.

## 5. Profit Guarantee

The Group did not give any profit guarantee during the financial year ended 31 December 2009.

## 6. Revaluation Policy on Landed Properties

The Group does not adopt a policy of regular revaluation of its landed properties.

## 7. Imposition of Sanctions/Penalties

There were no public sanctions and/or public penalties imposed on the Group, directors or management by relevant regulatory bodies during the financial year ended 31 December 2009 except for Mr. Soo Yoke Mun, a director, who was issued a public reprimand and fine of RM3,300 in his capacity as a director of The Ayer Molek Rubber Company Berhad ("AMOLEK") for a breach of paragraph 16.11(b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("LR") for permitting knowingly AMOLEK to breach 9.22(1) of the LR for failing to submit the Company's quarterly report for the financial period ended 31 March 2009 on or before 31 May 2009.

## 8. Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities exercised during the financial year ended 31 December 2009.

## 9. American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")

The Group did not sponsor any ADR or GDR programs during the financial year ended 31 December 2009.

# CORPORATE SOCIAL RESPONSIBILITY STATEMENT



The Group is committed to its role as a responsible corporate citizen to ensure preservation, enhancement and care of the environment and community and the long term sustainability of the Group.

The Group recognizes the valuable contribution of our human capital and their contribution to the overall success of the Group. Regular in-house and external training programs were held throughout the year to create awareness of safety requirements and upgrading of employee skills to meet changing demands of the business environment.

The Group contributed to the community through various charitable events like the donation of hand sanitisers to various schools in the country and educate the school children on the importance of personal hygiene in the light of the outbreak of the H1N1 virus. In addition, the Group also provided industrial training for students from local universities.

In compliance with existing environmental laws and regulations strict controls are implemented in the treatment of waste water effluents and scheduled waste are disposed to Kualiti Alam Sdn Bhd. The Group also practices recycling of packaging materials and the use of environment friendly materials.

The Group places great emphasis on accountability, transparency, ethical business conduct and good corporate governance.

**贈 2 獨中淨手液 口罩**

**響應防範 A 型流感蔓延運動**

學生示范使用免水淨手液。

(亞羅士打) 私人企業做生意不忘关怀华文独中。赠送亚罗士打2独中516瓶免水淨手液及200个口罩给独中师生，以响应卫生部防範A (H1N1) 型流感蔓延运动。

亞羅士打新民独中获得240瓶Hanitizer 免水淨手液，昔华独中获得276瓶免水淨手液及100个口罩。

这家来自吉隆坡的私人企业保优生 (BIOSIS) 集团，本月18日也有赠送大年新民独中120瓶Hanitizer免水淨手液及50个口罩。

2011/04 捐助

该公司董事兼马青副总书记罗秋俊昨日 (28日) 在亚罗士打新民独中，移交免水淨手液给2独中。

该公司赠送给全国60所独中约4万瓶免水淨手液，总值30万令。

**罗秋俊：助推行学生防疫运动**

罗秋俊说，在国家面临流感感战时，有责任协助国内华校，因此配合董总推行学生防疫运动。

新民独中校长陈文湘对马华马青的捐助表示感谢，也希望其他社团组织学习马华马青的精神助独中。

吉州马青团团长王孙文则说，除了送淨手液防疫外，马青之前也有推动活动，捐助全国独中各3万令。

罗秋俊 (左二) 移交淨手液给新民独中董理董事长许锦秋 (左三起) 及昔华独中副总洪光才、教师林嘉年及张素贵。

# FINANCIAL STATEMENTS

|   |    |
|---|----|
| Directors' Report   | 30 |
| Directors' Statement  | 33 |
| Statutory Declaration   | 33 |
| Independent Auditors' Report<br>to the Members of Biosis Group Berhad | 34 |
| Consolidated Balance Sheet  | 36 |
| Consolidated Income Statement   | 37 |
| Consolidated Statement of Changes in Equity                           | 38 |
| Consolidated Cash Flow Statement                                      | 39 |
| Balance Sheet   | 42 |
| Income Statement  | 43 |
| Statement of Changes in Equity  | 44 |
| Cash Flow Statement   | 45 |
| Notes to the Financial Statements                                     | 46 |

# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended **31 December 2009**.

## PRINCIPAL ACTIVITIES

The principal activities of the Company consist of investment holding and the provision of management services.

The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

|   | <b>GROUP</b>       | <b>COMPANY</b>   |
|---|--------------------|------------------|
|   | <b>RM</b>          | <b>RM</b>        |
| (Loss)/Profit after taxation for the year | (2,608,259)        | 6,692,228        |
| Attributable to :                         |                    |                  |
| Equity holders of the Company             | (2,738,000)        | 6,692,228        |
| Minority interests                        | 129,741            | -                |
|   | <u>(2,608,259)</u> | <u>6,692,228</u> |

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2009 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## DIVIDENDS

No dividends have been declared or paid by the Company since the end of the previous financial year.

The directors do not recommend any dividend payment for the financial year.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

## SHARE CAPITAL AND DEBENTURE

During the financial year, the Company did not issue any shares or debentures and did not grant any option to anyone to take up unissued shares of the Company.

**DIRECTORS' REPORT (CONT'D)**

FOR THE YEAR ENDED 31 DECEMBER 2009

**DIRECTORS**

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

**Professor Emeritus Dato' Paduka Dr. Khairuddin Bin Mohamed Yusof**  
**Khoo Chee Kong**  
**Soo Yoke Mun**  
**Tang Tat Chun**  
**Rithauddin Hussein Jamalattiff Bin Jamaluddin**  
**Dato' Ir. Hj Wan Ab. Ghaffar Bin Wan Ahmad (appointed on 2.3.10)**  
**Datuk Sr Haji Zakaria Bin Hashim (resigned on 1.3.10)**

**DIRECTORS' INTERESTS IN SHARES**

According to the Register of Directors' Shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows :

|                          | Number of ordinary shares of RM0.50 each |        |      |                        |
|--------------------------|--|--------|------|------------------------|
|                          | Balance at<br>1.1.09                     | Bought | Sold | Balance at<br>31.12.09 |
| <b>The Company</b>       |  |        |      |                        |
| <b>Direct Interest :</b> |  |        |      |                        |
| Khoo Chee Kong           | 4,912,000                                | -      | -    | 4,912,000              |
| Soo Yoke Mun             | 230,000                                  | -      | -    | 230,000                |

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements) by reason of a contract made by the Company or a related corporation with a 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, other than those related party transactions disclosed in the notes to the financial statements.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

**OTHER STATUTORY INFORMATION**

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps :

- (i) to ascertain that proper 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 debts, and
- (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

**DIRECTORS' REPORT (CONT'D)**

FOR THE YEAR ENDED 31 DECEMBER 2009

**OTHER STATUTORY INFORMATION (Cont'd)**

At the date of this report, the directors are not aware of any circumstances :

- (i) that would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- (iii) that would render any amount stated in the financial statements of the Group and of the Company misleading, or
- (iv) 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.

At the date of this report, there does not exist :

- (i) 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
- (ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent liability 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 as and when they fall due.

**EVENTS AFTER BALANCE SHEET DATE**

Details of events after balance sheet date are disclosed in the notes to the financial statements.

**AUDITORS**

The auditors, **Grant Thornton**, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors :

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**Khoo Chee Kong**

**Penang,**

**Date : 29 April 2010**

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**Professor Emeritus Dato' Paduka  
Dr. Khairuddin Bin Mohamed Yusof**

# DIRECTORS' STATEMENT

We, **Khoo Chee Kong** and **Professor Emeritus Dato' Paduka Dr. Khairuddin Bin Mohamed Yusof**, being two of the directors of **Biosis Group Berhad** state that in the opinion of the directors, the financial statements set out on pages 36 to 80 are 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 of the Company as at **31 December 2009** and of their financial performance and cash flows for the financial year then ended.

Signed in accordance with a resolution of the directors :

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**Khoo Chee Kong**

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**Professor Emeritus Dato' Paduka  
Dr. Khairuddin Bin Mohamed Yusof**

Date : 29 April 2010

# STATUTORY DECLARATION

I, **Khoo Chee Kong**, the director primarily responsible for the financial management of **Biosis Group Berhad** do solemnly and sincerely declare that the financial statements set out on pages 36 to 80 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 )  
the abovenamed at Penang, this **29th** )  
day of **April 2010**. )

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**Khoo Chee Kong**

**Before me,**

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**KARUPAYEE KAMALAM A/P R. MOTAI**

**NO:- P015**

**Commissioner for Oaths**

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BIOSIS GROUP BERHAD

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of **Biosis Group Berhad**, which comprise the balance sheets as at **31 December 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 80.

## 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 control 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 judgement, 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 control 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 control. 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 of the Company as at **31 December 2009** and of their financial performance and cash flows for the financial year then ended.

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 of which we have acted as auditors have been properly kept in accordance with the provisions of the Act,
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements,
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes, and
- (d) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**INDEPENDENT AUDITORS' REPORT (CONT'D)**  
TO THE MEMBERS OF BIOSIS GROUP BERHAD

**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.

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**Grant Thornton**  
**No. AF : 0042**  
**Chartered Accountants**

**Date : 29 April 2010**

**Penang**

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**John Lau Tiang Hua, DJN**  
**Partner**  
**No. 1107/03/12 (J)**  
**Chartered Accountant**

# CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2009

|   | NOTE | 2009<br>RM         | 2008<br>RM         |
|---|------|--------------------|--------------------|
| <b>ASSETS</b>                               |      |                    |                    |
| <b>Non-current assets</b>                   |      |                    |                    |
| Property, plant and equipment               | 3    | 54,653,543         | 59,085,974         |
| Prepaid lease payments                      | 4    | 1,063,321          | 1,086,675          |
| Investment in an associate                  | 6    | 968,997            | -                  |
| Other investment                            | 7    | 5,526,565          | 5,500,775          |
| Intangible assets                           | 8    | 8,419,769          | 7,814,622          |
|   |      | <b>70,632,195</b>  | <b>73,488,046</b>  |
| <b>Current assets</b>                       |      |                    |                    |
| Inventories                                 | 10   | 11,660,654         | 15,349,759         |
| Trade receivables                           | 11   | 19,308,733         | 18,632,603         |
| Other receivables, deposits and prepayments |      | 11,313,316         | 6,891,439          |
| Tax recoverable                             |      | 60,111             | 59,206             |
| Fixed deposits with licenced banks          | 12   | 1,569,009          | 1,404,009          |
| Cash and bank balances                      | 13   | 1,309,567          | 1,274,653          |
|   |      | <b>45,221,390</b>  | <b>43,611,669</b>  |
| <b>TOTAL ASSETS</b>                         |      | <b>115,853,585</b> | <b>117,099,715</b> |
| <b>EQUITY AND LIABILITIES</b>               |      |                    |                    |
| Share capital                               | 14   | 40,000,000         | 40,000,000         |
| Share premium                               |      | 2,202,052          | 2,202,052          |
| Exchange translation reserve                | 15   | (154,222)          | (171,636)          |
| Retained profits                            |      | 5,235,332          | 7,450,976          |
|   |      | <b>47,283,162</b>  | <b>49,481,392</b>  |
| Minority interest                           |      | 1,928,714          | 1,584,429          |
| <b>Total equity</b>                         |      | <b>49,211,876</b>  | <b>51,065,821</b>  |
| <b>Non-current liabilities</b>              |      |                    |                    |
| Borrowings                                  | 16   | 19,549,857         | 12,762,010         |
| Deferred tax liabilities                    | 17   | 1,994,800          | 1,525,355          |
|   |      | <b>21,544,657</b>  | <b>14,287,365</b>  |
| <b>Current liabilities</b>                  |      |                    |                    |
| Trade payables                              | 18   | 6,923,405          | 8,887,788          |
| Other payables and accruals                 | 19   | 9,462,510          | 11,484,148         |
| Amount due to a director                    | 20   | -                  | 196,771            |
| Borrowings                                  | 16   | 27,906,720         | 30,506,888         |
| Provision for taxation                      |      | 804,417            | 670,934            |
|   |      | <b>45,097,052</b>  | <b>51,746,529</b>  |
| <b>Total liabilities</b>                    |      | <b>66,641,709</b>  | <b>66,033,894</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>         |      | <b>115,853,585</b> | <b>117,099,715</b> |

The notes set out on pages 46 to 80 form an integral part of these financial statements.

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

|                                   | NOTE | 2009<br>RM         | 2008<br>RM   |
|-----------------------------------|------|--------------------|--------------|
| Revenue                           | 21   | 57,508,643         | 50,044,805   |
| Cost of sales                     |      | (47,135,635)       | (40,036,893) |
| <b>Gross profit</b>               |      | <b>10,373,008</b>  | 10,007,912   |
| Other income                      |      | 1,564,652          | 495,431      |
| Administrative expenses           |      | (6,142,642)        | (3,987,916)  |
| Selling and distribution expenses |      | (1,800,574)        | (1,461,448)  |
| Other operating expenses          |      | (3,174,379)        | (4,351,335)  |
| <b>Profit from operations</b>     |      | <b>820,065</b>     | 702,644      |
| Finance costs                     |      | (2,766,410)        | (2,348,652)  |
| Share of results of an associate  |      | (71,003)           | -            |
| <b>Loss before taxation</b>       | 22   | <b>(2,017,348)</b> | (1,646,008)  |
| Taxation                          | 23   | (590,911)          | (395,338)    |
| <b>Loss for the year</b>          |      | <b>(2,608,259)</b> | (2,041,346)  |
| <b>Attributable to :</b>          |      |                    |              |
| Equity holders of the Company     |      | (2,738,000)        | (2,384,757)  |
| Minority interests                |      | 129,741            | 343,411      |
|                                   |      | <b>(2,608,259)</b> | (2,041,346)  |
| <b>Basic loss per share (sen)</b> | 24   | <b>(3.42)</b>      | (2.98)       |

The notes set out on pages 46 to 80 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

|  | Attributable to Equity Holders of the Company |                     |                                    |                        | Total             | Minority Interest | Total Equity      |
|--|---|---------------------|------------------------------------|------------------------|-------------------|-------------------|-------------------|
|  | Share Capital<br>RM                           | Share Premium<br>RM | Exchange Translation Reserve<br>RM | Retained Profits<br>RM |                   |                   |                   |
| <b>2009</b>  |   |                     |                                    |                        |                   |                   |                   |
| Balance at beginning                                       | 40,000,000                                    | 2,202,052           | (171,636)                          | 7,450,976              | 49,481,392        | 1,584,429         | 51,065,821        |
| Foreign currency translation recognised directly in equity | -   | -                   | 17,414                             | -                      | 17,414            | -                 | 17,414            |
| Loss for the year  | -   | -                   | -                                  | (2,738,000)            | (2,738,000)       | 129,741           | (2,608,259)       |
| Total recognised income and expense for the year           | -   | -                   | 17,414                             | (2,738,000)            | (2,720,586)       | 129,741           | (2,590,845)       |
| Arising from disposal of a subsidiary                      | -   | -                   | -                                  | -                      | -                 | (2,299,546)       | (2,299,546)       |
| Dilution on issuance of shares to minority interest        | -   | -                   | -                                  | 522,356                | 522,356           | 2,514,090         | 3,036,446         |
| Balance at end   | <b>40,000,000</b>                             | <b>2,202,052</b>    | <b>(154,222)</b>                   | <b>5,235,332</b>       | <b>47,283,162</b> | <b>1,928,714</b>  | <b>49,211,876</b> |
| <b>2008</b>  |   |                     |                                    |                        |                   |                   |                   |
| Balance at beginning                                       | 40,000,000                                    | 2,202,052           | (261,223)                          | 9,835,733              | 51,776,562        | -                 | 51,776,562        |
| Foreign currency translation recognised directly in equity | -   | -                   | 89,587                             | -                      | 89,587            | -                 | 89,587            |
| Loss for the year  | -   | -                   | -                                  | (2,384,757)            | (2,384,757)       | 343,411           | (2,041,346)       |
| Total recognised income and expense for the year           | -   | -                   | 89,587                             | (2,384,757)            | (2,295,170)       | 343,411           | (1,951,759)       |
| Arising from acquisition of a subsidiary                   | -   | -                   | -                                  | -                      | -                 | 1,241,018         | 1,241,018         |
| Balance at end   | <b>40,000,000</b>                             | <b>2,202,052</b>    | <b>(171,636)</b>                   | <b>7,450,976</b>       | <b>49,481,392</b> | <b>1,584,429</b>  | <b>51,065,821</b> |

The notes set out on pages 46 to 80 form an integral part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

|  | 2009<br>RM  | 2008<br>RM   |
|--|-------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                  |             |              |
| Loss before taxation   | (2,017,348) | (1,646,008)  |
| Adjustments for :  |             |              |
| Allowance for doubtful debts                                 | 375,962     | 171,836      |
| Amortisation of prepaid lease payments                       | 23,354      | 23,354       |
| Bad debts  | 2,772       | 3,366        |
| Depreciation   | 3,534,607   | 4,121,773    |
| Gain on deconsolidation of a subsidiary                      | (180,102)   | -            |
| Impairment loss on property, plant and equipment             | -           | 2,029,629    |
| Interest expense   | 2,766,410   | 2,348,652    |
| Interest income  | (310,353)   | (157,119)    |
| (Gain)/Loss on disposal of property, plant and equipment     | (282,249)   | 36,484       |
| Property, plant and equipment written off                    | -           | 276,475      |
| Share of results of an associate                             | 71,003      | -            |
| Unrealised (gain)/loss on foreign exchange                   | -           | (98,408)     |
| Operating profit before working capital changes              | 3,984,056   | 7,110,034    |
| (Increase)/Decrease in inventories                           | (303,390)   | 61,215       |
| (Increase)/Decrease in receivables                           | (9,160,603) | 8,427,258    |
| Decrease in payables   | (582,078)   | (2,203,992)  |
| Cash (used in)/generated from operations                     | (6,062,015) | 13,394,515   |
| Income tax paid  | (314,290)   | (360,996)    |
| Income tax refund  | -           | 51,650       |
| Interest paid  | (2,766,410) | (2,348,652)  |
| Net cash (used in)/from operating activities                 | (9,142,715) | 10,736,517   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                  |             |              |
| Interest received  | -           | 2,543        |
| Development expenditure                                      | (1,141,166) | (96,761)     |
| * Net cash inflow on deconsolidation of a subsidiary         | 5,136,486   | -            |
| ** Net cash outflow on acquisition of a subsidiary           | -           | (1,359,369)  |
| Withdrawal from/(Placement with )Institutional Trust Account | 284,563     | (5,391,567)  |
| Proceeds from disposal of property, plant and equipment      | 393,421     | 23,800       |
| *** Purchase of property, plant and equipment                | (2,187,122) | (10,483,677) |
| (Placement)/Withdrawal of fixed deposits                     | (335,000)   | 431,106      |
| Net cash used in investing activities                        | 2,151,182   | (16,873,925) |
| Balance carried forward                                      | (6,991,533) | (6,137,408)  |

The notes set out on pages 46 to 80 form an integral part of these financial statements.

## CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2009

|   | 2009<br>RM         | 2008<br>RM         |
|---|--------------------|--------------------|
| Balance brought forward   | (6,991,533)        | (6,137,408)        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                    |                    |
| (Repayment to)/Advance from a director  | (196,771)          | 196,771            |
| Payment of hire purchase loans  | (2,375,782)        | (1,371,538)        |
| Proceeds from hire purchase payables  | 5,445,000          | -                  |
| Proceeds from issuance of shares to minority interests by a subsidiary  | 3,036,446          | -                  |
| Proceeds from issuance of redeemable convertible cumulative preference shares to minority interests by a subsidiary | 6,963,554          | -                  |
| Proceeds from term loan   | -                  | 7,038,000          |
| Repayment of bankers acceptance and trust receipts  | (989,207)          | (820,005)          |
| Repayment of term loans   | (1,956,061)        | (765,203)          |
|   | 9,927,179          | 4,278,025          |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>   | <b>2,935,646</b>   | <b>(1,859,383)</b> |
| Effects of exchange rate changes  | 48,387             | (398,175)          |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING</b>   | <b>(2,969,710)</b> | <b>(712,152)</b>   |
| <b>CASH AND CASH EQUIVALENTS AT END</b>   | <b>14,323</b>      | <b>(2,969,710)</b> |
| <b>Represented by :</b>   |                    |                    |
| Cash and bank balances  | 1,309,567          | 1,274,653          |
| Bank overdrafts   | (1,295,244)        | (4,244,363)        |
|   | 14,323             | (2,969,710)        |
| <b>* Cash flow on deconsolidation of a subsidiary</b>   |                    |                    |
| Property, plant and equipment   | 7,444,811          | -                  |
| Inventories   | 3,992,495          | -                  |
| Receivables   | 3,683,862          | -                  |
| Fixed deposit with a licensed bank  | 170,000            | -                  |
| Cash and bank balances  | 113,514            | -                  |
| Payables  | (3,403,943)        | -                  |
| Hire purchase payables  | (823,000)          | -                  |
| Term loan   | (3,159,190)        | -                  |
| Deferred tax liabilities  | (53,398)           | -                  |
| Provision for taxation  | (300,000)          | -                  |
| Share of net assets disposed  | 7,665,151          | -                  |
| Minority interest   | (2,299,546)        | -                  |
| Transfer to investment in an associate  | (1,040,000)        | -                  |
| Goodwill on consolidation   | 744,293            | -                  |
| Gain on deconsolidation of a subsidiary   | 180,102            | -                  |
| Total disposal consideration  | 5,250,000          | -                  |
| Less : Cash and cash equivalents  | (113,514)          | -                  |
| Cash flow from deconsolidation of a subsidiary  | 5,136,486          | -                  |

The notes set out on pages 46 to 80 form an integral part of these financial statements.

## CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2009

|  | 2009<br>RM         | 2008<br>RM  |
|--|--------------------|-------------|
| <b>** Cash flow on acquisition of a subsidiary</b>   |                    |             |
| Property, plant and equipment                        | -                  | 6,254,804   |
| Inventories  | -                  | 3,198,097   |
| Receivables  | -                  | 3,648,973   |
| Fixed deposit with a licensed bank                   | -                  | 170,000     |
| Cash and bank balances                               | -                  | 30,631      |
| Payables   | -                  | (5,016,935) |
| Term loan  | -                  | (1,057,850) |
| Hire purchase payables                               | -                  | (2,993,305) |
| Deferred tax liabilities                             | -                  | (38,231)    |
| Provision for taxation                               | -                  | (59,459)    |
| Net assets of acquired subsidiary                    | -                  | 4,136,725   |
| Minority interest                                    | -                  | (1,241,018) |
| Share of net assets acquired                         | -                  | 2,895,707   |
| Goodwill on consolidation                            | -                  | 744,293     |
| Total cash consideration paid                        | -                  | 3,640,000   |
| Less : Other payables#                               | -                  | (2,250,000) |
|  | -                  | 1,390,000   |
| Less : Cash and cash equivalents                     | -                  | (30,631)    |
| Net cash outflow on acquisition of a subsidiary      | -                  | 1,359,369   |
| <br>   |                    |             |
| # Being the balance of unpaid purchase consideration |                    |             |
| <b>*** Purchase of property, plant and equipment</b> |                    |             |
| Total acquisition cost                               | <b>6,897,406</b>   | 12,575,287  |
| Acquired under hire purchase loans                   | <b>(4,710,284)</b> | (2,091,610) |
| Total cash acquisition                               | <b>2,187,122</b>   | 10,483,677  |

# BALANCE SHEET

AT 31 DECEMBER 2009

|                                     | NOTE | 2009<br>RM        | 2008<br>RM        |
|-------------------------------------|------|-------------------|-------------------|
| <b>ASSETS</b>                       |      |                   |                   |
| <b>Non-current assets</b>           |      |                   |                   |
| Property, plant and equipment       | 3    | 289,254           | 334,768           |
| Investment in subsidiaries          | 5    | 43,155,225        | 41,864,570        |
| Investment in an associate          | 6    | 1,040,000         | -                 |
| Amount due from subsidiaries        | 9    | -                 | 5,656,906         |
|                                     |      | <b>44,484,479</b> | <b>47,856,244</b> |
| <b>Current assets</b>               |      |                   |                   |
| Sundry deposits                     |      | 101,000           | 101,000           |
| Amount due from subsidiaries        | 9    | 4,885,568         | -                 |
| Tax recoverable                     |      | 21,676            | 20,771            |
| Cash and bank balances              | 13   | 54,917            | 35,062            |
|                                     |      | <b>5,063,161</b>  | <b>156,833</b>    |
| <b>TOTAL ASSETS</b>                 |      | <b>49,547,640</b> | <b>48,013,077</b> |
| <b>EQUITY AND LIABILITIES</b>       |      |                   |                   |
| Share capital                       | 14   | 40,000,000        | 40,000,000        |
| Share premium                       |      | 2,202,052         | 2,202,052         |
| Retained profit/(Accumulated loss)  |      | 6,451,952         | (240,276)         |
| <b>Total equity</b>                 |      | <b>48,654,004</b> | <b>41,961,776</b> |
| <b>Non-current liabilities</b>      |      |                   |                   |
| Amount due to subsidiaries          | 9    | -                 | 3,528,382         |
| <b>Current liabilities</b>          |      |                   |                   |
| Sundry payables and accruals        | 19   | 297,660           | 2,522,919         |
| Amount due to subsidiaries          | 9    | 595,976           | -                 |
|                                     |      | <b>893,636</b>    | <b>2,522,919</b>  |
| <b>Total liabilities</b>            |      | <b>893,636</b>    | <b>6,051,301</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b> |      | <b>49,547,640</b> | <b>48,013,077</b> |

The notes set out on pages 46 to 80 form an integral part of these financial statements.

# INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

|                                      | NOTE | 2009<br>RM       | 2008<br>RM       |
|--------------------------------------|------|------------------|------------------|
| Revenue                              | 21   | 5,000,000        | -                |
| Other income                         |      | 2,650,211        | 2,543            |
| Administrative expenses              |      | (876,443)        | (305,224)        |
| Selling and distribution expenses    |      | -                | (11,670)         |
| Other operating expenses             |      | (51,540)         | (111,122)        |
| <b>Operating profit/(loss)</b>       |      | <b>6,722,228</b> | <b>(425,473)</b> |
| Finance cost                         |      | (30,000)         | -                |
| <b>Profit/(Loss) before taxation</b> | 22   | <b>6,692,228</b> | <b>(425,473)</b> |
| Taxation                             | 23   | -                | -                |
| <b>Profit/(Loss) for the year</b>    |      | <b>6,692,228</b> | <b>(425,473)</b> |

The notes set out on pages 46 to 80 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

|                      | Share<br>Capital<br>RM | Non-<br>distributable<br>Share<br>Premium<br>RM | Distributable<br>Retained<br>Profit/<br>(Accumulated<br>Loss)<br>RM | Total<br>Equity<br>RM |
|----------------------|------------------------|---|---|-----------------------|
| <b>2009</b>          |                        |   |   |                       |
| Balance at beginning | 40,000,000             | 2,202,052                                       | (240,276)   | 41,961,776            |
| Profit for the year  | -                      | -   | 6,692,228   | 6,692,228             |
| Balance at end       | <b>40,000,000</b>      | <b>2,202,052</b>                                | <b>6,451,952</b>  | <b>48,654,004</b>     |
| <b>2008</b>          |                        |   |   |                       |
| Balance at beginning | 40,000,000             | 2,202,052                                       | 185,197   | 42,387,249            |
| Loss for the year    | -                      | -   | (425,473)   | (425,473)             |
| Balance at end       | 40,000,000             | 2,202,052                                       | (240,276)   | 41,961,776            |

The notes set out on pages 46 to 80 form an integral part of these financial statements.

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

|  | 2009<br>RM    | 2008<br>RM    |
|--|---------------|---------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>          |               |               |
| Profit/(Loss) before taxation                        | 6,692,228     | (425,473)     |
| Adjustments for :                                    |               |               |
| Depreciation   | 48,484        | 48,261        |
| Dividend income                                      | (5,000,000)   | -             |
| Gain on disposal of investment in a subsidiary       | (2,650,000)   | -             |
| Impairment loss on investment in subsidiaries        | 569,343       | -             |
| Interest expense                                     | 30,000        | -             |
| Interest income                                      | -             | (2,543)       |
| Operating loss before working capital changes        | (309,945)     | (379,755)     |
| Decrease in receivables                              | -             | 1,908         |
| (Decrease)/Increase in payables                      | (2,225,259)   | 2,271,877     |
| Cash (used in)/generated from operations             | (2,535,204)   | 1,894,030     |
| Dividend received                                    | 5,000,000     | -             |
| Income tax paid                                      | (905)         | (10,838)      |
| Income tax refund                                    | -             | 27,750        |
| Interest expense                                     | (30,000)      | -             |
| Net cash from operating activities                   | 2,433,891     | 1,910,942     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>          |               |               |
| Repayment from subsidiaries                          | 771,338       | 2,789,535     |
| Interest received                                    | -             | 2,543         |
| Proceeds from disposal of investment in a subsidiary | 5,250,000     | 2             |
| Purchase of investment in subsidiaries               | (5,499,998)   | (8,140,002)   |
| Purchase of property, plant and equipment            | (2,970)       | -             |
| Net cash from/(used in) investing activities         | 518,370       | (5,347,922)   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>          |               |               |
| (Repayment to)/Advance from subsidiaries             | (2,932,406)   | 3,453,137     |
| <b>NET INCREASE IN CASH</b>                          | <b>19,855</b> | <b>16,157</b> |
| <b>CASH AT BEGINNING</b>                             | <b>35,062</b> | <b>18,905</b> |
| <b>CASH AT END</b>                                   | <b>54,917</b> | <b>35,062</b> |

The notes set out on pages 46 to 80 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

## 1. CORPORATE INFORMATION

### General

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 April 2010.

### Principal Activities

The principal activities of the Company consist of investment holding and the provision of management services.

The principal activities of the subsidiaries are shown in Note 5 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies adopted by the Group and the Company are consistent with those adopted in the previous financial years unless otherwise indicated below.

### 2.1 Basis of Preparation

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

### 2.2 Significant Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed as follows :

#### (i) Impairment of intangible assets

The Group determines whether intangible assets are impaired at least once annually. This requires the estimation of the value in use of the cash-generating unit to which intangible assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

#### (ii) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment to be 2 to 56 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the plant and equipment. Therefore the future depreciation charges could be revised.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****2.2 Significant Accounting Estimates and Judgements (Cont'd)****(iii) Net realisable values of inventories**

The management reviews for slow-moving and obsolete inventories. This review requires judgements and estimates. Possible changes in these estimates could result in revision to the valuation of inventories.

**(iv) Recoverability of receivables**

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowance for doubtful debt is provided where events or changes in circumstances indicate that the balances may not be collectable. The identification of doubtful debts requires use of judgement and estimates. Where the estimation is different from the original estimate, such difference will impact the carrying value of the receivables and doubtful debts expenses in the period in which such estimate has been changed.

**2.3 Subsidiaries and Basis of Consolidation****Subsidiaries**

Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating activities so as to obtain benefits therefrom.

Investment in subsidiaries which is eliminated on consolidation is stated at cost less accumulated impairment losses in the Company's separate financial statements.

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is included in the income statement.

**Basis of Consolidation**

The consolidated financial statements of the Group include the audited financial statements of the Company and all its subsidiaries made up to the end of the financial year. Subsidiaries are consolidated using the acquisition method of consolidation.

Under the acquisition method of accounting, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements.

Any excess of the cost of acquisition over the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities represents goodwill and is retained in the balance sheet. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

Inter-company balances, transactions and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered. Where necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interests represent the portion of profit or loss and net assets of subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholder's equity and are separately disclosed in the consolidated income statement for the profit or loss attributable to the minority interests.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 2.4 Property, Plant and Equipment

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

Property, plant and equipment are depreciated on the straight line method to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates :

|  |           |
|--|-----------|
| Buildings                                | 2%        |
| Plant and machinery                      | 10%       |
| Office equipment, furniture and fittings | 10% - 50% |
| Renovation                               | 10%       |
| Motor vehicles                           | 20%       |

Freehold land is not amortised as it has an infinite life.

Depreciation on capital expenditure in progress commences when the assets are ready for their intended use.

The residual values, useful life and depreciation method are reviewed 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 property, plant and equipment.

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is included in the income statement.

#### 2.5 Hire Purchase

Property, plant and equipment financed under hire purchase are capitalised in the financial statements and are depreciated in accordance with the accounting policy as set out in Note 2.4. Outstanding obligations due under hire purchase after deducting finance costs are included as liabilities in the financial statements. The finance costs are charged to the income statement over the period of the respective agreements using the straight line and sum-of-digit methods, where appropriate.

#### 2.6 Operating Leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership to the Group.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land elements and buildings elements of the lease at the inception of the lease. The upfront payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

Prepaid lease payments on leasehold properties are amortised on a straight line basis over the lease term of the properties of 56 years to 99 years.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****2.7 Investments****Associate**

An associate is defined as one in which the Company has significant influence, but not control, over the financial and operating policies.

Associate is accounted for in the consolidated financial statements by the equity method of accounting based on audited financial statements of the associate. Under the equity method of accounting, the Group's share of profits/losses of the associate during the year is included in the consolidated income statement. The Group's interest in associate is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves as well as goodwill on acquisition. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in the associate.

Unrealised profits arising on transactions between the Group and its associate which are included in the carrying amount of the related assets and liabilities are eliminated to the extent of the Group's interests in the associate. Unrealised losses on such transactions are also eliminated unless cost cannot be recovered.

The equity method of accounting is discontinued when the Group's share of losses of the associate exceeds the carrying amount of investment, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

In the Company's separate financial statements, investment in associate is stated at cost less accumulated impairment losses.

Upon the disposal of investment in an associate, the difference between the net disposal proceeds and its carrying amount is included in the income statement.

**Other investment**

Other investment is stated at cost less accumulated impairment losses.

Upon the disposal of other investments, the difference between the net disposal proceeds and its carrying amount is included in the income statement.

**2.8 Intangible Assets****Goodwill**

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

**Licence right**

Licence right is measured initially at cost. Subsequent to initial recognition, licence right with definite life are stated at cost less accumulated amortisation and any accumulated impairment losses while licence right with indefinite life are stated at cost less accumulated impairment losses.

The licence right with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of a licence right with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 2.8 Intangible Assets (Cont'd)

##### Research and Development Costs

All research costs are immediately recognised in the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised as development costs and deferred only when the Group can demonstrate the technical feasibility of completing the asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are recognised in the income statement as incurred.

Capitalised development costs comprise direct attributable costs incurred for development. Capitalised development costs, considered to have finite useful lives, are stated at cost less accumulated amortisation and any accumulated impairment losses. Development costs are amortised using the straight-line basis over the commercial lives of the underlying products from the commencement of the commercialisation of the products. The amortisation period and method are reviewed at each balance sheet date to ensure that the expected useful lives of the assets are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of intangible assets.

#### 2.9 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of finished goods and work-in-progress includes materials, direct labour and attributable production overheads.

Cost is determined on the first-in, first-out basis.

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

#### 2.10 Receivables

Receivables are stated at their anticipated realisable values.

Known bad debts are written off and specific allowance is made for any debts considered to be doubtful of collection.

#### 2.11 Payables

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

#### 2.12 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****2.13 Impairment of Assets****Goodwill**

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units.

The Group reviews the carrying amount of its CGU at each balance sheet date to determine whether there is any indication of impairment or more frequently when indicators of impairment are identified. If any such indication exists, impairment is measured by comparing the carrying amount of the CGU with its recoverable amount.

CGU's recoverable amount is the higher of CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. Where the carrying amount of CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount. Impairment loss recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the income statement in the period in which it arises. Impairment loss on goodwill is not reversed in a subsequent period.

**Other assets**

At each balance sheet date, the Group reviews the carrying amounts of its assets other than prepaid lease payments, inventories and financial assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

**2.14 Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of borrowing costs ceases when the qualifying assets are substantially ready for their intended use or sale. Other borrowing costs are recognised as expenses in the period in which they are incurred.

**2.15 Income Recognition****Sale of goods**

Revenue from sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

**Dividend income**

Dividend income is recognised in the income statement when the right to receive payment is established.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 2.16 Employee Benefits

##### Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

##### Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

#### 2.17 Foreign Currency Translations

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, foreign currency monetary items are translated into functional currency at the exchange rates ruling at that date. All exchange gains or losses are included in the income statement.

The financial statements of the foreign subsidiaries are translated into Ringgit Malaysia at the approximate rate of exchange ruling on the balance sheet date for balance sheet items and at the approximate average rate of exchange ruling on transaction dates for income statement items. Exchange differences due to such currency translations are taken directly to exchange translation reserve.

#### 2.18 Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted by the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is 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 tax rates that have been enacted or substantively enacted by 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 recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****2.19 Derivative Financial Instruments**

Derivative financial instruments are not recognised in the financial statements on inception.

**Forward foreign exchange contracts**

Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transactions, at which time they are included in the measurement of such transactions and all exchange gains or losses are included in the income statement of the same period.

**2.20 Cash and Cash Equivalents**

Cash comprises cash in hand, cash at bank and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

**2.21 Equity Instruments**

Ordinary shares are classified as equity which are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Dividends on ordinary shares are recognised as liabilities when declared.

The transaction costs of an equity transaction which comprise only those incremental external costs directly attributable to the equity transaction are accounted for as a deduction from equity, net of tax, from the proceeds.

**2.22 Financial Instruments**

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

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 expense or income. Distributions to holders of the 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.

The particular recognition methods adopted are disclosed in the individual accounting policy associated with each item.

**2.23 Standards and Interpretations Issued but Not Yet Effective**

At the date of authorisation of these financial statements, the following new and revised Financial Reporting Standards ("FRSs") and Interpretations were issued but not yet effective and have not been early adopted by the Group and by the Company :

- (a) Effective for financial periods beginning on or after 1 July 2009

FRS 8

Operating Segments

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 2.23 Standards and Interpretations Issued but Not Yet Effective (Cont'd)

(b) Effective for financial periods beginning on or after 1 January 2010

|                        |   |
|------------------------|---|
| Amendment to FRS 1     | First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements : Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate   |
| * Amendment to FRS 2   | Share-based Payment. Amendments relating to vesting conditions and cancellations  |
| * FRS 4                | Insurance Contracts   |
| * Amendment to FRS 5   | Non-current Assets Held for Sale and Discontinued Operations. Amendment relating to disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations |
| FRS 7                  | Financial Instruments : Disclosures   |
| Amendment to FRS 7     | Financial Instruments : Disclosures. Amendments relating to financial assets  |
| Amendment to FRS 8     | Operating Segments. Amendment relating to disclosure information about segment assets   |
| FRS 101 (Revised 2010) | Presentation of Financial Statements  |
| Amendment to FRS 107   | Statement of Cash Flows. Amendment relating to classification of expenditures on unrecognised assets  |
| Amendment to FRS 108   | Accounting Policies, Changes in Accounting Estimates and Errors. Amendment relating to selection and application of accounting policies   |
| Amendment to FRS 110   | Events After the Reporting Period. Amendment relating to reason for dividend not recognised as a liability at the end of the reporting period   |
| Amendment to FRS 116   | Property, Plant and Equipment. Amendment relating to derecognition of asset   |
| Amendment to FRS 117   | Leases. Amendment relating to classification of leases  |
| Amendment to FRS 118   | Revenue. Amendment relating to Appendix of this standard and recognition and measurement  |
| Amendment to FRS 119   | Employee Benefits. Amendment relating to definition, curtailment and settlements  |
| * Amendment to FRS 120 | Accounting for Government Grants and Disclosure of Government Assistance. Amendment relating to definition and government loan with a below market rate of interest                               |
| FRS 123 (Revised 2010) | Borrowing Costs   |
| Amendment to FRS 123   | Borrowing Costs. Amendment relating to components of borrowing costs  |
| Amendment to FRS 127   | Consolidated and Separate Financial Statements. Amendment relating to cost of an investment in a subsidiary, jointly controlled entity or associate   |
| Amendment to FRS 128   | Investment in Associates. Amendment relating to impairment losses in application of the equity method and the scope of this standard  |
| * Amendment to FRS 129 | Financial Reporting in Hyperinflationary Economies. Amendment relating to changing of terms used  |
| * Amendment to FRS 131 | Interests in Joint Ventures. Amendment relating to additional disclosure required for joint venture that does not apply FRS 131   |
| Amendment to FRS 132   | Financial Instruments : Presentation. Amendment relating to puttable financial instruments  |
| Amendment to FRS 134   | Interim Financial Reporting. Amendment relating to disclosure of earnings per share   |
| Amendment to FRS 136   | Impairment of Assets. Amendment relating to the disclosure of recoverable amount  |
| Amendment to FRS 138   | Intangible Assets. Amendment relating to recognition of an expense  |

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****2.23 Standards and Interpretations Issued but Not Yet Effective (Cont'd)**

## (b) Effective for financial periods beginning on or after 1 January 2010 (Cont'd)

|                        |   |
|------------------------|---|
| FRS 139                | Financial Instruments : Recognition and Measurement   |
| Amendments to FRS 139  | Financial Instruments : Recognition and Measurements. Amendments relating to eligible hedged items, reclassification of financial assets and embedded derivatives |
| * Amendment to FRS 140 | Investment Property. Amendment relating to inability to determine fair value reliably   |
| * 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  |

## (c) Effective for financial periods beginning on or after 1 July 2010

|                                     |   |
|-------------------------------------|---|
| FRS 1 (Revised 2010)                | First-time Adoption of Financial Reporting Standards  |
| * Amendments to FRS 2               | Share-based Payment. Amendments relating to the scope of the Standard   |
| FRS 3 (Revised 2010)                | Business Combinations   |
| * Amendments to FRS 5               | Non-current Assets Held for Sale and Discontinued Operations. Amendment relating to the inclusion of non-current assets as held for distribution to owners in the standards |
| FRS127 (Revised 2010)               | Consolidated and Separate Financial Statements  |
| Amendments to FRS 138               | Intangible Assets. Amendments relating to the revision to FRS 3   |
| * Amendments to IC Interpretation 9 | Reassessment of Embedded Derivatives. Amendments relating to the scope of the IC and revision to FRS 3  |
| * IC Interpretation 12              | Service Concession Arrangements   |
| * IC Interpretation 15              | Agreements for the Construction of Real Estate  |
| * IC Interpretation 16              | Hedges of a Net Investment in a Foreign Operation   |
| * IC Interpretation 17              | Distributions of Non-cash Assets to Owners  |

\* Not relevant to the Group and to the Company as at the reporting date.

The existing FRS 1, FRS 3 and FRS 127 will be withdrawn upon the adoption of the revised Standards which will take effect on or after 1 July 2010. FRS 201<sup>2004</sup> Property Development Activities shall be withdrawn on application of IC Interpretation 15. The effects of FRS 7 and FRS 139, if any, upon their initial recognition are exempted from disclosure.

The directors anticipate that the other FRSs, amendments to FRSs and IC Interpretations will be adopted in the annual financial statements of the Group and of the Company for the financial year commencing 1 January 2010 and that the adoption of these new/revised FRSs, amendments to FRSs and IC Interpretations will have no material impact on the financial statements of the Group and of the Company in the period for initial application except for the following :

**FRS 3 Business Combination**

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### 2.23 Standards and Interpretations Issued but Not Yet Effective (Cont'd)

##### FRS 7 Financial Instruments : Disclosures

FRS 7 and the consequential amendment to FRS 101 Presentation of Financial Statements require disclosure of information about the significance of financial instruments for the Group's and the Company's financial position and performance, the nature and extent of risks arising from financial instruments and the objectives, policies and processes for managing capital.

##### FRS 8 Operating Segments

FRS 8, which replaces FRS 114<sup>2004</sup> Segment Reporting, requires the identification of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess their performance. Currently, the Group presents segment information in respect of its business and geographical segments. As a result, following the adoption of FRS 8, the identification of the Group's reportable segments may change.

##### FRS 117 Leases

The amendments clarify the classification of lease of land and require entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of these amendments will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions.

##### FRS 123 Borrowing Costs (Revised)

FRS 123 (Revised) eliminates the option available under the previous version of FRS 123 to recognise all borrowing costs immediately as an expense. The Group and the Company shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

##### FRS 127 Consolidated and Separate Financial Statements

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. Losses are required to allocate to non-controlling interests, even if it results in the non-controlling interest to be in a deficit position.

##### FRS 139 Financial Instruments : Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. By virtue of the exemption in paragraph 103AB of FRS 139, the impact on the financial statements upon first adoption of this standard as require by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed, if any.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

3. PROPERTY, PLANT AND EQUIPMENT

GROUP  
2009

|  | At cost                 |                  |                  |                                    | Balance at end RM |
|--|-------------------------|------------------|------------------|------------------------------------|-------------------|
|  | Balance at beginning RM | Additions RM     | Disposals RM     | Deconsolidation of a subsidiary RM |                   |
| Freehold land                            | 2,270,000               | -                | -                | (2,270,000)                        | -                 |
| Buildings                                | 11,512,286              | -                | -                | (2,730,000)                        | 8,782,286         |
| Plant and machinery                      | 41,343,495              | 6,060,688        | (426,199)        | (2,867,670)                        | 44,110,314        |
| Office equipment, furniture and fittings | 2,544,391               | 97,955           | (550)            | (143,014)                          | 2,498,782         |
| Renovation                               | 4,761,876               | 466,762          | -                | (1,009,525)                        | 4,219,113         |
| Motor vehicles                           | 1,379,358               | 179,501          | -                | (421,090)                          | 1,137,769         |
| Capital expenditure in progress          | 23,979,431              | 92,500           | -                | -                                  | 24,071,931        |
|  | <b>87,790,837</b>       | <b>6,897,406</b> | <b>(426,749)</b> | <b>(9,441,299)</b>                 | <b>84,820,195</b> |

|  | Accumulated depreciation |                   |                  |                                    | Balance at end RM |
|--|--------------------------|-------------------|------------------|------------------------------------|-------------------|
|  | Balance at beginning RM  | Current charge RM | Disposals RM     | Deconsolidation of a subsidiary RM |                   |
| Freehold land                            | -                        | -                 | -                | -                                  | -                 |
| Buildings                                | 1,937,188                | 214,991           | -                | (159,250)                          | 1,992,929         |
| Plant and machinery                      | 20,390,538               | 2,647,494         | (315,531)        | (1,202,098)                        | 21,520,403        |
| Office equipment, furniture and fittings | 1,304,739                | 234,034           | (46)             | (41,431)                           | 1,497,296         |
| Renovation                               | 1,966,309                | 480,619           | -                | (178,514)                          | 2,268,414         |
| Motor vehicles                           | 1,076,460                | 196,716           | -                | (415,195)                          | 857,981           |
| Capital expenditure in progress          | -                        | -                 | -                | -                                  | -                 |
|  | <b>26,675,234</b>        | <b>3,773,854</b>  | <b>(315,577)</b> | <b>(1,996,488)</b>                 | <b>28,137,023</b> |

|                     | Accumulated impairment loss |                   |              |                                    | Balance at end RM |
|---------------------|-----------------------------|-------------------|--------------|------------------------------------|-------------------|
|                     | Balance at beginning RM     | Current charge RM | Disposals RM | Deconsolidation of a subsidiary RM |                   |
| Plant and machinery | 2,029,629                   | -                 | -            | -                                  | 2,029,629         |

|  | Net carrying amount at end RM |
|--|-------------------------------|
| Freehold land                            | -                             |
| Buildings                                | 6,789,357                     |
| Plant and machinery                      | 20,560,282                    |
| Office equipment, furniture and fittings | 1,001,486                     |
| Renovation                               | 1,950,699                     |
| Motor vehicles                           | 279,788                       |
| Capital expenditure in progress          | 24,071,931                    |
|  | <b>54,653,543</b>             |

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

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

GROUP  
2008

|  | At cost                 |                                    |                   |              |                |                     | Balance at end RM |
|--|-------------------------|------------------------------------|-------------------|--------------|----------------|---------------------|-------------------|
|  | Balance at beginning RM | Acquisition of a new subsidiary RM | Current Charge RM | Disposals RM | Written off RM | Reclassification RM |                   |
| Freehold land                            | -                       | 2,270,000                          | -                 | -            | -              | -                   | 2,270,000         |
| Buildings                                | 8,782,286               | 2,730,000                          | -                 | -            | -              | -                   | 11,512,286        |
| Plant and machinery                      | 36,062,006              | 1,754,989                          | 1,636,204         | (76,310)     | -              | 1,966,606           | 41,343,495        |
| Office equipment, furniture and fittings | 2,268,015               | 32,216                             | 251,519           | (7,359)      | -              | -                   | 2,544,391         |
| Renovation                               | 3,337,138               | 432,839                            | 1,238,764         | -            | (476,865)      | 230,000             | 4,761,876         |
| Motor vehicles                           | 890,130                 | 421,090                            | 68,138            | -            | -              | -                   | 1,379,358         |
| Capital expenditure in progress          | 16,795,375              | -                                  | 9,380,662         | -            | -              | (2,196,606)         | 23,979,431        |
|  | 68,134,950              | 7,641,134                          | 12,575,287        | (83,669)     | (476,865)      | -                   | 87,790,837        |

|  | Accumulated depreciation |                                    |                   |              |                |                     | Balance at end RM |
|--|--------------------------|------------------------------------|-------------------|--------------|----------------|---------------------|-------------------|
|  | Balance at beginning RM  | Acquisition of a new subsidiary RM | Current Charge RM | Disposals RM | Written off RM | Reclassification RM |                   |
| Freehold land                            | -                        | -                                  | -                 | -            | -              | -                   | -                 |
| Buildings                                | 1,663,047                | 91,000                             | 183,141           | -            | -              | -                   | 1,937,188         |
| Plant and machinery                      | 16,330,183               | 862,968                            | 3,219,008         | (21,621)     | -              | -                   | 20,390,538        |
| Office equipment, furniture and fittings | 1,081,025                | 14,854                             | 210,624           | (1,764)      | -              | -                   | 1,304,739         |
| Renovation                               | 1,741,885                | 75,226                             | 349,588           | -            | (200,390)      | -                   | 1,966,309         |
| Motor vehicles                           | 574,766                  | 342,282                            | 159,412           | -            | -              | -                   | 1,076,460         |
| Capital expenditure in progress          | -                        | -                                  | -                 | -            | -              | -                   | -                 |
|  | 21,390,906               | 1,386,330                          | 4,121,773         | (23,385)     | (200,390)      | -                   | 26,675,234        |

|                     | Accumulated impairment loss |                                    |                   |              |                |                     | Balance at end RM |
|---------------------|-----------------------------|------------------------------------|-------------------|--------------|----------------|---------------------|-------------------|
|                     | Balance at beginning RM     | Acquisition of a new subsidiary RM | Current Charge RM | Disposals RM | Written off RM | Reclassification RM |                   |
| Plant and machinery | -                           | -                                  | 2,029,629         | -            | -              | -                   | 2,029,629         |

|  | Net carrying amount at end RM |
|--|-------------------------------|
| Freehold land                            | 2,270,000                     |
| Buildings                                | 9,575,098                     |
| Plant and machinery                      | 18,923,328                    |
| Office equipment, furniture and fittings | 1,239,652                     |
| Renovation                               | 2,795,567                     |
| Motor vehicles                           | 302,898                       |
| Capital expenditure in progress          | 23,979,431                    |
|  | 59,085,974                    |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

3. PROPERTY, PLANT AND EQUIPMENT

COMPANY

|                                 | Furniture and fittings<br>RM | Office equipment<br>RM | Total<br>RM    |
|---------------------------------|------------------------------|------------------------|----------------|
| <b>2009</b>                     |                              |                        |                |
| <b>At cost</b>                  |                              |                        |                |
| Balance at beginning            | 10,819                       | 471,795                | 482,614        |
| Additions                       | -                            | 2,970                  | 2,970          |
| Balance at end                  | <b>10,819</b>                | <b>474,765</b>         | <b>485,584</b> |
| <b>Accumulated depreciation</b> |                              |                        |                |
| Balance at beginning            | 2,525                        | 145,321                | 147,846        |
| Current charge                  | 1,082                        | 47,402                 | 48,484         |
| Balance at end                  | <b>3,607</b>                 | <b>192,723</b>         | <b>196,330</b> |
| <b>Net carrying amount</b>      | <b>7,212</b>                 | <b>282,042</b>         | <b>289,254</b> |
| <b>2008</b>                     |                              |                        |                |
| <b>At cost</b>                  |                              |                        |                |
| Balance at beginning/end        | 10,819                       | 471,795                | 482,614        |
| <b>Accumulated depreciation</b> |                              |                        |                |
| Balance at beginning            | 1,443                        | 98,142                 | 99,585         |
| Current charge                  | 1,082                        | 47,179                 | 48,261         |
| Balance at end                  | 2,525                        | 145,321                | 147,846        |
| <b>Net carrying amount</b>      | <b>8,294</b>                 | <b>326,474</b>         | <b>334,768</b> |

GROUP

- (i) The net carrying amount of property, plant and equipment pledged to licensed banks as securities for credit facilities granted to the subsidiaries are as follows :

|                     | 2009<br>RM       | 2008<br>RM        |
|---------------------|------------------|-------------------|
| Freehold land       | -                | 2,270,000         |
| Buildings           | 6,789,357        | 9,575,098         |
| Plant and machinery | 2,962,183        | 3,426,509         |
|                     | <b>9,751,540</b> | <b>15,271,607</b> |

- (ii) The net carrying amount of property, plant and equipment acquired under hire purchase loans are as follows :

|                     | 2009<br>RM       | 2008<br>RM       |
|---------------------|------------------|------------------|
| Plant and machinery | 6,684,406        | 5,363,297        |
| Motor vehicles      | 239,626          | 247,977          |
|                     | <b>6,924,032</b> | <b>5,611,274</b> |

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

## 4. PREPAID LEASE PAYMENTS

|                                 | GROUP      |            |
|---------------------------------|------------|------------|
|                                 | 2009<br>RM | 2008<br>RM |
| <b>At cost</b>                  |            |            |
| Balance at beginning/end        | 1,411,114  | 1,411,114  |
| <b>Accumulated amortisation</b> |            |            |
| Balance at beginning            | 324,439    | 301,085    |
| Current year                    | 23,354     | 23,354     |
| Balance at end                  | (347,793)  | (324,439)  |
| <b>Net carrying amount</b>      | 1,063,321  | 1,086,675  |
| Analysed by :                   |            |            |
| Short leasehold land            | 854,241    | 875,076    |
| Long leasehold apartment        | 209,080    | 211,599    |
|                                 | 1,063,321  | 1,086,675  |

The short leasehold land is pledged to a licensed bank as security for credit facilities granted to a subsidiary.

Short leasehold property refers to property with unexpired lease period of 50 years or less and long leasehold property refers to property with unexpired lease period of more than 50 years determined at balance sheet date.

## 5. INVESTMENT IN SUBSIDIARIES

|                          | COMPANY    |            |
|--------------------------|------------|------------|
|                          | 2009<br>RM | 2008<br>RM |
| Unquoted shares, at cost | 43,724,568 | 41,864,570 |
| Less : Impairment loss   | (569,343)  | -          |
|                          | 43,155,225 | 41,864,570 |

Details of the subsidiaries are as follows :

| Name of Company                 | Place of Incorporation | Effective Equity Interest |      | Principal Activities   |
|---------------------------------|------------------------|---------------------------|------|--|
|                                 |                        | 2009                      | 2008 |  |
| <u>Direct</u>                   |                        |                           |      |  |
| Biosis Cosmeceuticals Sdn. Bhd. | Malaysia               | 100%                      | 100% | Manufacturing, marketing and distribution of personal care products and manufacturing of health care products.                                       |
| Biosis Marketing Sdn. Bhd.      | Malaysia               | 100%                      | 100% | Marketing, trading and distribution of personal care, health care and other products for hospitality industry, pharmacy outlets and medical centres. |
| Zelloni Products (M) Sdn. Bhd.  | Malaysia               | 100%                      | 100% | Marketing and distribution of professional beauty care products.   |
| Clini-Goods Sdn. Bhd.           | Malaysia               | 100%                      | 100% | Manufacturing, marketing, trading and distribution of health care products.  |

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

## 5. INVESTMENT IN SUBSIDIARIES (Cont'd)

| Name of Company   | Place of Incorporation | Effective Equity Interest |      | Principal Activities   |
|---|------------------------|---------------------------|------|--|
|   |                        | 2009                      | 2008 |  |
| Clini-Foods Sdn. Bhd.   | Malaysia               | 83.33%                    | 100% | Manufacturing, marketing and distribution of pharmaceutical products.                                      |
| * Greenland Holdings Limited                                  | Hong Kong              | 100%                      | 100% | Investment holding.  |
| * Hi-City Petapak Limited                                     | Hong Kong              | 100%                      | 100% | Provision of technical expertise, design specifications, know-how in plastic and other related activities. |
| * Coscolab Sdn. Bhd.  | Malaysia               | -                         | 70%  | Wholesaler and processor of pharmaceuticals, cosmetics, toiletries and related products.                   |
| D'Hair Shop (M) Sdn. Bhd.                                     | Malaysia               | 100%                      | 100% | Trading of hair care products.   |
| <u>Indirect - held through Zelloni Products (M) Sdn. Bhd.</u> |                        |                           |      |  |
| PT Professional Skin Prescription Centre Sdn. Bhd.            | Malaysia               | 100%                      | 100% | Dormant.   |
| <u>Indirect - held through Clini-Foods Sdn. Bhd.</u>          |                        |                           |      |  |
| Biosis Biologics Sdn. Bhd.                                    | Malaysia               | 100%                      | 100% | Engaged in research and development activities.  |

\* Not audited by Grant Thornton.

**2009**

- (i) On 13 May 2009, Clini-Foods Sdn. Bhd. has ceased to be a wholly-owned subsidiary of the Company when the Company's interest was diluted to 83.33%.
- (ii) On 15 September 2009, the Company entered into a Sale of Shares Agreement with FCW Holdings Berhad ("FCW") to dispose of 50% equity interest in Coscolab Sdn. Bhd. ("COSCO") to FCW for a total cash consideration of RM5.25 million. Consequent to the disposal, the Company's equity interest in COSCO has reduced to 20% and has become an associate of the Company. The subsidiary was previously reported as part of the pharmaceutical products segment.
- (iii) Additional investment in subsidiaries :

On 8 December 2009, the Company subscribed for an additional 5,000,000 new ordinary shares of RM1 each at par for cash in Biosis Marketing Sdn. Bhd. for a total cash consideration of RM5,000,000.

On the same day, the Company also subscribed for an additional 499,998 new ordinary shares of RM1 each at par for cash in D'Hair Shop (M) Sdn. Bhd. for a total cash consideration of RM499,998.

The above share subscriptions did not create any change in the effective equity interest of the Group and of the Company in both subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

## 5. INVESTMENT IN SUBSIDIARIES (Cont'd)

2008

## (i) Additional investment in subsidiaries :

On 28 May 2008, the Company subscribed for an additional 2,000,000 new ordinary shares of RM1 each at par for cash in Biosis Cosmeceuticals Sdn. Bhd. for a total cash consideration of RM2,000,000.

On 30 December 2008, the Company subscribed for an additional 2,500,000 new ordinary shares of RM1 each at par for cash in Clini-Foods Sdn. Bhd. for a total cash consideration of RM2,500,000.

## (ii) On 19 August 2008, the Company acquired 350,000 ordinary shares of RM1 each, which represents 70% equity interest in Coscolab Sdn. Bhd., for a total cash consideration of RM3,640,000.

## (iii) On 8 July 2008, the Company disposed of 100% equity interest in Biosis Biologics Sdn. Bhd. to its wholly-owned subsidiary, Clini-Foods Sdn. Bhd. for a total cash consideration of RM2.

## (iv) On 8 August 2008, the Company acquired 2 ordinary shares of RM1 each, which represents 100% equity interest in D'Hair Shop (M) Sdn. Bhd., for a total cash consideration of RM2.

The effect of the acquisition of Coscolab Sdn. Bhd. on the financial results for the year ended 31 December 2008 of the Group is as follows :

|                                   | <b>RM</b>      |
|-----------------------------------|----------------|
| Revenue                           | 11,245,342     |
| Cost of sales                     | (8,724,765)    |
| Gross profit                      | 2,520,577      |
| Other income                      | 103,019        |
| Administrative expenses           | (450,110)      |
| Selling and distribution expenses | (252,843)      |
| Other operating expenses          | (164,068)      |
| Profit from operations            | 1,756,575      |
| Finance costs                     | (256,931)      |
| Profit before taxation            | 1,499,644      |
| Taxation                          | (354,940)      |
| Profit for the year               | 1,144,704      |
| Minority interest                 | (343,411)      |
| Increase in Group's net profit    | <u>801,293</u> |

The effect of the acquisition of Coscolab Sdn. Bhd. on the financial position of the Group as at 31 December 2008 is as follows :

|                                     | <b>RM</b>        |
|-------------------------------------|------------------|
| Property, plant and equipment       | 7,436,652        |
| Inventories                         | 3,244,701        |
| Receivables                         | 2,362,446        |
| Fixed deposits with a licensed bank | 170,000          |
| Cash and bank balances              | 347,492          |
| Payables                            | (3,263,748)      |
| Term loan                           | (3,144,378)      |
| Hire purchase payables              | (1,125,410)      |
| Deferred tax liabilities            | (53,398)         |
| Provision for taxation              | (239,074)        |
| Increase in Group's net assets      | <u>5,735,283</u> |

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

## 6. INVESTMENT IN AN ASSOCIATE

|                                    | GROUP          |            | COMPANY          |            |
|------------------------------------|----------------|------------|------------------|------------|
|                                    | 2009<br>RM     | 2008<br>RM | 2009<br>RM       | 2008<br>RM |
| Unquoted shares, at cost           | 1,040,000      | -          | 1,040,000        | -          |
| Share of post-acquisition reserves | (71,003)       | -          | -                | -          |
|                                    | <b>968,997</b> | <b>-</b>   | <b>1,040,000</b> | <b>-</b>   |

Details of the associate, which is incorporated in Malaysia are as follows :

| Name of Company      | Effective Equity Interest |      | Principal Activities   |
|----------------------|---------------------------|------|--|
|                      | 2009                      | 2008 |  |
| * Coscolab Sdn. Bhd. | 20%                       | -    | Wholesaler and processor of pharmaceuticals, cosmetics, toiletries and related products. |

\* Not audited by Grant Thornton.

## 2009

On 15 September 2009, the Company entered into a Sale of Shares Agreement with FCW Holdings Berhad ("FCW") to dispose of 50% equity interest in Coscolab Sdn. Bhd. ("COSCO") to FCW for a total cash consideration of RM5.25 million. Consequent to the disposal, the Company's equity interest in COSCO has reduced to 20% and has become an associate of the Company.

The summarised financial information of the associate is as follows :

|                               | 2009<br>RM        | 2008<br>RM |
|-------------------------------|-------------------|------------|
| <b>Assets and liabilities</b> |                   |            |
| Non-current assets            | 7,538,229         | -          |
| Current assets                | 7,685,416         | -          |
| Total assets                  | <b>15,223,645</b> | <b>-</b>   |
| Non-current liabilities       | 3,638,900         | -          |
| Current liabilities           | 4,274,607         | -          |
| Total liabilities             | <b>7,913,507</b>  | <b>-</b>   |
| <b>Results</b>                |                   |            |
| Revenue                       | 1,621,134         | -          |
| Loss for the year             | (355,013)         | -          |

## 7. OTHER INVESTMENT

|                             | GROUP      |            |
|-----------------------------|------------|------------|
|                             | 2009<br>RM | 2008<br>RM |
| Institutional Trust Account | 5,526,565  | 5,500,775  |

The Institutional Trust Account (ITA) is earmarked as a security and restoration deposits for the lease of a three storey pharmaceutical factory from Amanah Raya Berhad pursuant to the lease agreement dated 11 December 2007.

The interest rate of the ITA at balance sheet date is 5% (2008 : 5%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

## 8. INTANGIBLE ASSETS

|   | GROUP            |                  |
|---|------------------|------------------|
|   | 2009<br>RM       | 2008<br>RM       |
| <b>Goodwill on consolidation</b>            |                  |                  |
| Balance at beginning                        | 744,293          | -                |
| Arising from acquisition of a subsidiary    | -                | 744,293          |
| Disposal of a subsidiary                    | (744,293)        | -                |
| Balance at end                              | -                | 744,293          |
| <b><sup>1</sup> Licence rights</b>          |                  |                  |
| Balance at beginning                        | 6,924,101        | 6,442,800        |
| Foreign currency translation                | (30,440)         | 481,301          |
| Balance at end                              | 6,893,661        | 6,924,101        |
| <b><sup>2</sup> Development expenditure</b> |                  |                  |
| Balance at beginning                        | 146,228          | 43,006           |
| Current year                                | 1,380,413        | 96,761           |
| Foreign currency translation                | (533)            | 6,461            |
| Balance at end                              | 1,526,108        | 146,228          |
|   | <b>8,419,769</b> | <b>7,814,622</b> |

**<sup>1</sup> Licence right**

The licence right represents the cost of acquisition of an exclusive licence to use and exploit all the technology, technical expertise, design, specifications and know-how in respect of plastic polyethylene terephthalate containers adapted to dispense pressurised or aerosol products, together with the method of manufacturing the same.

The licence right with indefinite life is not amortised but tested for impairment annually or more frequently.

For annual impairment testing purposes on intangible assets, the recoverable amount of the cash-generating unit are determined based on their value-in use, which apply a discounted cash flow model using cash flow projections based on financial budget and projections approved by management.

The key assumptions on which the management has based on for the computation of value-in-use are as follows :

## (i) Cash flow projections and growth rate

The five-year cash flow projections are based on the most recent budget approved by the management and extrapolated using a steady growth rate for the subsequent years.

## (ii) Discount rate

The discount rate of 5.55% (2008 : 6.50%) is applied to the cash flow projections.

**<sup>2</sup> Development expenditure**

Included in current year's development expenditure are the following :

|                             | 2009<br>RM | 2008<br>RM |
|-----------------------------|------------|------------|
| Depreciation (Note 22)      | 239,247    | -          |
| Rental of premise (Note 22) | 231,563    | -          |
| Staff costs (Note 22)       | 679,525    | -          |

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

**9. AMOUNT DUE FROM/TO SUBSIDIARIES****COMPANY**

Amount due from/to subsidiaries is non-trade related, unsecured, interest free and is repayable on demand.

**10. INVENTORIES**

|                     | <b>GROUP</b>      |                   |
|---------------------|-------------------|-------------------|
|                     | <b>2009</b>       | <b>2008</b>       |
|                     | <b>RM</b>         | <b>RM</b>         |
| At cost :           |                   |                   |
| Raw materials       | 2,662,850         | 4,044,382         |
| Packaging materials | 3,049,069         | 4,499,915         |
| Work-in-progress    | 654,938           | 1,317,494         |
| Finished goods      | 5,293,797         | 5,487,968         |
|                     | <b>11,660,654</b> | <b>15,349,759</b> |

**11. TRADE RECEIVABLES**

|                                     | <b>GROUP</b>      |                   |
|-------------------------------------|-------------------|-------------------|
|                                     | <b>2009</b>       | <b>2008</b>       |
|                                     | <b>RM</b>         | <b>RM</b>         |
| Total amount                        | 20,178,418        | 19,126,326        |
| Less : Allowance for doubtful debts |                   |                   |
| Balance at beginning                | (493,723)         | (508,508)         |
| Current year                        | (375,962)         | (171,836)         |
| Written off                         | -                 | 403               |
| Doubtful debts recovered            | -                 | 186,218           |
| Balance at end                      | (869,685)         | (493,723)         |
|                                     | <b>19,308,733</b> | <b>18,632,603</b> |
| Analysis by currencies :            |                   |                   |
| Ringgit Malaysia                    | 14,989,481        | 15,299,501        |
| US Dollar                           | 3,462,425         | 3,607,476         |
| Euro                                | 1,490,363         | -                 |
| Singapore Dollar                    | 142,206           | 152,870           |
| Australian Dollar                   | 93,943            | 66,479            |
|                                     | <b>20,178,418</b> | <b>19,126,326</b> |

The normal credit terms granted to trade receivables range from **30 to 120 days** (2008 : 30 to 120 days). Other credit terms are assessed and approved on a case-by-case basis.

**12. FIXED DEPOSITS WITH LICENSED BANKS****GROUP**

The fixed deposits are pledged as securities for banking facilities granted to certain subsidiaries.

The effective interest rates and maturities for fixed deposits ranged from **2.23% to 2.50%** (2008 : 3.00% to 3.10%) per annum and **1 to 12 months** (2008 : 1 month) respectively.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

## 13. CASH AND BANK BALANCES

|                          | GROUP            |                  | COMPANY       |               |
|--------------------------|------------------|------------------|---------------|---------------|
|                          | 2009<br>RM       | 2008<br>RM       | 2009<br>RM    | 2008<br>RM    |
| Analysis by currencies : |                  |                  |               |               |
| Ringgit Malaysia         | 1,305,165        | 1,269,162        | 54,917        | 35,062        |
| US Dollar                | 3,223            | 3,278            | -             | -             |
| Hong Kong Dollar         | 1,179            | 2,213            | -             | -             |
|                          | <b>1,309,567</b> | <b>1,274,653</b> | <b>54,917</b> | <b>35,062</b> |

## 14. SHARE CAPITAL

|                          | Number of ordinary<br>shares of RM0.50 each |             | Amount     |            |
|--------------------------|---|-------------|------------|------------|
|                          | 2009<br>RM                                  | 2008<br>RM  | 2009<br>RM | 2008<br>RM |
| Authorised :             |   |             |            |            |
| Balance at beginning/end | 100,000,000                                 | 100,000,000 | 50,000,000 | 50,000,000 |
| Issued and fully paid :  |   |             |            |            |
| Balance at beginning/end | 80,000,000                                  | 80,000,000  | 40,000,000 | 40,000,000 |

## 15. EXCHANGE TRANSLATION RESERVE

## GROUP

This is in respect of foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

## 16. BORROWINGS

|  | GROUP             |                   |
|--|-------------------|-------------------|
|  | 2009<br>RM        | 2008<br>RM        |
| <b>Non-current liabilities</b>                                   |                   |                   |
| Term loans :   |                   |                   |
| Total amount repayable   | 6,717,041         | 11,832,292        |
| Less : Repayable within one year included in current liabilities | (1,975,980)       | (2,027,052)       |
|  | <b>4,741,061</b>  | <b>9,805,240</b>  |
| Hire purchase payables :   |                   |                   |
| Total amount payable   | 13,197,045        | 4,882,971         |
| Less : Interest in suspense                                      | (2,018,770)       | (661,198)         |
|  | <b>11,178,275</b> | <b>4,221,773</b>  |
| Less : Payable within one year included in current liabilities   | (2,654,233)       | (1,265,003)       |
|  | <b>8,524,042</b>  | <b>2,956,770</b>  |
| 1 Redeemable convertible cumulative preference shares ("RCCPS")  | 6,284,754         | -                 |
|  | <b>19,549,857</b> | <b>12,762,010</b> |

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

### 16. BORROWINGS (Cont'd)

|                                       | Group             |                   |
|---------------------------------------|-------------------|-------------------|
|                                       | 2009<br>RM        | 2008<br>RM        |
| <b>Current liabilities</b>            |                   |                   |
| Bank overdrafts                       | 1,295,244         | 4,244,363         |
| Bankers acceptance and trust receipts | 21,981,263        | 22,970,470        |
| Hire purchase payables                | 2,654,233         | 1,265,003         |
| Term loans                            | 1,975,980         | 2,027,052         |
|                                       | <b>27,906,720</b> | <b>30,506,888</b> |

<sup>1</sup> This is in respect of the liability component of redeemable convertible cumulative preference shares issued by Clini-Foods Sdn. Bhd. during the financial year to its minority shareholders.

The borrowings (except for hire purchase payables and RCCPS) are secured by way of :

- (i) legal charge over the freehold and short leasehold land and buildings of certain subsidiaries,
- (ii) specific debenture and fixed charge over certain plant and machinery,
- (iii) pledged of fixed deposits of a subsidiary,
- (iv) negative pledge of certain subsidiaries,
- (v) joint and several guarantee by certain directors of a subsidiary and a director of the Company,
- (vi) corporate guarantee by Credit Guarantee Corporation under New Principal Guarantee Scheme, and
- (vii) corporate guarantee from the Company.

A summary of the effective interest rates and the maturities of the borrowings are as follows :

|                                       | Average<br>effective<br>interest rate<br>per annum<br>(%) | Total<br>RM | Within<br>one<br>year<br>RM | More than<br>one year and<br>less than<br>five years<br>RM | More than<br>five years<br>RM |
|---------------------------------------|---|-------------|-----------------------------|--|-------------------------------|
| <b>2009</b>                           |   |             |                             |  |                               |
| Bank overdrafts                       | 7.00 - 7.55   | 1,295,244   | 1,295,244                   | -  | -                             |
| Bankers acceptance and trust receipts | 2.22 - 8.00   | 21,981,263  | 21,981,263                  | -  | -                             |
| Hire purchase payables                | 2.55 - 6.31   | 11,178,275  | 2,654,233                   | 8,456,248  | 67,794                        |
| RCCPS                                 | 15.00   | 6,284,754   | -                           | 6,284,754  | -                             |
| Term loans                            | 6.80 - 7.05   | 6,717,041   | 1,975,980                   | 4,741,061  | -                             |
| <b>2008</b>                           |   |             |                             |  |                               |
| Bank overdrafts                       | 8.25 - 8.50   | 4,244,363   | 4,244,363                   | -  | -                             |
| Bankers acceptance and trust receipts | 3.62 - 8.25   | 22,970,470  | 22,970,470                  | -  | -                             |
| Hire purchase payables                | 2.00 - 6.31   | 4,221,773   | 1,265,003                   | 2,956,770  | -                             |
| Term loans                            | 7.10 - 8.25   | 11,832,292  | 2,027,052                   | 9,805,240  | -                             |

The repayments of term loans are as follows :

| Term loan | Principal sum<br>RM | Repayment terms                                 | Commencement date |
|-----------|---------------------|---|-------------------|
| I         | 400,000             | 48 equal monthly instalments of RM9,625 each.   | March 2006        |
| II        | 1,575,244           | 60 equal monthly instalments of RM32,130 each   | November 2006     |
| III       | 1,440,948           | 60 equal monthly instalments of RM22,800 each   | December 2006     |
| IV        | 29,524              | 60 equal monthly instalments of RM603 each.     | November 2007     |
| V         | 7,000,000           | 60 equal monthly instalments of RM142,774 each. | October 2008      |
| VI        | 5,000,000           | 180 equal monthly instalments of RM28,928 each. | October 2007      |
| VII       | 50,000              | 96 equal monthly instalments of RM547 each.     | April 2008        |

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

## 17. DEFERRED TAX LIABILITIES

|  | GROUP            |                  |
|--|------------------|------------------|
|  | 2009<br>RM       | 2008<br>RM       |
| Balance at beginning   | 1,525,355        | 1,881,657        |
| Arising from acquisition of a subsidiary                             | -                | 38,231           |
| Disposal of a subsidiary   | (53,398)         | -                |
| Arising from the liability component of RCCPS issued by a subsidiary | 678,800          | -                |
| Transfer to income statement   | (117,957)        | (72,533)         |
|  | <b>2,032,800</b> | <b>1,847,355</b> |
| Over provision in prior year   | (38,000)         | (322,000)        |
|  | <b>1,994,800</b> | <b>1,525,355</b> |

The deferred tax liabilities/(assets) are represented by temporary differences arising from :

|  | GROUP            |                  |
|--|------------------|------------------|
|  | 2009<br>RM       | 2008<br>RM       |
| - Excess of capital allowances over depreciation | 1,440,000        | 1,697,398        |
| - Unabsorbed tax losses                          | (39,000)         | (38,000)         |
| - Unabsorbed capital allowances                  | (80,000)         | (58,000)         |
| - Allowance for doubtful debts                   | (5,000)          | (5,000)          |
| - Tax effect on unrealised profits               | -                | (71,043)         |
| - RCCPS issued by a subsidiary                   | 678,800          | -                |
|  | <b>1,994,800</b> | <b>1,525,355</b> |

## 18. TRADE PAYABLES

|                          | GROUP            |                  |
|--------------------------|------------------|------------------|
|                          | 2009<br>RM       | 2008<br>RM       |
| Analysis by currencies : |                  |                  |
| Ringgit Malaysia         | 6,519,666        | 7,575,485        |
| Thai Baht                | -                | 672,677          |
| US Dollar                | 255,932          | 335,622          |
| Singapore Dollar         | 92,207           | 230,151          |
| Others                   | 55,600           | 73,853           |
|                          | <b>6,923,405</b> | <b>8,887,788</b> |

The normal credit terms granted by trade payables range from **30 to 120 days** (2008 : 30 to 120 days).

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

## 19. OTHER PAYABLES AND ACCRUALS

|   | GROUP            |                   | COMPANY        |                  |
|---|------------------|-------------------|----------------|------------------|
|   | 2009<br>RM       | 2008<br>RM        | 2009<br>RM     | 2008<br>RM       |
| Other payables  | 8,491,295        | 8,270,361         | 176,995        | 81,379           |
| Balance of unpaid purchase consideration<br>for acquisition of a subsidiary | -                | 2,250,000         | -              | 2,250,000        |
| Accruals  | 971,215          | 963,787           | 120,665        | 191,540          |
|   | <b>9,462,510</b> | <b>11,484,148</b> | <b>297,660</b> | <b>2,522,919</b> |
| Analysis by currencies :  |                  |                   |                |                  |
| Ringgit Malaysia  | 3,843,893        | 5,835,493         | 297,660        | 2,522,919        |
| Hong Kong Dollar  | 5,618,617        | 5,648,655         | -              | -                |
|   | <b>9,462,510</b> | <b>11,484,148</b> | <b>297,660</b> | <b>2,522,919</b> |

## 20. AMOUNT DUE TO A DIRECTOR

## GROUP

The amount due to a director was unsecured, interest free and was repayable on demand.

## 21. REVENUE

|   | GROUP             |                   | COMPANY          |            |
|---|-------------------|-------------------|------------------|------------|
|   | 2009<br>RM        | 2008<br>RM        | 2009<br>RM       | 2008<br>RM |
| Gross dividend income from a subsidiary | -                 | -                 | 5,000,000        | -          |
| Sale of goods                           | 57,508,643        | 50,044,805        | -                | -          |
|   | <b>57,508,643</b> | <b>50,044,805</b> | <b>5,000,000</b> | <b>-</b>   |

## 22. (LOSS)/PROFIT BEFORE TAXATION

|   | GROUP      |            | COMPANY    |            |
|---|------------|------------|------------|------------|
|   | 2009<br>RM | 2008<br>RM | 2009<br>RM | 2008<br>RM |
| After charging :                                    |            |            |            |            |
| Allowance for doubtful debts                        | 375,962    | 171,836    | -          | -          |
| Amortisation of prepaid lease payment               | 23,354     | 23,354     | -          | -          |
| Audit fee   |            |            |            |            |
| - current year                                      | 85,103     | 69,322     | 12,000     | 10,000     |
| - under/(over) provision in prior year              | 2,000      | (16,000)   | 2,000      | (4,000)    |
| Bad debts   | 2,772      | 3,366      | -          | -          |
| * Depreciation                                      | 3,534,607  | 4,121,773  | 48,484     | 48,261     |
| Directors' remuneration for non-executive directors |            |            |            |            |
| - Emoluments  | 3,000      | 9,000      | 3,000      | 9,000      |
| - Fees  |            |            |            |            |
| - current year                                      | 43,000     | 60,000     | 43,000     | 60,000     |
| - over provision in prior year                      | -          | (9,500)    | -          | (9,500)    |

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

## 22. (LOSS)/PROFIT BEFORE TAXATION (Cont'd)

|   | GROUP            |                  | COMPANY        |                |
|---|------------------|------------------|----------------|----------------|
|   | 2009<br>RM       | 2008<br>RM       | 2009<br>RM     | 2008<br>RM     |
| After charging (Cont'd):                          |                  |                  |                |                |
| Impairment loss on property, plant and equipment  | -                | 2,029,629        | -              | -              |
| Impairment loss on investment in subsidiaries     | -                | -                | 569,343        | -              |
| Interest expense                                  | 2,766,410        | 2,348,652        | 30,000         | -              |
| Loss on disposal of property, plant and equipment | 18,785           | 36,484           | -              | -              |
| Property, plant and equipment written off         | -                | 276,475          | -              | -              |
| Realised loss on foreign exchange                 | 289,173          | 2,742            | -              | -              |
| Rental of equipment                               | 780              | -                | -              | -              |
| ** Rental of premises                             | 4,177,438        | 244,520          | -              | -              |
| *** Research and development expenses             | 413,707          | 875,378          | -              | -              |
| **** Staff costs                                  | 6,812,979        | 5,854,153        | 154,000        | 132,500        |
| And crediting :                                   |                  |                  |                |                |
| Doubtful debts recovered                          | -                | 186,218          | -              | -              |
| Gain on deconsolidation of a subsidiary           | 180,102          | -                | -              | -              |
| Gain on disposal of property, plant and equipment | 301,034          | -                | -              | -              |
| Gain on disposal of a subsidiary                  | -                | -                | 2,650,000      | -              |
| Gross dividend from an unquoted subsidiary        | -                | -                | 5,000,000      | -              |
| Interest income                                   | 310,353          | 157,119          | -              | 2,543          |
| Realised gain on foreign exchange                 | 118              | 131,411          | -              | -              |
| Unrealised gain on foreign exchange               | -                | 98,408           | -              | -              |
| <b>* Depreciation</b>                             |                  |                  |                |                |
| - Total depreciation (Note 3)                     | 3,773,854        | 4,121,773        | 48,484         | 48,261         |
| - Capitalised in development expenditure (Note 8) | (239,247)        | -                | -              | -              |
|   | <b>3,534,607</b> | <b>4,121,773</b> | <b>48,484</b>  | <b>48,261</b>  |
| <b>** Rental of premises</b>                      |                  |                  |                |                |
| - Total rental of premises                        | 4,409,001        | 244,520          | -              | -              |
| - Capitalised in development expenditure (Note 8) | (231,563)        | -                | -              | -              |
|   | <b>4,177,438</b> | <b>244,520</b>   | <b>-</b>       | <b>-</b>       |
| <b>*** Research and development expenses</b>      |                  |                  |                |                |
| - Staff costs                                     | 313,747          | 701,675          | -              | -              |
| - Others  | 99,960           | 173,703          | -              | -              |
|   | <b>413,707</b>   | <b>875,378</b>   | <b>-</b>       | <b>-</b>       |
| <b>**** Staff costs</b>                           |                  |                  |                |                |
| - Salaries, wages allowances and bonus            | 7,067,358        | 5,910,766        | 130,000        | 120,500        |
| - Director's fee                                  | 24,000           | 69,500           | 24,000         | 12,000         |
| - EPF   | 637,597          | 511,276          | -              | -              |
| - SOCSO   | 77,296           | 64,286           | -              | -              |
|   | <b>7,806,251</b> | <b>6,555,828</b> | <b>154,000</b> | <b>132,500</b> |
| Less :  |                  |                  |                |                |
| - Recognised in research and development expenses | (313,747)        | (701,675)        | -              | -              |
| - Capitalised in development expenditure (Note 8) | (679,525)        | -                | -              | -              |
|   | <b>6,812,979</b> | <b>5,854,153</b> | <b>154,000</b> | <b>132,500</b> |

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

### 22. (LOSS)/PROFIT BEFORE TAXATION (Cont'd)

#### Directors' remuneration for executive directors

Included in the staff costs of the Group and of the Company are directors' remuneration as shown below :

|   | GROUP          |                | COMPANY        |               |
|---|----------------|----------------|----------------|---------------|
|   | 2009<br>RM     | 2008<br>RM     | 2009<br>RM     | 2008<br>RM    |
| <b>Directors of the Company :</b>       |                |                |                |               |
| - Salaries, allowances and bonus        | 130,000        | 68,500         | 130,000        | 40,000        |
| - Directors' fee                        | 24,000         | 63,500         | 24,000         | 12,000        |
|   | <b>154,000</b> | <b>132,000</b> | <b>154,000</b> | <b>52,000</b> |
| <b>Directors of subsidiaries :</b>      |                |                |                |               |
| - Salaries                              | 93,000         | 220,250        | -              | -             |
| - Fees                                  | -              | 6,000          | -              | -             |
|   | <b>93,000</b>  | <b>226,250</b> | <b>-</b>       | <b>-</b>      |
|   | <b>247,000</b> | <b>358,250</b> | <b>154,000</b> | <b>52,000</b> |
| Represented by :                        |                |                |                |               |
| Executive directors of the Company      |                |                |                |               |
| - Past directors                        | -              | 80,000         | -              | 52,000        |
| - Present directors                     | 154,000        | 52,000         | 154,000        | -             |
|   | <b>154,000</b> | <b>132,000</b> | <b>154,000</b> | <b>52,000</b> |
| Executive directors of the subsidiaries |                |                |                |               |
| - Present directors                     | 93,000         | 226,250        | -              | -             |
|   | <b>247,000</b> | <b>358,250</b> | <b>154,000</b> | <b>52,000</b> |

### 23. TAXATION

|  | GROUP            |                  | COMPANY    |            |
|--|------------------|------------------|------------|------------|
|  | 2009<br>RM       | 2008<br>RM       | 2009<br>RM | 2008<br>RM |
| Malaysian income tax :   |                  |                  |            |            |
| Based on results for the year                                    |                  |                  |            |            |
| - Current tax  | (554,000)        | (622,773)        | -          | -          |
| - Deferred tax   |                  |                  |            |            |
| Relating to origination and reversal<br>of temporary differences | 117,957          | 75,533           | -          | -          |
| Relating to changes in tax rates                                 | -                | (3,000)          | -          | -          |
|  | <b>117,957</b>   | <b>72,533</b>    | <b>-</b>   | <b>-</b>   |
|  | <b>(436,043)</b> | <b>(550,240)</b> | <b>-</b>   | <b>-</b>   |
| (Under)/Over provision in prior year                             |                  |                  |            |            |
| - Current tax  | (192,868)        | (167,098)        | -          | -          |
| - Deferred tax   | 38,000           | 322,000          | -          | -          |
|  | <b>(154,868)</b> | <b>154,902</b>   | <b>-</b>   | <b>-</b>   |
|  | <b>(590,911)</b> | <b>(395,338)</b> | <b>-</b>   | <b>-</b>   |

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

**23. TAXATION (Cont'd)**

The reconciliation of tax expense of the Group and of the Company is as follows :

|   | GROUP              |             | COMPANY            |            |
|---|--------------------|-------------|--------------------|------------|
|   | 2009<br>RM         | 2008<br>RM  | 2009<br>RM         | 2008<br>RM |
| (Loss)/Profit before taxation                                     | <b>(2,017,348)</b> | (1,646,008) | <b>6,692,228</b>   | (425,473)  |
| Add : Share of results of an associate                            | <b>71,003</b>      | -           | -                  | -          |
|   | <b>(1,946,345)</b> | (1,646,008) | <b>6,692,228</b>   | (425,473)  |
| Income tax at Malaysian statutory<br>tax rate of 25% (2008 : 26%) | <b>486,586</b>     | 427,962     | <b>(1,673,057)</b> | 110,623    |
| Effects of :  |                    |             |                    |            |
| - Income not subject to tax                                       | <b>1,036,596</b>   | 25,586      | <b>1,912,553</b>   | -          |
| - Expenses not deductible for tax purposes                        | <b>(686,145)</b>   | (745,182)   | <b>(239,496)</b>   | (18,374)   |
| - Reduced tax rate on first RM500,000 chargeable income           | -                  | 30,000      | -                  | -          |
| - Utilisation of capital allowances                               | -                  | (104,223)   | -                  | -          |
| - Utilisation of reinvestment allowance                           | -                  | 30,418      | -                  | -          |
| - Movement on deferred tax assets not recognised                  | <b>(1,273,080)</b> | (211,801)   | -                  | (92,249)   |
| - Changes in tax rates  | -                  | (3,000)     | -                  | -          |
|   | <b>(436,043)</b>   | (550,240)   | -                  | -          |
| (Under)/Over provision in prior year                              | <b>(154,868)</b>   | 154,902     | -                  | -          |
|   | <b>(590,911)</b>   | (395,338)   | -                  | -          |

The amount and future availability of unabsorbed tax losses, unabsorbed capital allowances and reinvestment allowance of the Group and of the Company at balance sheet date are estimated as follows :

|                                   | GROUP            |            | COMPANY        |            |
|-----------------------------------|------------------|------------|----------------|------------|
|                                   | 2009<br>RM       | 2008<br>RM | 2009<br>RM     | 2008<br>RM |
| Unabsorbed tax losses             | <b>6,535,000</b> | 2,149,000  | <b>296,000</b> | 296,000    |
| Unabsorbed capital allowances     | <b>7,113,000</b> | 2,906,000  | <b>97,000</b>  | 97,000     |
| Unabsorbed reinvestment allowance | <b>244,000</b>   | 193,000    | -              | -          |

These unabsorbed amounts are available for set off against future taxable income of the relevant subsidiaries.

As at balance sheet date, the Company has sufficient credit in the 108 balance and tax exempt income account to frank all of its retained profit if paid out as dividends.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

**24. EARNINGS PER SHARE****GROUP****Basic loss per share**

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year calculated as follows :

|  | <b>2009</b>        | <b>2008</b>        |
|--|--------------------|--------------------|
| Loss for the year (RM)                                     | <u>(2,738,000)</u> | <u>(2,384,757)</u> |
| Weighted average number of ordinary shares of RM 0.50 each | <u>80,000,000</u>  | <u>80,000,000</u>  |
| Basic loss per share (sen)                                 | <u>(3.42)</u>      | <u>(2.98)</u>      |

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at balance sheet date.

**25. SEGMENTAL INFORMATION**

Segmental information is presented in respect of the Group's business and geographical segments.

The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group comprises the following main business segments :

- (i) Personal and health care products      Manufacturing, marketing, trading and distribution of personal care products and health care products.
- (ii) Pharmaceutical products      Manufacturing, marketing, trading and distribution of pharmaceutical products.
- (iii) Others      Investment holding.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

## 25. SEGMENTAL INFORMATION (Cont'd)

By business segments  
2009

|   | Personal and<br>health care<br>products<br>RM | Pharmaceutical<br>products<br>RM | Others<br>RM      | Elimination<br>RM | Total<br>RM        |
|---|---|----------------------------------|-------------------|-------------------|--------------------|
| <b>Revenue</b>  |   |                                  |                   |                   |                    |
| External customers  | 29,883,778                                    | 27,624,865                       | -                 | -                 | 57,508,643         |
| Inter-segment revenue   | 8,036,813                                     | 2,826,711                        | 5,000,000         | (15,863,524)      | -                  |
| Total revenue   | <u>37,920,591</u>                             | <u>30,451,576</u>                | <u>5,000,000</u>  |                   | <u>57,508,643</u>  |
| <b>Results</b>  |   |                                  |                   |                   |                    |
| Segment results   | 1,327,359                                     | (893,178)                        | 4,906,237         | (4,901,709)       | 438,709            |
| Interest income   | -   | 310,353                          | -                 | -                 | 310,353            |
| Interest expense  | (2,267,993)                                   | (468,417)                        | (30,000)          | -                 | (2,766,410)        |
| Loss before taxation  |   |                                  |                   |                   | (2,017,348)        |
| Taxation  |   |                                  |                   |                   | (590,911)          |
| Loss after taxation   |   |                                  |                   |                   | (2,608,259)        |
| Minority interests  |   |                                  |                   |                   | (129,741)          |
| Loss for the year   |   |                                  |                   |                   | <u>(2,738,000)</u> |
| <b>Assets</b>   |   |                                  |                   |                   |                    |
| Segment assets  | 94,300,937                                    | 31,270,051                       | 56,414,400        | (69,070,490)      | 112,914,898        |
| Tax recoverable   | 38,435  | -                                | 21,676            | -                 | 60,111             |
| Fixed deposits with licensed banks                                  | 1,569,009                                     | -                                | -                 | -                 | 1,569,009          |
| Cash and bank balances  | 1,220,419                                     | 33,052                           | 56,096            | -                 | 1,309,567          |
| Total assets  | <u>97,128,800</u>                             | <u>31,303,103</u>                | <u>56,492,172</u> |                   | <u>115,853,585</u> |
| <b>Liabilities</b>  |   |                                  |                   |                   |                    |
| Segment liabilities   | 26,395,460                                    | 7,753,187                        | 8,281,564         | (26,044,296)      | 16,385,915         |
| Borrowings  | 25,976,213                                    | 21,480,364                       | -                 | -                 | 47,456,577         |
| Provision for taxation  | 804,417                                       | -                                | -                 | -                 | 804,417            |
| Deferred tax liabilities  | 1,316,000                                     | 678,800                          | -                 | -                 | 1,994,800          |
| Total liabilities   | <u>54,492,090</u>                             | <u>29,912,351</u>                | <u>8,281,564</u>  |                   | <u>66,641,709</u>  |
| <b>Other information</b>  |   |                                  |                   |                   |                    |
| Capital expenditure   | 5,573,495                                     | 1,320,941                        | 2,970             | -                 | 6,897,406          |
| Depreciation and amortisation                                       | 2,455,308                                     | 1,293,416                        | 48,484            | -                 | 3,797,208          |
| Non-cash expenses/(income) other than depreciation and amortisation | 78,065  | 18,420                           | (180,102)         | -                 | (83,617)           |

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

### 25. SEGMENTAL INFORMATION (Cont'd)

#### By business segments 2008

|   | Personal and<br>health care<br>products<br>RM | Pharmaceutical<br>products<br>RM | Others<br>RM      | Elimination<br>RM | Total<br>RM        |
|---|---|----------------------------------|-------------------|-------------------|--------------------|
| <b>Revenue</b>  |   |                                  |                   |                   |                    |
| External customers  | 33,368,904                                    | 16,675,901                       | -                 | -                 | 50,044,805         |
| Inter-segment revenue   | 1,503,957                                     | 3,974,648                        | -                 | (5,478,605)       | -                  |
| <b>Total revenue</b>  | <b>34,872,861</b>                             | <b>20,650,549</b>                | <b>-</b>          | <b>-</b>          | <b>50,044,805</b>  |
| <b>Results</b>  |   |                                  |                   |                   |                    |
| Segment results   | (1,244,860)                                   | 2,229,620                        | (448,746)         | 9,511             | 545,525            |
| Interest income   | 45,368  | 109,208                          | 2,543             | -                 | 157,119            |
| Interest expense  | (1,684,601)                                   | (664,051)                        | -                 | -                 | (2,348,652)        |
| Loss before taxation  |   |                                  |                   |                   | (1,646,008)        |
| Taxation  |   |                                  |                   |                   | (395,338)          |
| Loss after taxation   |   |                                  |                   |                   | (2,041,346)        |
| Minority interests  |   |                                  |                   |                   | (343,411)          |
| <b>Loss for the year</b>  |   |                                  |                   |                   | <b>(2,384,757)</b> |
| <b>Assets</b>   |   |                                  |                   |                   |                    |
| Segment assets  | 103,038,804                                   | 33,131,663                       | 55,746,866        | (77,555,486)      | 114,361,847        |
| Tax recoverable   | 38,435  | -                                | 20,771            | -                 | 59,206             |
| Fixed deposits with licensed banks                                  | 1,234,009                                     | 170,000                          | -                 | -                 | 1,404,009          |
| Cash and bank balances  | 795,818                                       | 441,560                          | 37,275            | -                 | 1,274,653          |
| <b>Total assets</b>   | <b>105,107,066</b>                            | <b>33,743,223</b>                | <b>55,804,912</b> | <b>-</b>          | <b>117,099,715</b> |
| <b>Liabilities</b>  |   |                                  |                   |                   |                    |
| Segment liabilities   | 16,638,205                                    | 26,007,939                       | 13,453,937        | (35,531,374)      | 20,568,707         |
| Borrowings  | 43,229,385                                    | 39,513                           | -                 | -                 | 43,268,898         |
| Provision for taxation  | 431,860                                       | 239,074                          | -                 | -                 | 670,934            |
| Deferred tax liabilities  | 1,543,000                                     | 53,398                           | -                 | (71,043)          | 1,525,355          |
| <b>Total liabilities</b>  | <b>61,842,450</b>                             | <b>26,339,924</b>                | <b>13,453,937</b> | <b>-</b>          | <b>66,033,894</b>  |
| <b>Other information</b>  |   |                                  |                   |                   |                    |
| Capital expenditure   | 3,499,868                                     | 9,075,419                        | -                 | -                 | 12,575,287         |
| Depreciation and amortisation                                       | 3,044,183                                     | 1,052,683                        | 48,261            | -                 | 4,145,127          |
| Non-cash expenses/(income) other than depreciation and amortisation | 2,485,101                                     | (65,719)                         | -                 | -                 | 2,419,382          |

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

## 25. SEGMENTAL INFORMATION (Cont'd)

## By geographical segments

The Group operates principally in Malaysia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets.

|                          | 2009              |                    |                              |
|--------------------------|-------------------|--------------------|------------------------------|
|                          | Revenue<br>RM     | Total assets<br>RM | Capital<br>expenditure<br>RM |
| Malaysia                 | 35,046,461        | 108,838,050        | 6,897,406                    |
| United States of America | 16,152,662        | -                  | -                            |
| Australia                | 570,731           | -                  | -                            |
| United Kingdom           | 746,214           | -                  | -                            |
| New Zealand              | 681,906           | -                  | -                            |
| Singapore                | 1,014,319         | -                  | -                            |
| France                   | 2,140,227         | -                  | -                            |
| Hong Kong                | 990,776           | 7,015,535          | -                            |
| Others                   | 165,347           | -                  | -                            |
|                          | <b>57,508,643</b> | <b>115,853,585</b> | <b>6,897,406</b>             |

|                          | 2008              |                    |                              |
|--------------------------|-------------------|--------------------|------------------------------|
|                          | Revenue<br>RM     | Total assets<br>RM | Capital<br>expenditure<br>RM |
| Malaysia                 | 31,510,217        | 110,052,173        | 12,575,287                   |
| United States of America | 13,586,130        | -                  | -                            |
| Australia                | 840,345           | -                  | -                            |
| United Kingdom           | 1,251,454         | -                  | -                            |
| New Zealand              | 922,264           | -                  | -                            |
| Singapore                | 452,416           | -                  | -                            |
| France                   | 1,316,367         | -                  | -                            |
| Thailand                 | 28,820            | -                  | -                            |
| Hong Kong                | 136,792           | 7,047,542          | -                            |
|                          | <b>50,044,805</b> | <b>117,099,715</b> | <b>12,575,287</b>            |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

26. COMMITMENTS

|  | GROUP             |                   |
|--|-------------------|-------------------|
|  | 2009<br>RM        | 2008<br>RM        |
| <b>(i) Non-cancellable operating lease commitments</b> |                   |                   |
| Future minimum rentals payable :                       |                   |                   |
| Not later than one year                                | 2,531,066         | 2,456,101         |
| Later than one year and not later than five years      | 10,404,083        | 10,394,583        |
| Later than five years                                  | 9,571,250         | 9,571,250         |
|  | <b>22,506,399</b> | <b>22,421,934</b> |

Operating lease commitments represent rentals payable for use of buildings. Leases are negotiated for terms ranging from one to ten years.

|                                 | GROUP      |            |
|---------------------------------|------------|------------|
|                                 | 2009<br>RM | 2008<br>RM |
| <b>(ii) Capital commitments</b> |            |            |
| Contracted but not provided for |            |            |
| - Property, plant and equipment | 1,939,500  | 6,265,421  |

27. CONTINGENT LIABILITY (UNSECURED)

|   | COMPANY    |            |
|---|------------|------------|
|   | 2009<br>RM | 2008<br>RM |
| Corporate guarantee extended to banks for credit facilities granted to subsidiaries |            |            |
| - Limit   | 57,850,000 | 46,996,032 |
| - Utilised as at balance sheet date   | 40,435,634 | 38,442,645 |

28. RELATED PARTY DISCLOSURES

(i) Related party transactions

|   | GROUP      |            | COMPANY    |            |
|---|------------|------------|------------|------------|
|   | 2009<br>RM | 2008<br>RM | 2009<br>RM | 2009<br>RM |
| Professional fees paid to a related party |            |            |            |            |
| - Rithauddin & Azlin                      | 29,463     | -          | -          | -          |

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

**28. RELATED PARTY DISCLOSURES (Cont'd)****(ii) Compensation of key management personnel**

The compensation of key management personnel are shown below :

|   | GROUP          |                | COMPANY        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2009<br>RM     | 2008<br>RM     | 2009<br>RM     | 2009<br>RM     |
| Salaries and other short-term employee benefits |                |                |                |                |
| - Directors                                     | 293,000        | 417,750        | 200,000        | 111,500        |
| - Other key management personnel                | 275,460        | 360,800        | -              | 80,000         |
|   | <b>568,460</b> | <b>778,550</b> | <b>200,000</b> | <b>191,500</b> |

Key management personnel are those persons including directors having authority and responsibility for planning, directing and controlling the activities of the Group and the Company, directly or indirectly.

**Related party relationship :**

| Related party      | Relationship  |
|--------------------|---|
| Rithauddin & Azlin | : A firm in which a director of the Company, namely Encik Rithauddin Hussein Jamalattiff Bin Jamaluddin is a partner. |

**29. FINANCIAL INSTRUMENTS****Financial risk management objectives and policies**

The Group's financial risk management policy seeks to ensure that adequate resources are available for the development of the Group's business whilst managing its credit, interest rate, foreign currency and liquidity risks. The Board reviews regularly the policies in place to manage these risks as summarised below.

**Credit risk**

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associates to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instrument.

**Interest rate risk**

The Group is exposed to interest rate risk whenever there is a revision to the base lending rates of the banks. This risk is managed through the use of fixed and floating rate financial instruments.

The information on repricing, maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

**29. FINANCIAL INSTRUMENTS (Cont'd)****Foreign currency risk**

The objectives of the Group's foreign exchange policies are to allow the Group to manage exposures that arise from trading activities effectively within a framework of controls that does not expose the Group to unnecessary foreign exchange risks.

The Group incurs foreign currency risk on sales and purchase that are denominated in currencies other than Ringgit Malaysia. The currency giving rise to this is primarily the US Dollar.

The Group hedges its foreign receivables by entering into forward foreign exchange contracts. However, the Company has no outstanding amount on forward exchange contracts as at balance sheet date.

**Liquidity risk**

The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements.

**Fair values**

The carrying amounts of the financial assets and financial liabilities of the Group and of the Company as at balance sheet date approximate their fair values.

**30. MATERIAL LITIGATIONS**

On 29 April 2009, Esabee Pte. Ltd. and Esabee Biotika Sdn. Bhd. ("Plaintiffs") had instituted a civil suit at the Shah Alam High Court against two subsidiaries of the Company, namely Biosis Cosmeceuticals Sdn. Bhd. and Biosis Marketing Sdn. Bhd. ("Defendants") for breach of contract for the purported late delivery of goods and breach of confidentiality in respect of the formulation of the said goods. The Plaintiffs had sought for injunction and damages against the Defendants for a total sum of RM19,033,632 plus interest.

The Defendants have filed their defence to the civil suit and the Learned Judge of the High Court had on 14 July 2009 set aside the ex parte injunction obtained by the Plaintiffs against the Defendants. The Plaintiffs inter partes application for an interlocutory injunction has yet to be heard.

As at the date of this report, based on the present facts and evidence as adduced in the court documents and the legal principles applicable thereto, the solicitors are of the opinion that the Plaintiffs claim against the Defendants is not likely to succeed.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2009

### 31. EVENTS AFTER BALANCE SHEET DATE

- (i) On 2 March 2010, the Company had vide its wholly-owned subsidiary, Biosis Marketing Sdn. Bhd. ("BMSB"), entered into the following agreements with SSN Medical Products Sdn. Bhd. ("SSN") :
  - (a) Exclusive Distributorship Agreement, to act as sole agent and distributor on an exclusive basis, to purchase the contracted rubber gloves and condoms manufactured by SSN and sell to local and international market, and
  - (b) Share Option Agreement, to acquire 867,002 shares representing 51% equity interest in SSN at a purchase price to be determined at a later date based on the financial performance of SSN.
- (ii) On 8 March 2010, Clini-Foods Sdn. Bhd. ("CFSB"), a subsidiary of the Company, had signed a Distributorship Agreement with Pharmaniaga Marketing Sdn. Bhd. ("PHARMANIAGA"), to appoint PHARMANIAGA as the exclusive marketer and distributor of Biophine, a type of Methadone syrup which is a long-acting synthetic narcotic analgesic used in the maintenance treatment of drug addiction manufactured by CFSB, for the private market.
- (iii) The Company has made an announcement to Bursa Securities on 31 March 2010, proposing to undertake a renounceable two-call Rights Issue of 20,000,000 new ordinary shares of RM0.50 each together with 40,000,000 free detachable warrants at an indicative issue price of RM0.50 per Rights Share on the basis of one Rights Share together with two warrants for every four existing shares held in the Company at an entitlement date to be determined later.

The first call of RM0.38 per Rights Share ("1st Call") will be payable in full on application in cash. The second call of RM0.12 per Rights Share ("2nd Call") will be capitalised from the Company's share premium and retained profits account. In other words, the subscribing shareholders of the Company will not have to make any further cash payment after the 1st Call.

# ANALYSIS OF SHAREHOLDINGS

AS AT 10 MAY 2010

|                                |   |   |
|--------------------------------|---|---|
| Authorised Capital             | : | RM50,000,000                              |
| Issued & Fully Paid up Capital | : | RM40,000,000                              |
| Class of Shares                | : | Ordinary shares of RM0.50 each fully paid |
| Voting Rights                  | : | One voting right for one ordinary share   |

## DISTRIBUTION SCHEDULE OF SHAREHOLDERS

| Size of Holdings                         | No. of Shareholders | % of Shareholders | No. of Shares     | % of Issued Share Capital |
|--|---------------------|-------------------|-------------------|---------------------------|
| Less than 100                            | 13                  | 0.99              | 590               | 0.00                      |
| 100 - 1,000                              | 239                 | 18.22             | 219,700           | 0.28                      |
| 1,001 - 10,000                           | 646                 | 49.24             | 3,674,095         | 4.59                      |
| 10,001 - 100,000                         | 333                 | 25.38             | 12,553,515        | 15.69                     |
| 100,001 to less than 5% of issued shares | 79                  | 6.02              | 50,940,500        | 63.68                     |
| 5% and above of issued shares            | 2                   | 0.15              | 12,611,600        | 15.76                     |
| <b>Total</b>                             | <b>1,312</b>        | <b>100.00</b>     | <b>80,000,000</b> | <b>100.00</b>             |

## SUBSTANTIAL SHAREHOLDERS AS AT 10 MAY 2010

| No. Shareholders   | Direct Interest    |              | Indirect Interest  |          |
|--|--------------------|--------------|--------------------|----------|
|  | No. of Shares Held | %            | No. of Shares Held | %        |
| 1 Lembaga Tabung Haji  | 7,699,600          | 9.62         | -                  | -        |
| 2 TA Nominees (Tempatan) Sdn Bhd<br>- Pledged Securities Account for<br>Khoo Chee Kong | 4,912,000          | 6.14         | -                  | -        |
| <b>Total</b>   | <b>12,611,600</b>  | <b>15.76</b> | <b>-</b>           | <b>-</b> |

## DIRECTORS' SHAREHOLDINGS AS AT 10 MAY 2010

| No. Directors  | Direct Interest    |      | Indirect Interest  |   |
|--|--------------------|------|--------------------|---|
|  | No. of Shares Held | %    | No. of Shares Held | % |
| 1 Professor Emeritus Dato' Paduka<br>Dr. Khairuddin Bin Mohamed Yusof      | -                  | -    | -                  | - |
| 2 Khoo Chee Kong   | 4,912,000          | 6.14 | -                  | - |
| 3 Tang Tat Chun  | -                  | -    | -                  | - |
| 4 Soo Yoke Mun   | 230,000            | 0.29 | -                  | - |
| 5 Rithauddin Hussein Jamalattiff Bin Jamaluddin                            | -                  | -    | -                  | - |
| 6 Dato' Ir. Hj. Wan Ab. Ghaffar Bin Wan Ahmad<br>(Appointed on 02-03-2010) | 31,000             | 0.04 | -                  | - |

## ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 10 MAY 2010

**THIRTY LARGEST SHAREHOLDERS**

(without aggregating securities from different securities accounts belonging to the same person)

| <b>Name</b>  | <b>No. of Shares</b> | <b>%</b>     |
|--|----------------------|--------------|
| 1 Lembaga Tabung Haji  | 7,699,600            | 9.62         |
| 2 TA Nominees (Tempatan) Sdn Bhd<br>- Pledged Securities Account for Khoo Chee Kong                          | 4,912,000            | 6.14         |
| 3 Ong Har Hong   | 3,998,200            | 4.99         |
| 4 Lim Siew Sooi  | 3,789,700            | 4.74         |
| 5 Chew Boon Seng   | 3,700,000            | 4.63         |
| 6 Commerce Ville Sdn Bhd   | 3,500,000            | 4.38         |
| 7 Ong Poh Geok   | 3,300,000            | 4.13         |
| 8 Lee Pui Inn  | 3,233,400            | 4.04         |
| 9 Chew Huat Heng   | 3,000,000            | 3.75         |
| 10 Mayban Securities Nominees (Tempatan) Sdn Bhd<br>- Pledged Securities Account for Ong Huey Peng (REM 650) | 2,944,600            | 3.68         |
| 11 TA Nominees (Tempatan) Sdn Bhd<br>- Pledged Securities Account for Ng Kim Hwa                             | 1,779,300            | 2.22         |
| 12 TA Nominees (Tempatan) Sdn Bhd<br>- Pledged Securities Account for Tan Ann Gee                            | 1,749,400            | 2.19         |
| 13 Amsec Nominees (Tempatan) Sdn Bhd<br>- AmBank (M) Berhad for Teo Ker-Wei (Smart)                          | 1,440,000            | 1.80         |
| 14 Ong Khiam Cheang  | 1,200,000            | 1.50         |
| 15 Mayban Securities Nominees (Tempatan) Sdn Bhd<br>- Pledged Securities Account for Lim Eng Huat (REM-650)  | 1,093,600            | 1.37         |
| 16 TA Nominees (Tempatan) Sdn Bhd<br>- Pledged Securities Account for Lim Chee Kiang                         | 789,200              | 0.99         |
| 17 Lai Yin Chun  | 563,000              | 0.70         |
| 18 Lim Chee Keong  | 530,000              | 0.66         |
| 19 Chow Seck Kai   | 527,200              | 0.66         |
| 20 Lim Chee Keong  | 510,000              | 0.64         |
| 21 SKB Glory Sdn Bhd   | 500,000              | 0.63         |
| 22 Teo Yong Mong   | 490,000              | 0.61         |
| 23 Lim Chiao Beng  | 450,000              | 0.56         |
| 24 Gan Ping Shou @ Gan Ping Sieu   | 400,000              | 0.50         |
| 25 Low Chin Hoo  | 400,000              | 0.50         |
| 26 Ooi Joo Hong  | 400,000              | 0.50         |
| 27 Peck Saw Tin  | 386,000              | 0.48         |
| 28 Heng Hwee Ngoh  | 350,000              | 0.44         |
| 29 Lim Chee Kiang  | 347,000              | 0.43         |
| 30 Sin Kheng Lee   | 335,000              | 0.42         |
| <b>TOTAL</b>   | <b>54,317,200</b>    | <b>67.90</b> |

# LIST OF PROPERTIES

31 DECEMBER 2009

| No. | Location   | Description              | Current Use  | Tenure                                 | Age of building | Built up area (Sq. ft.) | Net Carrying Amount (RM'000) |
|-----|--|--------------------------|--|--|-----------------|-------------------------|------------------------------|
| 1   | Plot 22, Lorong Perusahaan Maju 2, Prai Industrial Estate, Phase 4, 13600 Prai, Penang | Manufacturing facilities | Manufacturing of personal care and professional beauty care products | 60 years leasehold expiring 10.09.2051 | 14 years        | 88,741.71               | 7,643                        |
| 2   | Blok F90 Unit 2-4-2.8 Taman Pelangi, 13600 Prai, Penang                                | 5 units of resident flat | Hostel for factory workers   | 99 years leasehold expiring 22.04.2092 | 13 years        | 699.72                  | 209                          |

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Seventh Annual General Meeting of the Company will be held at the Conference Room, Level 2, 1572, Jalan Besar Valdor, Mukim 12, Seberang Perai Selatan, 14200 Sungai Bakap, Penang on Friday, 25 June 2010 at 9.00 a.m. for the following purposes:

## AS ORDINARY BUSINESS:

1. To receive and adopt the Report of the Directors and the Audited Financial Statements for the financial year ended 31 December 2009 and the Report of the Auditors thereon. **(Resolution 1)**
2. To approve the payment of Directors' Fees of RM67,000 for the financial year ended 31 December 2009. **(Resolution 2)**
3. To re-appoint Professor Emeritus Dato' Paduka Dr. Khairuddin Bin Mohamed Yusof, the Director who retires in accordance with Section 129 of the Companies Act, 1965. **(Resolution 3)**
4. To re-elect Directors:-
  - (i) In accordance with Article 85 of the Company's Articles of Association, Mr. Tang Tat Chun retires by rotation and, being eligible, offers himself for re-election. **(Resolution 4)**
  - (ii) In accordance with Article 90 of the Company's Articles of Association, Dato' Ir. Hj. Wan Ab. Ghaffar Bin Wan Ahmad retires and, being eligible, offers himself for re-election. **(Resolution 5)**
5. To re-appoint Messrs Grant Thornton as the Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Resolution 6)**

## AS SPECIAL BUSINESS:

To consider and if thought fit, pass with or without modification, the following resolutions:

### Ordinary Resolution

6. Authority to Issue Shares **(Resolution 7)**

"THAT pursuant to Section 132D of the Companies Act, 1965 and approvals from Bursa Malaysia Securities Berhad and other relevant governmental/ regulatory authorities where such authority shall be necessary, the Board of Directors of the Company be and are hereby authorised to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the issued share capital of the Company for the time being, and that the Board of Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad".

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

**Special Resolution**

## 7. Proposed Amendments to the Articles of Association of the Company

**(Resolution 8)**

"THAT the following existing Article 77 and Article 125 be deleted in its entirety and be replaced with the following:-

| <b>Existing Article 77</b>  | <b>New Article 77</b>  |
|---|--|
| Unless and until otherwise determined by the Company in general meeting the Directors shall be not less than two (2) nor more than six (6). | Unless and until otherwise determined by the Company in general meeting, the number of Directors shall not be less than two (2) and not more than eight (8). |

| <b>Existing Article 125</b>   | <b>New Article 125</b>   |
|---|--|
| Unless otherwise directed any dividend may be paid by cheque or warrant sent through the post to the registered address of the Member or person entitled. Every such cheque shall be made payable to the order of the person to whom it is sent. No unpaid dividend or interest shall bear interest as against the Company. All dividend unclaimed shall be dealt with by the Company in accordance with the Unclaimed Money Act, 1965. | Unless otherwise directed, any dividend may be paid by cheque or warrant sent through the post to the registered address or by direct electronic transfer to the bank account of the holder as appear in the Register of the Member or Record of Depositors or person entitled thereto. Every such cheque shall be made payable to the order of the person to whom it is sent and the payment of any such cheque or warrant or direct electronic transfer shall operate as a good discharge to the Company in respect of the dividend represented thereby notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged or there is discrepancy given by the Member in the details of bank account(s). Every such cheque or warrant shall be sent or by electronic transfer at the risk of the person entitled to the money thereby represented. Where the shareholders have provided to the Central Depository the relevant contact details for purposes of electronic notifications, the Company shall notify them electronically once the Company has paid the cash dividends out of its accounts. No unpaid dividend or interest shall bear interest as against the Company. All dividend unclaimed shall be dealt with by the Company in accordance with the Unclaimed Money Act, 1965. |

## 8. To transact any other ordinary business of which due notice shall have been given.

By Order of the Board

**CHOK KWEE WAH** (MACS 00550)  
**LEONG MEE LEE** (LS 0001836)  
 Company Secretaries

Petaling Jaya  
 3 June 2010

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### Notes:

1. A member entitled to attend the meeting may appoint another person as his proxy to attend and vote in his stead at the meeting and such proxy shall have the same rights as the member he represents including the right to vote on a show of hands and on a poll and to demand a poll. A proxy may but need not be a member of the Company
2. Where the member of the company appoints two proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
3. If the appointer is a corporation, the proxy form should be executed under its common seal or under the hand of an officer or attorney duly authorized.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Lot 10, The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.

### Explanatory Notes on Special Businesses

#### 5. Ordinary Resolution 7

The proposed ordinary resolution No. 7 (Agenda 6), if passed, will empower the Directors of the Company to allot and issue shares up to an aggregate amount not exceeding in total 10% (ten per centum) of the issued share capital of the Company for time to time and for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority unless revoked or varied by the Company in general meeting will expire at the next Annual General Meeting of the Company.

The Company has not issued any new shares pursuant to Section 132D of the Companies Act 1965 under the general authority which was approved at the Sixth Annual General Meeting ("AGM") held on 29 June 2009 and which will lapse at the conclusion of the Seventh AGM to be held on 25 June 2010.

#### 6. Special Resolution 8

The proposed special resolution No. 8 (Article 77), if passed, will empower the Directors of the Company at any time to appoint suitable candidates to be a Director of the Company not exceeding the total number of eight (8) persons.

The proposed special resolution No. 8 (Article 125), if passed, will empower the Directors of the Company to take such steps that are necessary to amend the Company's Articles of Association to be in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad in relation to the implementation of e-Dividend.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

**1. Profile of Directors who are standing for re-election**

Details pertaining to the Directors standing for re-election are outlined on page 13 to 16 of the Annual Report.

**2. Details of the Directors' Interests in the Company**

Details of the Directors' shareholdings are outlined on page 81 of the Annual Report.

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I/ We, \_\_\_\_\_

of \_\_\_\_\_

being a \*member/ members of **BIOSIS GROUP BERHAD**, hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or failing him/ her, \_\_\_\_\_

of \_\_\_\_\_

or the Chairman of the Meeting as \*my/ our proxy to attend and vote for \*me/ us on \*my/ our behalf at the Seventh Annual General Meeting of the Company to be held at the Conference Room, Level 2, 1572, Jalan Besar Valdor, Mukim 12, Seberang Perai Selatan, 14200 Sungai Bakap, Penang on Friday, 25 June 2010 at 9.00 a.m. and at any adjournment thereof:-

| No. | Resolutions   | FOR | AGAINST |
|-----|---|-----|---------|
| 1   | Adoption of Financial Statements for the year ended 31 December 2009 and Reports thereon  |     |         |
| 2   | Approval of Directors' Fees   |     |         |
| 3   | Re-appointment of Professor Emeritus Dato' Paduka Dr. Khairuddin Bin Mohamed Yusof as Director under Section 129 of the Companies Act, 1965 |     |         |
| 4   | Re-election of Mr. Tang Tat Chun as Director under Article 85   |     |         |
| 5   | Re-election of Dato' Ir. Hj. Wan Ab. Ghaffar Bin Wan Ahmad as Director under Article 90   |     |         |
| 6   | Re-appointment of Auditors  |     |         |
| 7   | Authority to issue shares pursuant to Section 132D  |     |         |
| 8   | Proposed amendments to the Articles of Association of the Company   |     |         |

The proportion of \*my/our holding to be represented by my/our \*proxy/proxies are as follows:

|                    |      |
|--------------------|------|
| First Named Proxy  | %    |
| Second Named Proxy | %    |
|                    | 100% |

In case of a vote taken by show of hands, the first named proxy shall vote on \*my/our behalf.

\_\_\_\_\_  
Signature of Shareholder

Telephone No. \_\_\_\_\_

Dated this \_\_\_\_\_ day of June 2010

**NOTES:**

1. A member entitled to attend the meeting may appoint another person as his proxy to attend and vote on his stead at the meeting and such proxy shall have the same rights as the member he represents including right to vote on a show of hands and n a poll and to demand a poll. A proxy may but need not be a member of the Company
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STAMP

The Secretary  
**BIOSIS GROUP BERHAD** (618768-D)

Lot 10, The Highway Centre  
Jalan 51/205  
46050 Petaling Jaya  
Selangor Darul Ehsan

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**BIOSIS GROUP BERHAD** (618768-D)

B-3-7 Megan Avenue II, No 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur Malaysia.

Tel : 603-2161 8812

Fax : 603-2161 8831

Email : [info@biosis.com.my](mailto:info@biosis.com.my)

Website : [www.biosis.com.my](http://www.biosis.com.my)