

# HEALTH FOR LIFE

ANNUAL REPORT 2022



**KOTRA**

**KOTRA INDUSTRIES BERHAD**  
[Registration No. 199901022732 (497632-P)]



## CORE VALUES

**We act with integrity**

**We deliver on commitment**

**We are customer oriented**

**We work with passion and strong team spirit**

**We believe everything is possible**



## VISION

**HUMANISING HEALTH**

**Everyone deserves a healthier tomorrow**



## MISSION

**To be the centre of excellence for the pharmaceutical industry**

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Datuk Jamaludin bin Nasir**  
*Independent Non-Executive Chairman*

**Piong Teck Onn**  
*Managing Director*

**Chin Swee Chang**  
*Executive Director*

**Lee Min On**  
*Independent Non-Executive Director*

**Datuk Piong Teck Yen**  
*Non-Independent Non-Executive Director*

**Piong Chee Kien**  
*Non-Independent Non-Executive Director*

### COMPANY SECRETARIES

**Chua Siew Chuan**  
(MAICSA 0777689) (SSM PC NO. 201908002648)

**Tan Ley Theng**  
(MAICSA 7030358) (SSM PC NO. 201908001685)

### AUDIT COMMITTEE

**Lee Min On** (Chairman)  
**Datuk Jamaludin bin Nasir**  
**Piong Chee Kien**

### REMUNERATION COMMITTEE

**Datuk Jamaludin bin Nasir** (Chairman)  
**Lee Min On**  
**Piong Chee Kien**  
**Piong Teck Onn**

### NOMINATION COMMITTEE

**Datuk Jamaludin bin Nasir** (Chairman)  
**Lee Min On**  
**Piong Chee Kien**

### ESOS COMMITTEE

**Datuk Jamaludin bin Nasir** (Chairman)  
**Lee Min On**  
**Piong Teck Onn**

### SOLICITORS

Chee Siah Le Kee & Partners  
Advocates & Solicitors  
No. 2B, Jalan KLJ 4,  
Taman Kota Laksamana Jaya,  
75200 Melaka.  
Tel : 06-283 3423  
Fax : 06-284 7251

### REGISTERED OFFICE

No. 60-1, Jalan Lagenda 5,  
Taman 1 Lagenda,  
75400 Melaka, Malaysia.  
Tel : 06-288 0210  
Fax : 06-288 0570

### BUSINESS OFFICE

No. 1, 2 & 3, Jalan TTC 12,  
Cheng Industrial Estate,  
75250 Melaka, Malaysia.  
Tel : 06-336 2222  
Fax : 06-336 6122

### REGISTRAR

Mega Corporate Services Sdn. Bhd.  
[Registration No. 198901010682 (187984-H)]  
Level 15-2, Faber Imperial Court,  
Jalan Sultan Ismail,  
50250 Kuala Lumpur, Malaysia.  
Tel : 03-2692 4271  
Fax : 03-2732 5388

### AUDITORS

Crowe Malaysia PLT  
201906000005 (LLP0018817 – LCA) & AF 1018  
52, Jalan Kota Laksamana 2/15,  
Taman Kota Laksamana, Seksyen 2,  
75200 Melaka, Malaysia.  
Tel : 06-282 5995  
Fax : 06-283 6449

### PRINCIPAL BANKER

Malayan Banking Berhad (Maybank)

### STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad Main Market  
Stock Name : KOTRA  
Stock Code : 0002  
Sector : Health Care  
Sub-sector : Pharmaceuticals

## DIRECTORS' PROFILE

### DATUK JAMALUDIN BIN NASIR

Independent Non-Executive Chairman  
61, Malaysian, Male  
Date appointed: 2 January 2017



#### Board Committee memberships:

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

#### Academic qualification:

- Masters of Business Administration (MBA) in Texas A&M International University (formerly known as Laredo State University)
- Bachelor of Science, Finance & Business Economics, Southern Illinois University
- Bachelor of Arts, Economics, Southern Illinois University
- Alumni of Bank Negara Malaysia ICLIF Global Leadership Development Programme

#### Experience and career path:

- Malaysian Rating Corporation Bhd (MARC):
  - Group Chief Executive Officer from December 2019 till now
  - Chairman, Rating Committee from September 2019 to November 2019
  - Member, Rating Committee from September 2014 till now
- Asian Finance Bank (now MBSB Bank) as Deputy Chief Executive Officer from July 2010 to May 2012.
- Malayan Banking Bhd as Group Chief Credit Officer, Maybank Group July 2005 till June 2010.
- Dresdner Kleinwort Wasserstein, an investment bank as its Chief Operating Officer, Malaysia and Director, Capital Markets and Syndicate, Asia Pacific ex Japan based in Singapore from June 1999 till June 2005.
- Dresdner Bank AG, a commercial and institutional bank as General Manager, Labuan and the Group Principal Officer in Malaysia from February 1997 to June 2005.
- Kwong Yik Bank (presently known as RHB Bank) from February 1986 to January 1997. Head and Assistant General Manager, Corporate and Capital Market.

#### Other Boards, associations or affiliations:

- Board Member of MARC Ratings Bhd
- Board Member of MARC Solutions Sdn Bhd
- Board Member of MARC Data Sdn Bhd
- Past Board Member of Bank Pembangunan Malaysia Berhad
- Past Board Member of Aseambankers (M) Bhd (presently known as Maybank Investment Bank)
- Past Board Member of Kleinwort Benson Research (M) Sdn Bhd
- Past Board Member of Malaysian German Chamber of Commerce

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

- No relationship

#### Board Meeting attendance during the financial year ended 30 June 2022:

- Has attended all five (5) Board meetings

### PIONG TECK ONN

Managing Director  
64, Malaysian, Male  
Date appointed: 5 June 2000



#### Board Committee memberships:

- Remuneration Committee
- Employees' Share Option Scheme Committee

#### Academic qualification:

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

#### Experience and career path:

- Completed his pre-registration training in a retail and wholesale pharmacy, City Chemist & Asia Pharmacy.
- Joined Kotra Pharma (M) Sdn Bhd ("KPM") in January 1984 and pioneered the development of KPM's manufacturing, marketing, research and development ("R&D") departments.
- With experience of more than 38 years and through his protracted efforts, he has also introduced a number of conventional dosage forms ranging from tablets, capsules, creams, ointments, wet and dry syrups as well as injectables, both aseptically and terminally sterilised.
- Under his leadership, KPM has grown from a locally established pharmaceutical company to an internationally recognised company, producing well-known brands such as Appeton, Axcel and Vaxcel as well as introducing the latest brand, Arite, that caters to metered dose inhaler products.
- Responsible for the Group's overall operations, business strategic directions and driving the Group's initiatives towards achieving its various set of goals.

#### Committee served:

- Chairman of the ASEAN Pharmaceutical Industry Club ("APC") (2008-2009)

#### Associations or affiliations:

- Past President of the Malaysian Organisation of Pharmaceutical Industries ("MOP")
- Past Branch Committee of Federation of Malaysian Manufacturers ("FMM"), Malacca Branch
- Current Member of FMM Belt & Road Initiative and China Affairs Committee
- Current Executive Council Member of MOP

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

- Brother of Datuk Piong Teck Yen
- Married to Chin Swee Chang
- Uncle of Piong Chee Kien

#### Board Meeting attendance during the financial year ended 30 June 2022:

- Has attended all five (5) Board meetings

## DIRECTORS' PROFILE (CONT'D)

### CHIN SWEE CHANG

Executive Director  
65, Malaysian, Female  
Date appointed: 5 June 2000



#### Academic qualification:

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

#### Experience and career path:

- Programmer at Systems Automation Sdn Bhd in 1982, involved in development, implementation, user-training and maintenance of insurance software.
- Analyst Programmer at Eastern Systems Design Sdn Bhd in 1984, responsible in the development and maintenance for general accounting, insurance broking, hire purchase/leasing software.
- Head of the Electronic Data Processing Department at Robert Bosch (South East Asia) Pte Ltd in 1987, responsible for user support system coordination; coordination/liaison of system information with regional office and headquarters in Germany. Helped to coordinate, convert, transfer data and system migration from Nixdorf to IBM AS/400 system in 1991.
- IT Manager of KPM in 1993. Transformed the computerisation of the entire business from a stand-alone personal computer ("PC") environment to a local area network PC multi-user system, with fully integrated material requirements planning, financial and distribution software. Coordinated and implemented a new, fully integrated Symix MRP (US) package on PROGRESS database platform in 1997. Set-up an in-house IT team to support the growing number of users and computer systems in 2001. Since then, Symix system has gone through two rounds of upgrades. Symix was renamed as Syteline where the database was converted to MS SQL. Was also responsible for setting up Shipping Department and ensuring the smooth operations of order processing and administration departments.
- Was promoted to the current position, Chief Information Officer responsible for overseeing the operations, development and enhancement of Management Information Systems, Order Processing and Administration departments.
- Was the Project Manager for the SAP project implementation which started in November 2008 and went live as scheduled in July 2009. Modules of SD, MM, FICO and partial PP were implemented together to replace the legacy Infor ERP Syteline system.
- With the stabilisation of the SAP core modules, embarked on "Leverage on IT" projects to automate management information and reporting to support decisions making.
- Rolled out Mobile Sales System using iPads for the sales team's orders and information. All customers' information is available on the palm of the sales representatives.

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

- Sister-in-law of Datuk Piong Teck Yen
- Married to Piong Teck Onn
- Aunt of Piong Chee Kien

#### Board Meeting attendance during the financial year ended 30 June 2022:

- Has attended all five (5) Board meetings

### LEE MIN ON

Independent Non-Executive Director  
62, Malaysian, Male  
Date appointed: 2 January 2017



#### Board Committee memberships:

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

#### Professional qualification:

- Chartered Accountant (M), Malaysian Institute of Accountants
- Certified Public Accountant (M), Malaysian Institute of Certified Public Accountants
- Fellow (CFIIA), Institute of Internal Auditors Malaysia

#### Experience and career path:

- Began his career with Peat Marwick Mitchell & Co. (now known as KPMG PLT) in 1979 and retired as a partner of the firm after serving 36 years in the Audit and Consulting Divisions.
- Co-authored the Corporate Governance Guide: Towards Boardroom Excellence 1st and 2nd Editions, published by Bursa Malaysia Securities Berhad ("Bursa Securities").
- Served in the Task Force set up by Bursa Securities that was responsible for the development of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers in 2012.

#### Directorship in public listed companies:

- Tan Chong Motor Holdings Berhad
- APM Automotive Holdings Berhad
- Warisan TC Holdings Berhad
- Lii Hen Industries Bhd

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

- No relationship

#### Board Meeting attendance during the financial year ended 30 June 2022:

- Has attended all five (5) Board meetings

## Directors' Profile (Cont'd)

### DATUK PIONG TECK YEN

Non-Executive Non-Independent Director  
55, Malaysian, Male  
Date redesignated: 1 February 2019



#### Academic qualification:

- Lewisham College, United Kingdom

#### Experience and career path:

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

#### Awards:

- DMSM, DSM, PJK, JP

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

- Brother of Piong Teck Onn
- Brother-in-law of Chin Swee Chang
- Uncle of Piong Chee Kien

#### Board Meeting attendance during the financial year ended 30 June 2022:

- Has attended all five (5) Board meetings

### PIONG CHEE KIEN

Non-Executive Non-Independent Director  
42, Malaysian, Male  
Date appointed: 19 February 2019



#### Board Committee memberships:

- Audit Committee
- Remuneration Committee
- Nomination Committee

#### Academic qualification:

- BSc in Telecommunications Engineering (London)
- MSc in e-Commerce Engineering (London)

#### Experience and career path:

- Brand Executive at KPM from November 2005 to October 2006 and was actively involved in planning and implementing brand marketing and trade strategies aimed at increasing brand performance.
- General Manager of Lonnix (M) Sdn Bhd, specialising in broad range of traditional medicine, food supplement and effervescent products.

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

- Nephew to Piong Teck Onn, Datuk Piong Teck Yen and Chin Swee Chang

#### Board Meeting attendance during the financial year ended 30 June 2022:

- Has attended all five (5) Board meetings

Save as disclosed above, none of the Directors has:

- other directorships in other public companies and listed issuers; and
- any conflict of interest with Kotra Industries Berhad.

Other than traffic offences, none of the Directors has any conviction for offences within the past five (5) years and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 30 June 2022.

## KEY SENIOR MANAGEMENT'S PROFILE

### CHEAH MING LOONG

Chief Operating Officer

51, Malaysian, Male

Date appointed: 1 November 2015

#### Academic qualification:

- Bachelor of Science in Pharmacy (Liverpool John Moores University, United Kingdom)
- MBA in Marketing (University of Southern Queensland, Australia)

#### Experience and career path:

- More than 25 years of pharmaceutical experience in both the patent and generic drugs industry.
- Currently, responsible for the daily operation and the strategic development of Kotra Pharma (M) Sdn. Bhd. ("KPM") for Malaysia and international market.
- Has keen involvement and consultation with the Ministry of Health, Malaysia on matters relating to the development of local generic industry, guidelines & policies.
- Committee member for FMM Branding & Intellectual Property (IPR) 2021-22.

#### Associations and affiliations:

- Member of Malaysian Pharmaceutical Society ("MPS")
- Member of Malaysian Organisation of Pharmaceutical Industry ("MOPI")
- Member of Federation of Malaysian Manufacturers ("FMM")

### DANIEL CHUA CHONG LIANG

Chief Financial Officer

48, Malaysian, Male

Date appointed: 1 July 2003

#### Academic qualification:

- Bachelor of Business (Accounting) (University of Technology Sydney)

#### Experience and career path:

- More than 25 years of working experience and 19 years of experience in the pharmaceutical industry.
- Worked in the big six (6) international accounting firm with experience in the areas of audit and taxation.
- Currently, responsible for the financial management of Kotra Industries Berhad and KPM.

#### Associations and affiliations:

- Member of Malaysian Institute of Accountants ("MIA")



## Key Senior Management's Profile (Cont'd)

### PIONG CHEE WEI

Business Lead – OTC

37, Malaysian, Male

Date appointed: 1 July 2021

#### Academic qualification:

- Master of Pharmacy (University of London, United Kingdom)

#### Experience and career path:

- More than 10 years of experience in pharmaceutical industry.
- Responsible for the daily operation and strategic development of KPM's OTC sales and marketing department.

#### Associations and affiliations:

- Member of MPS

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

- Son of Piong Teck Onn and Chin Swee Chang
- Nephew to Datuk Piong Teck Yen
- Cousin to Piong Chee Kien

Save for Piong Chee Wei who has relationships with other Directors/Substantial Shareholders, none of the Key Management has:

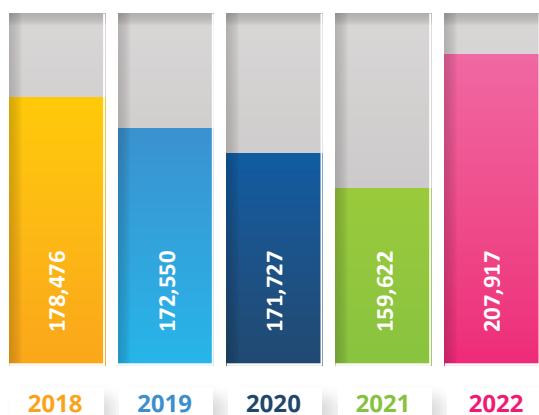
- family relationships with any Directors/Substantial Shareholders of the Company;
- directorships in other public companies and listed issuers; and
- any conflict of interest with Kotra Industries Berhad.

Other than traffic offences, none of the Key Management has any conviction for offences within the past five (5) years and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 30 June 2022.

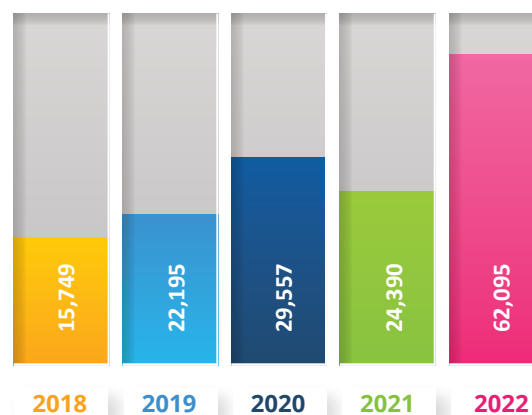
## FINANCIAL HIGHLIGHTS

	2018 (‘000)	2019 (‘000)	2020 (‘000)	2021 (‘000)	2022 (‘000)
Revenue	178,476	172,550	171,727	159,622	207,917
Profit after tax	15,749	22,195	29,557	24,390	62,095
Shareholders’ equity	153,254	172,160	189,846	206,419	244,140
Net assets per share	1.15	1.20	1.31	1.40	1.65
Gearing ratio	0.38	0.26	0.17	0.09	0.03
Return on assets (%)	6.49	9.01	11.67	9.66	20.76
Return on equity (%)	10.28	12.89	15.57	11.82	25.43

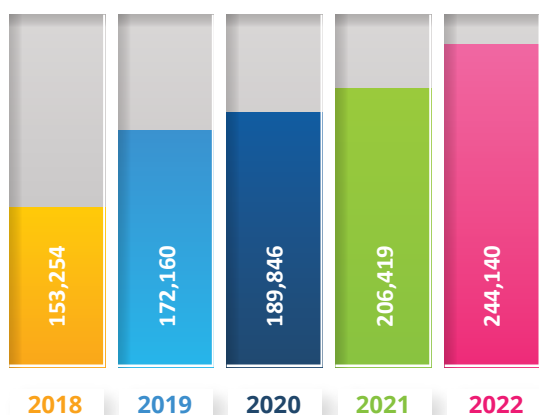
REVENUE (RM’000)



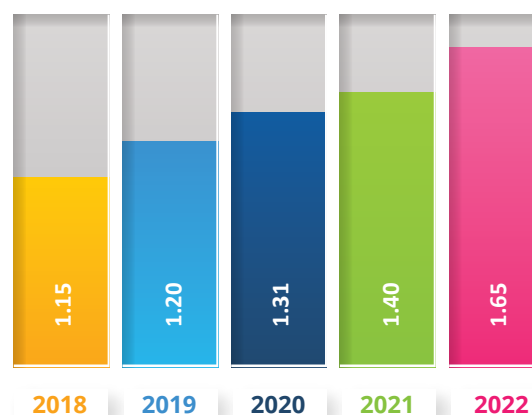
PROFIT AFTER TAX (RM’000)



SHAREHOLDERS’ EQUITY (RM’000)



NET ASSETS PER SHARE (RM)



## CHAIRMAN'S STATEMENT



### *Dear Esteemed Shareholders,*

On behalf of the Board of Directors (“Board”), I am pleased to present to you the Annual Report of Kotra Industries Berhad (“Company”) for the financial year ended 30 June 2022.

The past two years have been a turbulent period, with the world witnessing volatility and unprecedented challenges than ever before. The COVID-19 pandemic began as a health emergency and quickly evolved into a worldwide crisis, affecting businesses, lives and livelihoods. Despite mass vaccination roll-out, including efforts for vaccine boosters, the continued evolution and emergence of COVID-19 variants triggered a surge in cases both globally and domestically, exacerbating uncertainty and delaying economic recovery. However, I believe that the economic scarring would have aggravated had it not been for the swift containment measures and implementation of policies by governments worldwide.

This financial year marked a turning point for recovery in Malaysia with the commencement of Phase 1 of the National Recovery Plan in 2021, with restrictions gradually eased and followed by the transition into endemic phase in April 2022. Nonetheless, we are still compounded by uncertainties on the global front as we now face geopolitical tensions, inflations, global labour shortage and supply-chain constraints. Notwithstanding, the Group has demonstrated remarkable resilience and resoluteness to ensure business operations run without any interruption while prioritising the safety and well-being of our employees.

The COVID-19 pandemic has certainly taught us how to respond to crisis in a timely manner. Maintaining our commitment to deliver high quality products to our customers has always been our paramount focus. The Group was quick to act by adjusting and adopting new strategies to move forward in order to ensure business sustainability and preserve our financial stability while deploying our resources efficiently.

#### **Our Financial Performance**

The financial year ended 30 June 2022 saw a progressive improvement in the Group's financial performance. Although significant headwinds have put pressure on Malaysia's economic recovery, I am pleased to report that the Group has achieved encouraging results. The Group delivered a revenue of RM207.9 million, up by 30.3%, compared to RM159.6 million in the financial year ended 30 June 2021. The revenue recovery was largely driven by our customers' decision to replenish their

stocks when the markets gradually opened. Our sales improved for over-the-counter (“OTC”) and pharmaceutical products, both local and export markets. Furthermore, these results were also achieved on the back of higher sales for products with better margins.

In tandem with the higher revenue, the Group's operating profits increased to RM58.7 million from RM27.2 million recorded in the previous financial year. Finance cost has decreased by RM0.4 million, from RM0.9 million in the preceding financial year to RM0.5 million due to certain term loans which were fully settled during the financial year under review.

Profit before tax improved by RM32.0 million (121.8%), a significant increase from RM26.3 million to RM58.3 million. Backed by this increase, profit after tax saw a 154.6% jump, from RM24.4 million in the preceding financial year to RM62.1 million in the financial year under review. The lower profit in the preceding financial year was mainly due to low sales having been impacted by the COVID-19 pandemic and various phases of Movement Control Orders imposed by the Malaysian Government, compounded by certain expenses which were fixed in nature. Moreover, the higher profit after tax for the financial year under review was due to the mandatory recognition of deferred tax asset pursuant to MFRS 112.

For the financial year under review, net assets attributable to ordinary equity holders recorded at RM244.1 million or at RM1.65 per share compared to RM206.4 million and RM1.40 per share respectively in the preceding financial year. Meanwhile, the increase in profit after tax resulted in earnings per share of 41.96 sen as compared to 16.53 sen last financial year.

The Group's total assets remained strong, increasing to RM299.2 million during the financial year under review as compared to RM252.5 million last financial year. This has further enhanced our cash and bank balances. Operating cashflow of the Group garnered an increase from RM45.0 million to RM60.0 million over the year. The Group's approach in driving operational efficiency and adopting financial prudence has proven to be fruitful, evident from its sound cash flow management and healthy financial position.

## CHAIRMAN'S STATEMENT (CONT'D)

### Dividend

The Board remains committed to deliver value to our shareholders through dividend pay-out for their unwavering trust, support and confidence towards the Group. Subject to shareholders' approval at the forthcoming 23rd Annual General Meeting, the Board is recommending a final dividend of 16 sen per share in respect of the financial year ended 30 June 2022. Together with the interim dividend of 9.5 sen per share, this brings the total dividend for the financial year ended 30 June 2022 to 25.5 sen.

### Our Product Pipeline

The industry we are in heavily relies on research and development ("R&D") activities. Investment in this area is crucial for the Group to sustain our foothold in this highly challenging and competitive market. The creation of new drugs or enhancing our existing drugs enables for a safe, affordable and timely new treatment options for patients. We continue to optimise our research capabilities through our dedicated R&D team and with the state-of-art facilities available in our plant, we are able to positively improve and impact the health of our customers and patients.

During the financial year ended 30 June 2022, we launched the following four (4) generic drugs in the market:

- 1) Axcel Prednisolone 5mg – used to treat a wide range of health problems, including allergies, blood disorders, skin diseases, inflammation, infections and to prevent organ rejection after a transplant;
- 2) Vaxcel Methylprednisolone 1g Injection – to treat conditions such as arthritis, blood disorders, severe allergic reaction, skin/kidney/intestinal/lung diseases and immune system disorders;
- 3) Axcel Azithromycin 500mg Tab – indicated for infections caused by susceptible organisms; and
- 4) Vaxcel Esomeprazole 40mg (Powder Injection) – indicated for gastric anti-secretory treatment when oral route is not possible.

### Our Commitment Towards Corporate Governance and Sustainability

The Board places great emphasis to observe and implement the highest standards of corporate governance and ethical practices within the Group. The Board is cognisant that it is fundamental to maintain good corporate governance to safeguard the interests of all stakeholders by ensuring integrity, transparency and accountability in the Group's business operations. We have also established a robust risk management and internal control systems to manage risks within acceptable tolerance limit by implementing necessary measures to mitigate the identified key risks.

During the financial year under review, the Board has reviewed its corporate governance practices to align with the revised Malaysian Code on Corporate Governance 2021 ("MCCG 2021") issued by the Bursa Malaysia Securities Berhad that was released on 28 April 2021. In line with recommended practice of MCCG 2021, we have adopted Director's Fit and Proper Policy which is made available on the Group's website at [www.kotrapharma.com](http://www.kotrapharma.com)

Sustainability is becoming increasingly crucial for all businesses. The world we live in today is severely impacted by climate change and resource scarcity largely due to human activities. We now see urgent calls for businesses to embed sustainability in their daily operations and implement proactive actions to limit emissions. The Group has embarked on its sustainability journey by striving to conduct our daily operations responsibly and ethically. The Group is committed to pursue our corporate goals and objectives to achieve a sustainable growth while concurrently improving sustainability-related initiatives to manage our carbon footprint to preserve the environment and to protect people. In the previous financial year, the Group has already integrated renewable energy into our operations by installing a solar photovoltaic system. We are determined to scale up our environmental, social and governance practices in the coming years for continued improvements in these areas. Further information on our sustainability journey for the financial year under review is disclosed in the Sustainability Statement in this Annual Report 2022.

### Outlook

The world initially grappled with COVID-19 pandemic, forcing business to re-evaluate the way they operate and build a long-term and sustainable business strategy. Now, the geopolitical uncertainty has overtaken the COVID-19 pandemic as the leading threat to economic growth, further compounding the bleak condition of global supply chain situation and the resulting procurement bottlenecks for businesses.

There is no doubt that the Group still faces headwinds, particularly with the on-going risk of increasing inflationary pressure on the raw materials we use. Moreover, we have been experiencing steep increases in shipping and logistic costs. Nevertheless, the Group remains focused and steadfast in navigating this volatile environment. Being part of the challenging and competitive pharmaceutical industry, the Group has had its fair share of hurdles to cross over the years but weathered such industry challenges with resilience. Moving forward, the Group is committed to strengthen our financial position and performance to generate long-term value for our shareholders. The Management will continue to exercise financial prudence to achieve greater cost and operational efficiency to deliver sustainable growth.

### Acknowledgement

On behalf of the Board, let me express my sincere gratitude to all stakeholders, including but not limited to our shareholders, bankers, suppliers, vendors, customers and regulatory authorities for your continuous faith and support towards the Group amidst the challenging market conditions. I also would like to extend my appreciation to the Management and employees of the Group. The challenging environment did not dampen their perseverance, dedication and commitment to ensure business continuity in the Group. To my fellow Board members, thank you for contributing your valuable time, expertise, insights and guidance in steering the Group through the challenges. The Group will continue to enhance its efforts in pursuit of greater performance, growth and success and I look forward towards reporting on our progress in the next financial year.

## MANAGEMENT DISCUSSION AND ANALYSIS



### *Dear Valued Shareholders,*

I am pleased to present the Management Discussion and Analysis (“MD&A”) of Kotra Industries Berhad (“Company”) and its subsidiaries (“Group”) for the financial year ended 30 June 2022. This MD&A provides an overview of the financial and operational performance of the Group as well as the anticipated risks and outlook for the financial year 2023.

#### OVERVIEW

The Group is one of the leading pharmaceutical companies in Malaysia, engaged in developing, manufacturing and supplying pharmaceutical and healthcare products since its inception in 1982. The Group, headquartered in Melaka, Malaysia, currently has its manufacturing facilities in Melaka and a branch office located in Kuala Lumpur which focuses on sales and marketing activities.

The Group has been offering a wide range of healthcare products of over-the-counter (“OTC”) supplements, nutritional products as well as pharmaceutical products in various dosage forms. We carve our market niche via our three (3) main brands, namely Appeton, Axcel and Vaxcel. The Appeton brand offers high quality OTC products that cater to all stages of life, from prenatal development needs to geriatric health supplements. Axcel specialises in paediatric care, anti-infective medicine and dermatological care while Vaxcel products focus on sterile injectables that feature a range of antibiotics to treat an extensive range of health conditions. Our metered dose inhalers are branded as Arite. As at financial year ended 30 June 2022, our 62 OTC products and 134 pharmaceutical products are registered in Malaysia as well as in the international markets that we operate in.

Guided by our vision of humanising health where we believe everyone deserves a healthier tomorrow and with our strong workforce of over 680 employees, we will continue our efforts to bring a variety of safe and cost-efficient products accessible to everyone.

#### FINANCIAL REVIEW

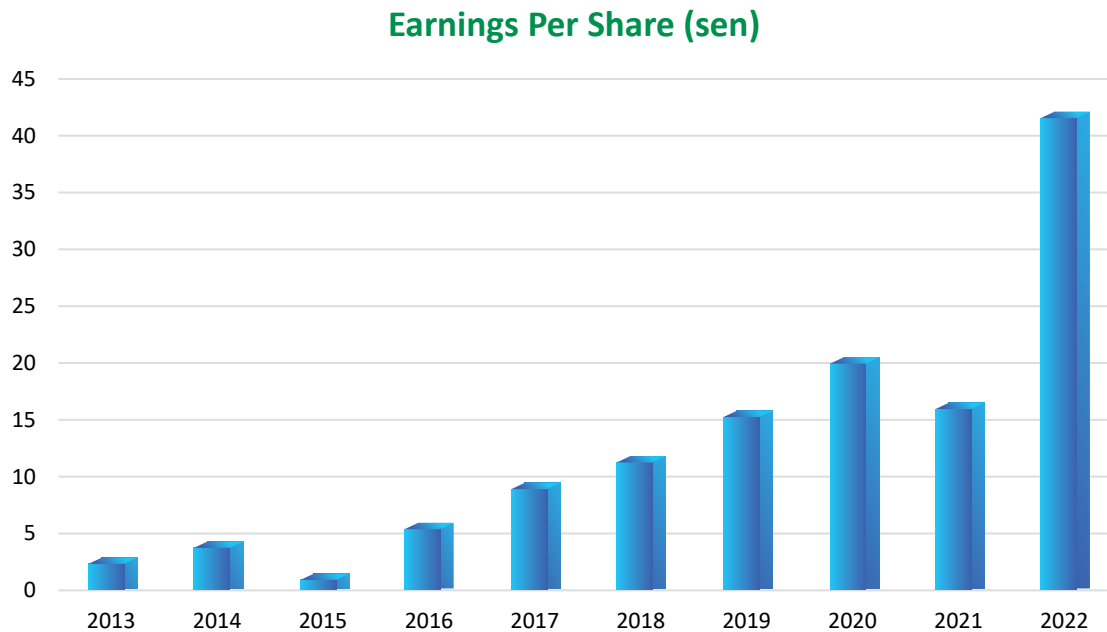
Amidst a challenging financial year with several obstacles, the Group has shown unwavering determination and resilience in pursuing its objectives. This is reflected in the profitable results achieved for the financial year ended 30 June 2022. The Group registered a decent revenue growth of 30%, from RM159.6 million in the preceding financial year to RM207.9 million resulting from the transition in our country to the endemic phase of COVID-19. 71% of the revenue was derived from local sales with the remaining 29% from export market. The higher revenue was primarily attributed by higher sales orders from customers who replenished their stocks when the economies reopened. The COVID-19 pandemic further escalated the growing trend for health supplements, especially immunity-boosting products, i.e., vitamin C and multivitamins. The increasing customer demand created sales opportunities for us and we optimised it by responding quickly to satisfy the needs of our customers. As such, our OTC products sales contributed 53% of the revenue and continued to maintain a strong market presence while the remaining 47% of revenue consists of sales of pharmaceutical products.

Demonstrating our positive operational performance, the Group closed the year with profit before tax, improving by 121.8% over the last financial year, resulting from optimising the quality of our expenses which brought in more value from the increase in sales. The increase in profit after tax of 154.6% was due to the mandatory recognition of deferred tax asset pursuant to MFRS 112 following an assessment on the utilisation of the Group’s available tax credits and losses. The huge jump in margin was partly because 2021 had not been a good year for us. Lower sales compounded by certain costs which were fixed in nature had affected our bottom line then. COVID-19 related impacts drove up costs and expenses, especially raw materials and logistics costs, which are significant expenses to the Group. The results we achieved this year is actually a natural progression from pre-pandemic times.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### FINANCIAL REVIEW (CONT'D)

Earnings per share (“EPS”) rose to 41.96 sen from 16.53 sen per share in financial year ended 30 June 2021. The following chart illustrates the Group’s EPS since 2013: -



### OPERATIONS REVIEW

#### A. Manufacturing (Manufacturing Excellence)

In a pharmaceutical organisation, one of the critical success factors is the quality, efficacy and timely delivery of its products. Throughout the years, the Group has established consistent and constant adherence to regulatory requirements by having a strong internal control system and highly skilled team in place. Our manufacturing facilities comply with the current Good Manufacturing Practices (“cGMP”) requirements of Pharmaceutical Inspection Co-operation Scheme (“PIC/S”) whilst our quality management system is certified to the standards of ISO 9001 to ensure that products are consistently produced and controlled to the appropriate quality standards as required by the regulatory agencies. We also have ISO 17025 accreditation for our quality control laboratory to be competent to carry out tests or calibration.

During the financial year, the global supply chain disruption has caused several delays of supply which led to shortages of raw materials. However, with careful planning we were able to address and quickly adapt to such bottlenecks and disruptions. The Group has indeed demonstrated resilience by adjusting to the rapidly evolving situation and mitigated the consequential interruptions.

Currently, our manufacturing capacity utilisation is approximately 35% to 40%. We believe with the healthy excess capacity, along with the state-of-art infrastructure and resources we have, our manufacturing facility has the capability to produce large orders of our products and meet market demands with minimal incremental capital expenditure over the next five to ten years.

For the financial year ended 30 June 2022, we continued to upgrade our manufacturing facility by investing in new machines such as coating machine, capping machine as well as installing new vision inspection system in our manufacturing lines to enhance our capacity, capabilities and efficiency without compromising our compliance towards regulatory standards.

As we look towards financial year 2023, the Group has begun allocating capital expenditure to upgrade manufacturing equipment, expand warehouse and set up three new manufacturing lines to boost productivity. We are certain this would bring more opportunities to increase our export activities and compete in the overseas market, which will further enhance our standing as a global player in the pharmaceutical industry.

Playing our part in creating a more sustainable system in manufacturing has been one of our top agenda. This is evident from our investment in the solar photovoltaic system installed in our manufacturing facility. Our government, regulators, investors and customers are increasingly calling on us to step up our efforts to embrace sustainability. Hence, we will continue to find innovative ways to make this possible.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### OPERATIONS REVIEW (CONT'D)

#### B. New Product Development (Research and Development Excellence)

The pharmaceutical industry we are operating in is intensely competitive, amidst a rapidly changing environment. New product development is a common and crucial strategy to stay relevant in this industry as well as providing a competitive advantage. To deliver quality and affordable products that are trusted by our customers and patients, we have been consistently investing in our research and development capabilities with the support of an experienced team of 49 dedicated employees.

The Group believes the local industry generic drug sales should continue to rise in the coming years as generic drugs made up only approximately 45% to 50% of total drug sales in the local market as at end-2018, as quoted in Pharma Boardroom's Healthcare & Life Sciences Review (December 2018). Of the generic drugs sold in Malaysia, only 30% were manufactured locally, with the remaining imported. In addition, the final retail prices of generic products are three (3) times cheaper than foreign originators' on average (as per Ministry of Health's Medicine Prices Monitoring 2017 report). Therefore, we see room for the local generic drug market to grow.

During the financial year ended 30 June 2022, we launched four (4) prescription products, namely, Axcel Prednisolone 5mg, Vaxcel Methylprednisolone 1g Injection, Axcel Azithromycin 500mg Tab and Vaxcel Esomeprazole 40mg (Powder Injection). Through our increasing portfolio of products registered, we are confident of sustaining our competitive advantage in this industry. To complement our existing product portfolio, we intend to expand our portfolio in new therapeutic areas such as cardiovascular diseases, diabetes and oncology.

We believe the future lies in biopharmaceuticals and we are actively seeking to partner with those who have a strong presence in this area. Biopharmaceuticals dosages are in injectable forms and our four (4) injectables production lines as well as our 20 years' experience in aseptic operational would be able to expediate the technology migration process.

#### C. International Market (Global Pharmaceutical Excellence)

The global vaccination efforts have prompted most countries to reopen or relax border restrictions towards adapting to the new norm with COVID-19. The gradual reopening of international borders has helped the Group's export sales, which resulted in our international division contributing RM60.7 million to the Group's overall revenue for the financial year ended 30 June 2022, a growth of 11.2% compared to the previous financial year.

With a global footprint in over 30 countries, our current focus is to amplify our presence in the existing export markets, particularly in Indonesia, Myanmar, Vietnam, Cambodia and Africa by expanding our product portfolio and strengthening our brand name in these countries. Moreover, the availability of manufacturing capacity will provide us a better opportunity to participate in overseas tender biddings to supply our pharmaceutical products in the public sector.

In addition, the weakening of Malaysian Ringgit has been favourable to the Group as an exporter as most of the export revenue are in US Dollar. During the financial year under review, revenue from export sales contributed 29% to the overall revenue.

#### D. Brand and Marketing (Brand and Marketing Excellence)

The Group believes that brand image is an important driving force in establishing customer loyalty and has a dominant factor influencing customers' decisions. Branding allows us to build relationship and credibility with our customers. We believe we have successfully developed and positioned all our brands as a trusted brand among our users.

Strategic advertising and promotional efforts certainly helped the Group to establish as one of the key players in the market and made our brands to be viable, particularly Appeton products, the main contributor to our revenue which made of 53%.

Through investments in advertising and promotional activities for Appeton, we were able to command better pricing power as compared to our peers, an indication of sustainable competitive advantage. Over the last few years, we have been capitalising on digital media to build our brand image. With the help of social media, such as Facebook and Instagram, we were able to maximise engagement with our customers and run our promotional campaigns. We cannot deny that digital marketing is the future and we intend to use it to achieve favourable impact on our brand image.

We continued outdoor advertising through over 150 billboards across Malaysia and in a few countries in Asia which we operate. Besides that, we have also taken efforts to increase brand visibility by placing our product strategically at customers' outlets. Point of sales materials or better known as POSM are advertising materials such as shelf talks, wobblers and standee that are used to communicate product and display product information to existing and potential customers.

To build and strengthen our brand presence for prescribed products which are not allowed to advertise, the Group has been involved annually in medical education related talks for doctors and pharmacists throughout the country, covering topics such as paediatric, dermatology and infectious diseases. Whilst market sentiments improved during the year, we need to continue focusing on driving effective and high impact marketing activities that create value and awareness among our customers.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### OPERATIONS REVIEW (CONT'D)

#### E. Human Capital (People Excellence)

We take pride in our human capital being one of our biggest assets to spur continuous growth. Product innovation alone is not sufficient to keep the Group ahead in the competitive market. Losing talented employees will cost us a loss in experience, skill, knowledge in addition to loss in productivity and revenue.

We are mindful of the need to acquire and retain the right talents who are able to adapt to the Group's working culture and bring new ideas to realise our vision. By building talents internally, it is not only cost efficient but, more importantly, employees will be motivated as they know there are always opportunities to upgrade and improve themselves. We have developed succession planning, a strategic framework to identify and develop future leaders among our employees in the Group. Moreover, we have instituted a job rotation programme for potential candidates to expand their knowledge, expose them to different experiences and wider skills to enhance their job satisfaction and enrichment.

A strong development programme for human capital ensures that our employees are equipped with the necessary knowledge and skills to face the industry's challenge with confidence. We have been organising trainings internally through Kotra Institute of Talent Excellence ("KITE"), notably the National Sales Conference, Managers' Masterclass and Compass Meetings. We believe by training and retaining our valued employees, we will be able to improve on their overall productivity and performance to continuously contribute to the Group.

The response to the Group's Clinic Assistant Program ("CAP"), which seeks to bridge the unmet needs of our customers, has been promising. This program aims to equip untrained clinic assistants with the knowledge and skills to be more competent. During the financial year under review, we organised three (3) CAP sessions with participation of 125 clinic assistants. We have plans to upgrade and include this program for doctors as well to enhance their operational and people management skills. Whilst the immediate goal for this program is to increase our credibility among our customers, in the long run we aim to be the pioneer in transforming traditional learning and training and contribute towards elevating the Malaysian workforce in line with the Fourth Industrial Revolution ("IR 4.0") and the Twelfth Malaysian Plan ("RMKe-12").

On the Group's workplace protection and employee well-being to reduce the COVID-19 transmission, the Group has implemented preventive measures throughout the financial year under review such as compulsory temperature checks at all entrances, enhancing employee awareness through regular reminders, compulsory wearing of face masks, regular sanitisation of high touch-points surfaces, bi-weekly COVID-19 tests for our employees and implementing mandatory dual vaccination dosage.

### ANTICIPATED RISKS

The business environment in pharmaceutical industry is constantly evolving, more so with the current global situation. The Group has always been aware of the importance of risk management in operational processes. Business risks like financial and operational, regulatory compliance and competition, amongst others, are systematically identified, evaluated, addressed and closely monitored by the respective risk owners of each division. Risk mitigation plans are then proposed, implemented and assessed from time to time to address their adequacy and effectiveness, all of which are reported to the Board for monitoring.

#### A. Financial and Operational Risk

As a manufacturer of pharmaceutical products, the Group is exposed to risks related to, amongst others, escalating costs of raw materials especially Active Pharmaceutical Ingredients ("API"), shortage of raw materials, liquidity, increased risk of bad debts, increase in labour costs as well as accessibility to skilled personnel. Due to our operations in the overseas market, we are also faced with uncertainties and risks associated with geopolitical instability such as the ongoing Russo-Ukrainian war, fluctuations in foreign currency exchange, economic instability and inventory obsolescence that will have a material impact on the Group's financial position and business performance. In addition, any prolonged downturn in general economic conditions would present risks to the Group's business such as a potential decrease in healthcare spending by the government and dampened consumer sentiments.

Although there is no assurance that changes to the aforementioned risks will not have an adverse effect to the Group's operations, we have been implementing pertinent measures to mitigate these risks by deploying pragmatic procedures and internal control, prudent financial management and exercising vigilance on the changes relevant to our business.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### ANTICIPATED RISKS (CONT'D)

#### B. Regulatory and Compliance Risk in Pharmaceutical Industry

Regulatory and compliance risks are inherent in the pharmaceutical industry. Changes in regulatory requirements in a specific market in which the Group operates could increase total costs of production and/or lengthen the required time needed for product registration in that market. In such a case, higher costs or delays in product registration may lead to lower margins or hamper sales volumes in the relevant market for the Group.

To mitigate this, the Group regularly engages with relevant regulatory and government authorities as well as participates in pharmaceutical related associations such as Malaysian Organisation of Pharmaceutical Industries ("MOPI") which enables the Group to anticipate and respond to changes swiftly. We have been implementing effective compliance management internally by embedding controls and compliance process in the Group via periodic reviews, continuous training and establishing effective compliance management team, consisting of 138 members, who enable us to sustain our commitment towards regulatory compliance.

#### C. Competitive Environment

The pharmaceutical industry plays an important role in improving healthcare. The Group faces stiff and heavy competition from a myriad of local and foreign players with resources significantly greater than the Group. This competitive environment may threaten our revenue and profit margin if not properly responded to. Moreover, we may be experiencing a rise in protectionism from overseas countries due to the COVID-19 pandemic, where governments in these countries lay out policies such as tariffs, import quotas and subsidies to assist their local companies to manage and sustain their businesses against foreign competition. This will definitely put exporters like us at a disadvantage.

The Group must be able to effectively respond to the competitive factors and emerging trends, including being mindful of the importance of pricing, promotional investments, customer preferences and trading terms. To remain dynamic, we will continue to deepen our focus on marketing and brand development, pricing strategy and other relevant strategies that give us a comparative advantage to effectively deal with the intensity of external pressure. It is essential for us to remain steadfast to put up with strong competition to retain our market share and expand our business to the other markets.

### OUTLOOK

After weathering the stormy past two (2) years, we are now heading 'into a new dawn', with recovery in various aspects from social safety and health to market certainty as we used to know it. It is more important now than ever to remain focus on our goals in driving greater output in productivity by continuing our cost rationalisation measures and create long-term sustainable value for our shareholders.

While total healthcare expenditure-to-GDP gradually crept up from 3.7% in 2006 to 4.7% in 2020 and is expected to have reached 5% in 2021, this is still lower than the range of 7% to 10% for countries with two-tier healthcare systems similar to Malaysia's (e.g., Ireland), suggesting room for Malaysia's healthcare spending to increase further. The growth in public healthcare spending has been spurred by the expanding healthcare budget for the Ministry of Health ("MOH"). According to Bernama's report dated 15 August 2022, the then Health Minister Yang Berhormat Khairy Jamaluddin said the ministry was seeking to raise the public healthcare budget to 5% of GDP by 2030 (current: 2.6%) to be in line with upper middle-income countries. The Group believes this will spur greater healthcare spending and benefit Malaysian pharmaceutical players in the medium to long-term.

With GDP growth in the first half of 2022 at 6.9%, the Malaysian economy is projected to expand further for the remainder of the year. This will be further fuelled by inflated commodity prices, improved labour market conditions and accelerated digitalisation. Furthermore, out-of-pocket spending on private pharmacies in Malaysia is expected to rise further based on MOH National Health Accounts Health Expenditure Reports, driven by several factors that we believe such as improving affluence and health awareness and increase prevalence of non-communicable disease ("NCDs"). The rising incidence of NCDs, which include hypertension, cardiovascular diseases, diabetes and cancers, may be stemming from Malaysia's ageing population and lifestyle factors, such as diet, smoking, excessive exposure to ultraviolet light and sedentary habits. MOH's National Health and Morbidity Survey 2019 showed that the prevalence of diabetes, obesity and smoking has increased since 2011. It is therefore important for the Group to be dynamic in making changes whenever needed and seizing new opportunities should they arise.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### OUTLOOK (CONT'D)

In addition, we can indirectly enhance the Social (S) pillar in ESG as our products play an important role in helping communities treat or relieve various diseases and improve general health and immunity as well as enhance the population's access to affordable healthcare products. The bigger challenge now for the Group is to deepen our impact on the Environmental (E) and Governance (G) pillar from reducing waste and elimination of single use plastics to improving board composition and diversity. We recognise our responsibility to address the challenges of global sustainability, especially given climate changes impact upon us.

As we stride forward, the Group is mindful of the challenging market conditions and economic uncertainties. Nonetheless, we remain resolute and steadfast in facing future challenges. Supported by the strong capabilities within the Group, we are confident in executing the necessary initiatives to excel in our operations in the long run.

### ACKNOWLEDGEMENT

Navigating this challenging journey was possible because of the commitment of our employees and other stakeholders' support. The Group's progress would not be possible without the unwavering dedication of the Management team and employees who have contributed greatly to the Group's achievements in this record breaking year. I would like to express my heartfelt gratitude for their tireless efforts.

A special mention to the Board of Directors for their excellent guidance and stewardship. I would like to extend my sincere appreciation to them. Last but not least, a big thank you to all our shareholders, suppliers, bankers, business partners and clientele for the continued trust and support towards the Group all these years.

The COVID-19 pandemic was certainly a turning point for the Group to reconsider our priorities and strategies and reassess our business models to ensure business continuity and a sustainable recovery. It has also taught us to take quick and proactive measures to address and mitigate impediments in the future. Looking at the uncertainties and challenges ahead, we will continue to exercise due care and prudence in our day-to-day operations. We are cautiously optimistic but with determination and focus, I am confident that we will be able to sail through the challenges to emerge stronger and deliver our commitments to our stakeholders.

### PIONG TECK ONN

Managing Director

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Kotra Industries Berhad (“Company”) is committed to maintain high standards of corporate governance and strives to ensure that they are practised throughout the Company and its subsidiaries (“Group”) to safeguard the interests of the Group and its shareholders. The Board continuously assesses the Group’s corporate governance practices and procedures for the purpose of adopting and applying the relevant Principles and Practices, including Guidance, as set out in the Malaysian Code on Corporate Governance 2021 (“MCCG 2021”) towards promoting business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value while considering the interest of other stakeholders.

The Corporate Governance Overview Statement (“Statement”) is made pursuant to Paragraph 15.25(1) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), with guidance from Practice Note 9 of the MMLR. This Statement provides an overview of the application of the following three (3) Principles as set out in the MCCG 2021:

- a) Principle A: Board Leadership and Effectiveness;
- b) Principle B: Effective Audit and Risk Management; and
- c) Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

This Statement should be read together with the Corporate Governance Report (“CG Report”) of the Company, which provides detailed application of each Practice set out in the MCCG 2021 during the financial year ended 30 June 2022. The CG Report is available on the Bursa Securities’ website and the Group’s website at [www.kotrpharma.com](http://www.kotrpharma.com)

### Summary of Corporate Governance Practices

The Principles and Practices prescribed in the MCCG 2021 were adopted, save for the following:

- Practice 1.4 – The Chairman of the Board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee;
- Practice 4.1 – The Board, together with the Management, takes responsibility for the governance of sustainability in the Company, including setting the Company’s sustainability strategies, priorities and targets;
- Practice 4.2 – The Board ensures that the Company’s sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders;
- Practice 4.4 – Performance evaluations of the Board and Senior Management include a review of the performance of the Board and Senior Management in addressing the Company’s material sustainability risks and opportunities;
- Practice 5.2 – At least half of the Board comprises Independent Directors;
- Practice 5.9 – The Board comprises at least 30% women Directors;
- Practice 5.10 – The Board discloses in its annual report the Company’s policy on the gender diversity for the Board and Senior Management;
- Practice 8.2 – The Board discloses on a named basis the top five (5) Senior Management’s remuneration components, including salary, bonus, benefits-in-kind and other emoluments in bands of RM50,000;
- Practice 9.2 – The Audit Committee has a policy that requires a former partner of the external audit firm of the listed company to observe a cooling-off period of at least three years before being appointed as a member of the Audit Committee; and
- Practice 13.6 – Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.

The reasons for non-adoption of the abovementioned Practices are set out in the CG Report, including the measures adopted by the Board as alternative measures to achieve the intended outcomes of the Practices.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND RESPONSIBILITIES

#### PART I: BOARD RESPONSIBILITIES

##### 1.0 Board's Duties and Responsibilities

###### 1.1 Strategic aims, values and standards

The Board helms overall responsibility for providing effective oversight of the Group's strategic direction to achieve corporate goals and objectives, overseeing the conduct of the Group's business while ensuring that appropriate risk management and internal control systems are in place. The Board is committed to practise good governance in steering the Group towards attaining sustainable performance and delivering value to its stakeholders. The Board is guided by a Board Charter that sets out the roles and responsibilities of the Board, Board Committees and individual Directors, including matters reserved for the Board to discharge its fiduciary duties. The Board Charter is available on the Group's website at [www.kotrapharma.com](http://www.kotrapharma.com)

The Board has delegated certain functions and duties to the Board Committees to assist in the discharge of its responsibilities. The Board has established the following four (4) Board Committees, comprising the Audit Committee ("AC"), the Remuneration Committee ("RC"), the Nomination Committee ("NC") and the Employees' Share Option Scheme ("ESOS") Committee ("EC"). The Board Committees are governed by their respective Terms of Reference approved by the Board. The Chairman of each Board Committee reports on the outcome of matters deliberated in their respective Committee meetings and their recommendations to the Board. The ultimate responsibility for decision making lies with the Board.

###### 1.2 Board Chairman ("Chairman")

The Board is chaired by an Independent Non-Executive Director who is responsible for the leadership, effectiveness, conduct and governance of the Board. The responsibilities of the Chairman, amongst others, are as follows:

- i) conducts and chairs Board Meetings and General Meetings;
- ii) responsible for the establishment and monitoring of good corporate governance practices in the Board and the Group;
- iii) ensures effective communication by the Company with shareholders and stakeholders;
- iv) encourages active participation from all Directors to ensure their effective contribution in the Board;
- v) directing discussions in the Board to effectively address the key matters and critical issues faced the Group; and
- vi) ensures the Board receives quality information is delivered to the Board in a timely manner to facilitate decision-making.

###### 1.3 Separation of Positions between the Chairman and the Managing Director

The positions of Chairman and the Managing Director are held by different individuals. The Chairman of the Company is Datuk Jamaludin bin Nasir while the Managing Director is Mr. Piong Teck Onn. There is a clear and separate division of responsibilities between them to ensure a balance of power and authority and independent decision-making to promote accountability. The division of responsibilities is clearly defined in the Board Charter. The Chairman is responsible for leadership of the Board and ensures the smooth functioning of the Board as a whole. The Managing Director is responsible on day-to-day business operations and the implementation of the Board's policies, strategies and decisions.

The Non-Executive Directors are persons of calibre, credibility, extensive experience and integrity to provide unbiased and independent views to bear on the issues of strategy, performance, resources and standards of conduct. The Independent Directors are free from any business or other relationship with the Group that could materially interfere in exercising their independent judgement to the Board's decisions. The Independent Directors, together with Non-Independent Non-Executive Directors, provide the necessary checks and balances on the decision-making process of the Board for an effective functioning of the Board and to safeguard the interests of shareholders and other stakeholders.

###### 1.4 Chairman of the Board should not be a Member of the Audit Committee, Nomination Committee and Remuneration Committee

The Chairman of the Board is the Chairman of both the NC and RC and a member of AC. The Board Chairman does not have any conflict of interest in the Group which may interfere his independent judgement or ability to act in the best interest of the Group. Given the size of the Board, together with his vast experience and expertise, the Board is satisfied on the adequate checks and balances in place despite the Board Chairman's membership in the NC, RC and AC.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND RESPONSIBILITIES (CONT'D)

#### PART I: BOARD RESPONSIBILITIES (CONT'D)

##### 1.0 Board's Duties and Responsibilities (Cont'd)

###### 1.5 Qualified and Competent Company Secretary

The Board is supported by two (2) qualified Company Secretaries who possess the requisite qualification and are members of the Malaysian Institute of Chartered Secretaries and Administrators. The Board is regularly updated and informed by the Company Secretaries on new statutes and directives issued by the regulatory authorities. The Company Secretaries are also responsible in ensuring the Board and Board Committee meetings are properly convened and deliberations during these meetings are well documented and always maintained. To ensure its effective functioning, the Board has full unrestricted access to the advice and services of the Company Secretaries.

###### 1.6 Access to Information and Advice

Board meetings are held on a quarterly basis to review and approve the Group's financial results, with additional meetings held as and when deemed necessary for the Board to discuss and decide on urgent matters. The Board and Board Committee meetings are planned in advance with a meeting schedule circulated to Board members to pre-plan their schedule accordingly. Meeting agenda and Board papers containing relevant reports and material information are distributed at least seven (7) days prior to the meeting to the Board members. This is to provide sufficient time for Directors to peruse the Board papers to participate effectively in the Board and/or Board Committee meetings and to obtain further information and clarification, if required. The minutes of meetings are circulated to Board and Board Committee in a timely manner for review and comments before being confirmed at the next meeting.

The Board members have access to all information pertaining to the Group as well as to seek independent professional advice at the Company's expense, if necessary, in furtherance of discharging their duties. Management may be invited by the Board to attend the Board and/or Board Committee meetings to provide advice, information and/or clarification relating to any issues to enhance discussion and decision making.

##### 2.0 Demarcation of Responsibilities

###### 2.1 Board Charter

The Board has formalised a Charter that encapsulates, among others, the roles, functions and responsibilities of the Board, Board Committees and individual Directors in discharging its fiduciary functions as well as matters reserved for the Board's consideration and approval. The Terms of Reference of each Board Committee are set out in this Board Charter, uploaded on the Group's website at [www.kotrapharma.com](http://www.kotrapharma.com)

The Board Charter is reviewed every two (2) years or more frequently as and when necessary to ensure it remains relevant with the Board's objectives as well as to factor in changes in regulatory requirements that may have an impact on the discharge of the Board's responsibility.

##### 3.0 Promoting Good Business Conduct and Corporate Culture

###### 3.1 Code of Conduct and Ethics

The Board has formalised a Code of Conduct and Ethics ("Code") for all Directors and employees of the Group which defines ethical standards and conduct at work to be observed when discharging their respective duties and responsibilities. The Board is committed to create a conducive Group corporate culture to ensure business activities are conducted ethically. Directors of the Company are required to adhere to the Directors' Code of Ethics and Conduct, which is part of the Board Charter.

###### 3.2 Whistleblowing Policy and Procedures

The Whistleblowing Policy and Procedures ("Whistleblowing Policy") provide an avenue for employees of the Group, public and external parties to disclose or report any actual or suspected improper conduct that may adversely impact the Group. The Group treats all reports in a confidential manner and provides protection for those who report such concerns in good faith. The Board reviews the Whistleblowing Policy annually to assess its continuing relevance and effectiveness.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND RESPONSIBILITIES (CONT'D)

#### PART I: BOARD RESPONSIBILITIES (CONT'D)

#### 3.0 Promoting Good Business Conduct and Corporate Culture (Cont'd)

##### Anti-Bribery and Corruption Policy

In line with Section 17A(5) of the Malaysian Anti-Corruption Commission Act 2009, an Anti-Bribery and Corruption Policy ("ABC Policy") was established to provide mandatory guidance and procedures to prevent the occurrence of bribery and corrupt acts in the Group. The ABC Policy sets out the Group's zero tolerance approach against all forms of bribery, corruption and similar unethical acts to safeguard the reputation of the Group. The Group is committed to act professionally and ethically in all our business dealings and relationships.

The Code, Whistleblowing Policy and ABC Policy are available on the Group's website at [www.kotrapharma.com](http://www.kotrapharma.com)

#### 4.0 Sustainability

##### 4.1 Responsibility for the Governance of Sustainability

The Board has oversight responsibility to ensure the Group's long-term business viability and to deliver sustainable value to our stakeholders. The Board acknowledges its role in overseeing the Group's sustainability practices, strategies and performance which encompass environmental, social and governance ("ESG") pillars. The Managing Director is responsible for managing the Group's day-to-day operations and executing the Group's sustainability strategies and plans to promote and build sustainability culture within the Group. The Senior Management Team and Heads of Department or Managers are committed to provide support to the Managing Director in managing the integration of sustainability in the operations of the Group. This is one area the Board has identified for improvements to bridge the gap vis-à-vis the sustainability agenda prescribed by the regulators.

##### 4.2 Effective Communication with Internal and External Stakeholders

The Group believes that continuous engagement with our stakeholders is crucial to build their trust and promote the Group's accountability. The Group engages with its stakeholders through various modes of communication to enable them to better understand of the Group's business operations and seek their feedback or input on matters relevant to them. A list of identified key stakeholders, engagement channels and their areas of interest/concern during the financial year ended 30 June 2022 is disclosed in the Sustainability Statement of the Annual Report 2022.

##### 4.3 Taking Appropriate Action to Stay Abreast with and Understand the Sustainability Issues

With an increasing emphasis on sustainability, the Board is committed to keep abreast on the latest regulations, relevant requirements and matters concerning the sustainability, including sustainability issues relevant to Group. The Directors are encouraged to attend training programmes, seminars and talks on a continuous basis to enable them to discharge their responsibilities effectively and to keep abreast with developments in the marketplace, including sustainability issues. The list of training programmes attended by the Directors during the financial year under review are available in this Statement in the Annual Report 2022.

##### 4.4 Performance Evaluations of the Board and Senior Management

The Board, through the NC and the Management, looks into the performance evaluation of the Board and Senior Management but the focus has been largely on the economic dimension of financial performance. The Board believes that a comprehensive study is needed to ensure that the key performance indicators which are set in the evaluation of the Board and Senior Management are appropriate, measurable and aligned to the Group's sustainability strategy. Therefore, the NC will consider incorporating such matters in the performance evaluation in the future.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND RESPONSIBILITIES (CONT'D)

#### PART II: BOARD COMPOSITION

##### 5.0 Board's Objectivity

###### 5.1 Responsibilities of NC

The NC is responsible for reviewing annually the overall Board composition in terms of size, structure, including the required mix of skills, experience and other qualities of the Directors of the Company. During the financial year ended 30 June 2022, the NC evaluated the Board's composition and was of the view that the Board was appropriate in size and had a right blend of knowledge, skills and experiences that fitted the Group's objectives and strategic goals. Retiring Directors, who were due for re-election were considered by the NC. The Directors' Fit and Proper Policy was adopted by the Board to govern the appointment of new Directors and the re-election of Directors.

###### 5.2 Board Composition

The Board consists of six (6) members, comprising two (2) Executive Directors, two (2) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors. The composition of the Board complies with Paragraph 15.02 of the MMLR, which requires at least two (2) Directors or one-third (1/3) of Board members, whichever is the higher, to be Independent Non-Executive Directors.

The Board acknowledges the departure of Practice 5.2 of the MCCG 2021 which requires at least half of the Board members to comprise Independent Non-Executive Directors. However, the Board is of the opinion that the current size and composition of the Board is well balanced in relation to the Company's needs as the existing Independent Non-Executive Directors are professionals of high calibre with integrity and experience with in-depth knowledge of the Group's business. These Directors maintain an adequate level of objectivity and exercise independent judgement as they do not have any business or other relationships that could interfere with the decision-making process. They are instrumental in ensuring a balance of power and authority in the Board, especially when the Independent Non-Executive Directors are supported by the Non-Independent Non-Executive Directors, thereby making the Non-Executive Directors a majority composition in the Board.

###### 5.3 Tenure of Independent Director; and 5.4 Policy on the tenure of Independent Non-Executive Director

In line with Step-Up Practice 5.4 of the MCCG 2021, the Board has adopted a practice that an Independent Non-Executive Director shall not exceed a cumulative term of nine (9) years. On completion of the 9-year tenure from the date of appointment, the Independent Non-Executive Director steps down from the Board. As of 30 June 2022, none of the Independent Non-Executive Directors has exceeded the tenure of 9 years.

###### 5.5 Board Diversity and Senior Management Team; and 5.6 Directors' Appointment

The Board is supportive of diversity in the Board's composition and Senior Management team. The Board members and Senior Management are appointed based on objective criteria, merit and with due regard for diversity in skills and experience, without any discrimination to age, ethnicity, gender or physical impairment. The Board believes that by providing fair and equal opportunities to all is in the best interest of the Group to meet its objectives. The Board has adopted Board Diversity Policy as part of its commitment to promote diversity. The Board Diversity Policy is available on the Group's website at [www.kotrapharma.com](http://www.kotrapharma.com)

The NC is responsible for identifying, selecting and recommending the appointment of suitable candidates for directorship to the Board. A new Director is appointed when there is a vacancy by retirement, resignation or in the event there is a need to appoint additional Director to fill any casual vacancy in the Board. The NC has the authority to obtain the services of independent professional institutions or recruitment firms to source candidates for directorship or seek independent professional advice whenever necessary. The NC assesses and deliberates on potential candidates by taking into consideration predetermined criteria such as their knowledge on the Group's business, skill, expertise, experience, capabilities in making sound judgement, time commitment and number of directorships before making recommendations to the Board for approval. The Managing Director oversees the appointment of Senior Management, the selection of whom are based on competencies, capabilities, skill set and relevant business experience, driven by their respective job descriptions in the Group's day-to-day operations.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND RESPONSIBILITIES (CONT'D)

#### PART II: BOARD COMPOSITION (CONT'D)

##### 5.0 Board's Objectivity (Cont'd)

##### 5.7 Information on the Appointment and Re-appointment of a Director

There was no new appointment of Directors for the financial year under review, except for the re-appointment of retiring Directors at the last Annual General Meeting ("AGM") of the Company. The profile of each Director is disclosed in this Annual Report 2022. Details provided in the Directors' profiles include their age, date of appointment, roles in the Board Committees, directorships in other companies, any conflict of interest, working experience and their meeting attendance for the financial year ended 30 June 2022.

The explanatory notes accompanying the Notice of AGM provide the relevant information of the Directors standing for re-election including the Board's statement on its recommendation to support the re-election of Directors.

##### 5.8 The NC

The NC was established by the Board to assist on matters relating to appointment of new Directors, Board's composition, succession planning, training programme and performance evaluation of the Board, Board Committees and individual Directors, amongst others. The NC is guided by specific Terms of Reference approved by the Board which can be found on the Group's website at [www.kotrapharma.com](http://www.kotrapharma.com)

The NC comprises three (3) members, all of whom are Non-Executive Directors with a majority of Independent Directors. The composition of the NC is as follows:

- Datuk Jamaludin bin Nasir – Chairman  
*Independent Non-Executive Director*
- Lee Min On – Member  
*Independent Non-Executive Director*
- Piong Chee Kien – Member  
*Non-Independent Non-Executive Director*

For the financial year under review, the NC conducted the following activities:

- a) Reviewed and evaluated the performance and effectiveness of the Board as a whole, Board Committees and individual Board member, in particular focusing on those Directors retiring at the forthcoming AGM and who have consented to stand for re-election for the purpose of recommending to the Board to include a resolution in the Notice of AGM;
- b) Reviewed the terms of office and performance of the AC members;
- c) Reviewed the independence status of the Independent Non-Executive Directors; and
- d) Conducted the Chief Financial Officer's annual evaluation.

##### 5.9 Gender Diversity; and 5.10 Gender Diversity Policy

The Board is aware of the importance of boardroom diversity and is mindful of gender diversity as promulgated in MCGG 2021. However, the Board has not formalised any gender diversity policy that prescribed a target for female Directors in the Group as the Board believes it is more equitable to provide fair and equal opportunity to candidates, irrespective of gender, age, cultural background or ethnicity. The NC selects and recommend the appointment of a new Director to the Board upon evaluating the potential candidate based on the pre-set criteria that include the character, integrity, merit, knowledge, skills, competency, experience and time commitment of the new Director.

The Board has one (1) female Director and five (5) male Directors. The Board is satisfied that its current composition fairly reflects a good mix of knowledge, skills, experience and comprises members who are able to add value to the Board and make decisions in the best interests of the shareholders.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND RESPONSIBILITIES (CONT'D)

#### PART II: BOARD COMPOSITION (CONT'D)

#### 6.0 Overall Effectiveness of the Board and its Individual Directors

##### 6.1 Annual Evaluation

The NC is tasked to perform annual performance evaluation of the Board, Board Committees and each individual Director. The annual assessment for the financial year ended 30 June 2022 covered the following areas:

- a) The structure, size and composition of the Board;
- b) The effectiveness of the Board as a whole and Board Committees;
- c) Contribution and performance of each Director;
- d) Independence of Independent Non-Executive Directors; and
- e) Terms of office and performance of the AC and its members.

The assessment was facilitated by the Company Secretaries, based on a self and peer assessment approach using pre-set questionnaire adapted from Bursa's Corporate Governance Guide 4th Edition: Risk Together. The outcome of the assessment was compiled, documented and reported to the Board, highlighting the areas for improvements, for example enhancements required on sustainability governance and reporting, the types of training to be undertaken by Directors, in particular the Audit Committee, in relation to their terms of reference. Apart from such improvement opportunities, the Board and NC were satisfied with the current composition of Board members and believe that the Board is well balanced with the right mix of high-calibre Directors with the necessary skill and qualifications, capacity and independence to discharge their duties and responsibilities effectively.

##### Time Commitment

As set out in the MMLR, a Director must not hold directorships of more than five (5) public listed companies to ensure the Director is able to commit sufficient time, focus and discharge his/her responsibilities effectively. A Director is required to notify the Board in the event of any acceptance of new directorship in public listed companies.

The Board meets every quarterly to review its quarterly financial performance and discuss other matters. Additional meetings are convened as and when necessary. The Board and NC were satisfied with the level of time commitment given by all the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is demonstrated by the attendance record of the Directors during the financial year ended 30 June 2022 as set out in the table below:

Meeting attendance for the financial year ended 30 June 2022					
No.	Director	Board	AC	NC	RC
1.	Datuk Jamaludin bin Nasir	5/5	5/5	1/1	1/1
2.	Lee Min On	5/5	5/5	1/1	1/1
3.	Piong Chee Kien	5/5	5/5	1/1	1/1
4.	Datuk Piong Teck Yen	5/5	-	-	-
5.	Piong Teck Onn	5/5	-	-	1/1
6.	Chin Swee Chang	5/5	-	-	-

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND RESPONSIBILITIES (CONT'D)

#### PART II: BOARD COMPOSITION (CONT'D)

#### 6.0 Overall Effectiveness of the Board and its Individual Directors (Cont'd)

##### 6.1 Annual Evaluation (Cont'd)

##### Directors' Training

The Board recognises the importance of continuous training in order to perform their duties effectively and to remain abreast of the latest developments in the industry and changes to the regulatory environment. All Directors have attended and completed the Mandatory Accreditation Programme. In accordance with Paragraph 15.08 of the MMLR on Directors' Training, the Directors continued participating in relevant training programmes to improve their knowledge and stay abreast with contemporary developments in the business landscape and regulatory updates. Moreover, the Company Secretaries briefed the Board on the latest updates pertaining to MMLR, statutory provisions and new regulations from time to time.

The Directors have attended the following education programmes during the financial year under review:

Name of Directors	Trainings Attended
Datuk Jamaludin bin Nasir	<ul style="list-style-type: none"> <li>● Talk on Securities Commission Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries</li> <li>● Security Awareness Training for Board</li> <li>● Moody's Emerging Market Summit</li> <li>● Roundtable on the New Economy Policy (NEP) - Reflection on the NEP After 50 Years</li> <li>● Securities Commission - Audit Oversight with Audit Committee</li> <li>● TCFD Climate Disclosure Training Programme - Bursa Malaysia TCFD 101 session</li> <li>● TCFD Climate Disclosure Training Programme - Bursa Malaysia TCFD 102 session</li> </ul>
Piong Teck Onn	<ul style="list-style-type: none"> <li>● New Approach to Scale Up High Shear Granulation</li> <li>● Talk on Securities Commission Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries</li> <li>● Vaccine Synthesis and Formulation Processes</li> <li>● Webinar on Injectable Drug Delivery</li> <li>● Early Phase Drug Development in Malaysia: Where Are We?</li> <li>● Webinar on China's New Requirements for Imported Food Products</li> <li>● Webinar on 11th Nutrition Labelling and Claims</li> <li>● Essentials to Enhance Pharmaceutical Exports</li> <li>● Leveraging on Cross Border eCommerce through WeChat in China</li> <li>● Automatic X-Rays Based Inspection for Parenteral in 2022</li> <li>● MMDA Briefing Session on Custom Prohibition Order on Import Permit</li> <li>● ACCESS China Biotech Forum</li> </ul>
Datuk Piong Teck Yen	<ul style="list-style-type: none"> <li>● Talk on Securities Commission Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries</li> <li>● FMM Sustainability Webinar – Tapping on Existing Initiatives</li> </ul>

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND RESPONSIBILITIES (CONT'D)

#### PART II: BOARD COMPOSITION (CONT'D)

#### 6.0 Overall Effectiveness of the Board and its Individual Directors (Cont'd)

##### 6.1 Annual Evaluation (Cont'd)

##### Directors' Training (Cont'd)

Name of Directors	Trainings Attended
Chin Swee Chang	<ul style="list-style-type: none"> <li>● Talk on Securities Commission Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries</li> <li>● Corporate Liability Training for Agent</li> <li>● Data Security Talk</li> <li>● Training Session: Fire Insurance Talk</li> <li>● Talk on Cyber Insurance</li> </ul>
Lee Min On	<ul style="list-style-type: none"> <li>● Talk on Securities Commission Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries</li> <li>● Training on Effective Internal Audit Function Based on Thematic Study by Bursa Malaysia Securities Berhad</li> <li>● Training on What Internal Control is, its Importance and Your Involvement on Internal Controls in Your Department's Activities</li> <li>● Training on Understanding the Roles of the Board and Management in the Timely and Accurate Issuance of Financial Statements</li> <li>● Training on Section 17A of the Malaysian Anti-Corruption Commission Act 2009 – Corporate Liability on Corruption and the Implementation of Adequate Procedures to Mitigate Corruption Risks</li> <li>● Training on Corporate Disclosures covering the Corporate Governance Overview Statement, CG Report, Audit Committee Report &amp; Statement on Risk Management &amp; Internal Control ('CG Disclosures') - What's the Real Purpose for Such Statements in a Listed Issuer's Annual Report?</li> <li>● Training on the Roles of the Audit Committee - Unpacking the Roles of the Committee and Honing its Effectiveness in Discharging its Responsibilities Holistically</li> </ul>
Piong Chee Kien	<ul style="list-style-type: none"> <li>● Talk on Securities Commission Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries</li> <li>● SMETA: Requirement Gap Analysis &amp; Implementation Planning</li> <li>● SMETA Element 3 Safety &amp; Health, Element 10B4 Environment</li> <li>● SMETA: Safety and Health Documentation</li> <li>● E-learning Questionnaire (Secure Protector Personal) Accident Insurance</li> </ul>

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND RESPONSIBILITIES (CONT'D)

#### PART III: REMUNERATION

##### 7.0 Level and Composition of Remuneration

###### 7.1 Remuneration Policies and Procedures

The Board aims to set fair and competitive remuneration to attract, motivate and retain high-calibre Directors and Senior Management to lead the Group to achieve its corporate objectives. In view of this, the Board has adopted Policies and Procedures that set out the criteria in determining remuneration of Directors and Senior Management. For the financial year ended 30 June 2022, the RC performed its duty to assess the remuneration packages of its Executive Directors and Non-Executive Directors.

The remuneration of Executive Directors is reviewed by the RC annually or when it is deemed appropriate before recommending to the Board for approval. The remuneration comprises components to cover rewards linking to individual and the Group's performance, including the respective Executive Directors' qualifications and experiences.

The remuneration of Non-Executive Directors is reviewed and recommended by the Board as a whole and subject to shareholders' approval at the AGM. Their remuneration package includes Director's fees and meeting allowances for the Board and Board Committee meetings they attend.

###### 7.2 Remuneration Committee

The RC has been established by the Board to assist in implementing the Policies and Procedures on remuneration by establishing, reviewing and recommending remuneration packages of all Directors. The roles and responsibilities of the RC are stated in its Terms of Reference which are available for reference on the Group's website at [www.kotrapharma.com](http://www.kotrapharma.com). The Director concerned abstains from deliberation and decision in respect of his or her own remuneration. Fees and benefits payable to Directors are subject to approval of shareholders at the Company's AGM.

The RC met once during the financial year under review, attended by all members. The RC comprises the following four (4) members, with a majority being Non-Executive Directors:

- Datuk Jamaludin bin Nasir – Chairman  
*Independent Non-Executive Director*
- Lee Min On – Member  
*Independent Non-Executive Director*
- Piong Teck Onn – Member  
*Managing Director*
- Piong Chee Kien – Member  
*Non-Independent Non-Executive Director*

For Senior Management, their remuneration packages include basic salary, bonus, share options or profit-sharing schemes (if any) and other benefits. The packages reflect on each Senior Management personnel's qualification, experience, market competitiveness, individual's and the Group's performance. The salaries and bonuses are reviewed and decided by the Managing Director following the Group's annual performance appraisal.

##### 8.0 Remuneration of Directors and Senior Management

The Directors' remuneration from the Company and the Group amounted to RM324,900 and RM3,224,731 respectively for the financial year ended 30 June 2022. Disclosures of the remuneration breakdown for all Directors are set out under Practice 8.1 in the CG Report which is published on Bursa Securities and the Group's website at [www.kotrapharma.com](http://www.kotrapharma.com)

The Board views disclosing detailed remuneration information relating to Senior Management, which includes their salary, bonus, benefits-in-kind and other emoluments is not in the best interest of the Group considering the sensitivity and confidentiality associated with such disclosures which may result in unfavourable outcome among the Group's employees. The alternative practice adopted on disclosure is set out under Practice 8.2 of the Company's CG Report.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

#### PART I: AUDIT COMMITTEE

##### 9.0 Effective and Independent Audit Committee

###### 9.1 Chairman of the AC; and 9.2 Former Key Audit Partner

The Chairman of the AC is Mr. Lee Min On, an Independent Non-Executive Director, who is not the Chairman of the Board.

The AC has incorporated a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before the individual can be considered for appointment as a member of the AC to preserve the integrity and credibility of the audit process. With an update to this Practice in the MCCG 2021 extending the cooling-off period to 3 years and the replacement of the term key audit partner to any partner of the external audit firm, the AC will update its Terms of Reference for the Board's approval before the end of the next financial year.

###### 9.3 Assessment of suitability and independence of External Auditors

The Board, through its AC, maintains a formal and transparent relationship with the External Auditors. For the financial year under review, the AC conducted a formal assessment based on pre-set questionnaire adapted from Bursa's Corporate Governance Guide 4th Edition to consider the suitability, objectivity and independence of the External Auditors for the purpose of recommending to the Board to table a resolution for their re-appointment by shareholders at the Company's forthcoming AGM. The AC has also obtained a written assurance from the External Auditors confirming that they were and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

###### 9.4 Necessary Skills by the AC to Discharge Duties

All AC members are financially literate and understand the Group's business, financial reporting and matters under the purview of the AC for meaningful deliberations. The AC members have attended briefing and talks to keep abreast with relevant developments in accounting and auditing standards, practices and rules, as and when required.

#### PART II: RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

##### 10.0 Risk Management and Internal Control Framework

###### 10.1 & 10.2 Board Responsibility on Risk Management and Internal Control

The Group has established a risk management and internal control framework to identify, assess, manage and mitigate the Group's exposure to key risks to acceptable levels, so as to safeguard shareholders' investments and the Group's assets from loss or unauthorised disposition. The Board is assisted by the AC in overseeing the risk management and internal control function. During the financial year under review, Management conducted an update of the Group's business risks and this process was assisted by Baker Tilly Monteiro Heng Governance Sdn. Bhd. ("Baker Tilly"), an independent professional firm.

The AC is tasked to review the adequacy and effectiveness of the governance, risk management and internal control processes within the Group. To facilitate an effective monitoring, the AC has outsourced the Group's internal audit function to a professional service firm, namely Tricor Axcelasia Sdn. Bhd. ("Tricor"), which is independent of the activities and operations of the Group. Findings raised by Tricor during the financial year under review were reported directly to the AC, including their recommendations and Management action plans to address these findings. The Board also receives periodic updates from the Management on any business risks related to the Group's operations that have impacted or are expected to impact the Group. Due to the constant changes in the business environment, the Group is cognisant of the need to continuously enhance its existing risk management and internal control system to address emerging concerns.

For more details on the Internal Audit Function, refer to the Statement on Risk Management and Internal Control and Report of the Audit Committee that is presented in this Annual Report 2022.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

#### PART II: RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D)

##### 11.0 Effective Governance, Risk Management and Internal Control

###### 11.1 & 11.2 Internal Audit Function

Tricor assists the AC by providing an independent assessment of the adequacy, efficiency and effectiveness of the Group's risk management and internal control system based on an agreed scope of work. The standards and practices adopted by Tricor are guided by the International Professional Practices Framework of the Institute of Internal Auditors.

Tricor is independent of the Group's Management, as none of its personnel have any material relationships or conflicts of interest which could impair their objectivity and independence during their course of work. Their reports, which included audit findings and recommendations, including Management action plans to improve any weaknesses noted, were tabled to the AC for their review and deliberations.

A summary of work carried out by Tricor during the financial year under review is provided in the Statement on Risk Management and Internal Control and Report of Audit Committee in this Annual Report 2022.

### PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

#### PART I: ENGAGEMENT WITH STAKEHOLDERS

##### 12.0 Continuous Communication Between the Company and Stakeholders

It has been the Board's commitment to engage with stakeholders of the Group to maintain transparency and accountability. The Board values the importance of timely and effective communication to foster cordial investor relations by keeping stakeholders well informed on the performance of, and developments in, the Group. The Board has formalised Corporate Disclosure Policy & Procedures ("CDPP") which provide guidance to Directors, Management, employees and authorised spokesperson of the Group on handling and disclosing material information to investors, regulators, media and other external parties. While the Group endeavours to provide the much needed information to its stakeholders, the Board is mindful of the restrictions on disseminating share-price sensitive information, especially information which has yet to be made available on public domain or announced to Bursa Securities.

Any material information for public announcement is reviewed internally before issuance to ensure factual accuracy. Such material information, which includes the Group's financial performance, press releases, annual reports and corporate announcements, is promptly disseminated via Bursa Securities' website. The Investor Relations section of the Group's website at [www.kotrapharma.com](http://www.kotrapharma.com) provides easy access to the announcements, including corporate information, policies, Board Charter and Terms of Reference of Board Committees, notices and minutes of general meetings. In addition, a dedicated e-mail contact is provided in the website for any queries from the stakeholders and public on investor relations matters. The Company endeavours to reply to these enquiries within reasonable time.

#### PART II: CONDUCT OF GENERAL MEETINGS

##### 13.0 Shareholders' Participation and the Board and Senior Management Engagement

The AGM serves as an important forum for the Board to communicate and interact with shareholders. Notice of the last AGM of the Company was circulated to shareholders at least twenty-eight (28) days before the date of the AGM to allow shareholders to have sufficient time to read the Annual Report and the resolutions proposed that were discussed and decided at the AGM. In addition, the notice was published in the national newspaper within the mandatory period as well as through announcement via Bursa Securities and the Group's website.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

#### PART II: CONDUCT OF GENERAL MEETINGS (CONT'D)

##### 13.0 Shareholders' Participation and the Board and Senior Management Engagement (Cont'd)

Due to the prolonged situation of COVID-19 pandemic, the Company continues to leverage on technology by conducting the last AGM in a virtual manner in line with Clause 78 of the Company's Constitution and Securities Commission Malaysia's Guidance and FAQs on the Conduct of General Meetings for Listed Issuers (Guidance Note). At the AGM held on 26 November 2021, Datuk Jamaludin bin Nasir (Independent Non-Executive Chairman), Mr. Lee Min On (Independent Non-Executive Director), Mr. Piong Teck Onn (Managing Director), Senior Management, Company Secretary and the External Auditors were physically present at the Broadcast Venue during the AGM whereas the remaining three (3) Directors joined the AGM via remote participation. The shareholders used the Remote Participation and Voting ("RPV") facility. The presence of all Directors provided opportunity for the shareholders to engage with each Director. The AGM included an avenue for shareholders or proxies to transmit enquiry and seek clarification using communication chat box to the Board on resolutions proposed at the AGM, financial performance and other matters related to the business activities of the Group.

All the resolutions that were tabled to vote at the AGM were decided by way of poll. The results were announced to Bursa Securities on the same day of the AGM and uploaded on the Group's website at [www.kotrapharma.com](http://www.kotrapharma.com) as well.

#### KEY FOCUS AREAS AND FUTURE PRIORITIES

Moving forward into financial year ending 30 June 2023, the Board plans to focus on enhancing and improving the Group's sustainability governance and disclosure by formalising a Sustainability Reporting Framework. To discharge their roles more effectively in sustainability governance, the Directors intend to participate in continuous professional development programmes covering, amongst others, the sustainability agenda for listed corporations. The Board will review and revise the Board Charter to align with the Guidelines on Conduct of Directors of Listed Corporations and their Subsidiaries issued by Securities Commission Malaysia, the MCGG 2021 which came into effect in April 2021 as well as the recent amendments to the MMLR on the enhanced sustainability reporting framework which listed issuers are required to comply with.

This Statement has been approved by the Board on 6 October 2022.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Statement on Risk Management and Internal Control (“Statement”) set out below has been prepared in accordance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Malaysian Code on Corporate Governance 2021 Edition (“MCCG 2021”) requires the Board to establish an effective risk management and internal control framework, the features of which including its adequacy and effectiveness, should be disclosed.

Accordingly, the Board is pleased to provide the following Statement which outlines the nature and scope of risk management and internal controls deployed by the Group during the financial year ended 30 June 2022.

## BOARD’S RESPONSIBILITY

The Board recognises the importance of maintaining the Group’s system of risk management and internal control to safeguard shareholders’ investment and the Group’s assets. The Board is responsible for the establishment of an appropriate control environment and framework as well as reviewing its adequacy and operating effectiveness. The system of risk management and internal control addresses business risks that the Group is exposed to and the implementation of controls to mitigate those exposures to acceptable levels. However, due to its inherent limitations, the system can only mitigate and not completely eliminate risks that prevent the Group from realising its business and corporate objectives. Therefore, the system only provides reasonable, but not absolute, assurance against material misstatement, loss or fraudulent activities.

The Board acknowledges that identifying, evaluating and managing the significant risks faced by the Group is a continuous process. On an annual basis, the Board, via the Audit Committee (“AC”), evaluates the adequacy and operating effectiveness of the system of risk management and internal control and, where appropriate, requires the Management to implement pertinent controls to address emerging issues or areas of control deficiencies. This process has been in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report of the Company.

## RISK MANAGEMENT FRAMEWORK

The Group’s enterprise risk management framework (“ERM Framework”), which was formalised in writing with the assistance of an independent professional firm of consultants, entails the compilation of the Group’s risk profile, risk registers and appropriate internal controls to manage business risks to acceptable levels. The overarching methodology that girds the Group’s ERM Framework accords with the promulgations of ISO31000:2018, an internationally recognised risk management methodology. During the financial year, the update of the Group’s business risks was assisted by Baker Tilly Monteiro Heng Governance Sdn. Bhd. (“Baker Tilly”), who was appointed to replace the previous professional firm. The Board believes this change of professional service provider would provide fresh perspectives in adding value to the risk management initiatives implemented by the Group. The top three risks identified from the risk assessment comprised the threat of competition, escalating costs of raw materials, and ineffective sales, advertising and promotional activities. The Group had identified the root causes and implemented relevant internal controls to manage these risks, amongst others.

The Board believes that maintaining a sound system of risk management and internal control is founded on a clear understanding and appreciation of the following key elements of the Group’s ERM Framework:

- a formalised Risk Management Policy and Procedures document to streamline the Group’s risk management activities;
- a risk management structure which delineates the lines of reporting and establishes the responsibility of personnel at various levels, i.e., the Board, AC and Management;
- the Heads of Department and key Management staff are responsible for identifying, assessing and managing principal business risks (present and potential) on a quarterly basis;
- key risk indicators assigned are monitored quarterly against pre-determined thresholds to provide an early warning signal of increasing risk exposures, if any; and
- Management’s action plans are formulated to mitigate these risks to acceptable levels, considering the established risk parameters (qualitative and quantitative) of the Group, which articulate the appetite of the Board.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function ("IA Function") to an independent professional firm, namely Tricor Axcelasia Sdn. Bhd. ("Tricor"), who replaced KPMG Management & Risk Consulting Sdn. Bhd. ("KPMG") during the financial year under review. The Board is of the view that a change was needed to bring in more insights and newer perspectives from a different firm of internal audit. Moreover, KPMG had been serving as the outsourced IA Function of the Group in excess of 10 financial years and this could be perceived to bring about familiarity threat.

The IA function assisted both the Board and AC during the financial year under review by conducting independent assessment of the adequacy and operating effectiveness of the Group's internal control system. To ensure its independence from Management, the IA Function reported directly to the AC through the execution of internal audit work based on a risk-based internal audit plan approved by the AC before commencement of work. The internal audit was conducted based on Tricor Internal Audit Methodology and guided by the International Professional Practices Framework ("IPPF") of the Institute of Internal Auditors which comprise the definition of Internal Audit, the Core Principles, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing ("ISPPA").

The Internal Audit Plan, which articulated the methodology adopted by Tricor took into consideration the Group's Risk Profile and input from AC, set out the areas of coverage and rationale for its selection and was presented to the AC for comments and subsequent approval before actual internal audit work was carried out. At the AC meeting where the Audit Plan was deliberated, members of the AC inquired from Tricor the basis for their selection of the in-scope areas. Feedback from the Managing Director and Chief Financial Officer was also sought by the AC on the relevance and appropriateness of the suggested audit areas for consideration before the AC approved the Internal Audit Plan for the IA Function to commence work.

The internal audit deliverables, which comprised Internal Audit reports on observations raised, recommendations suggested as well as Management's comments thereto, were issued and reported directly to the AC. In the following year, the Internal Audit function would conduct follow-up on the status of Management action plans to address unresolved issues highlighted before reporting to the AC. At the relevant AC meetings, representatives from Tricor tabled its report and deliberated with the AC the salient issues noted, recommendations by Tricor to address the issues as well as Management's comments on the issues highlighted. The Managing Director and Chief Financial Officer, who were normally invited to the AC meeting, provided clarification to the AC on the matters highlighted, including action plans to address the concerns highlighted by the IA Function.

The IA Function is headed by an Executive Director of Tricor, namely Mr. Chang Ming Chew, who is a Certified Information Systems Auditor, Certified Internal Auditor, Certification in Risk Management Assurance; and a professional member of the Institute of Internal Auditors Malaysia, the Association of Chartered Certified Accountants and the Malaysian Institute of Accountants. The AC was briefed by representatives of Tricor that all personnel deployed by Tricor during the financial year under review were free from any relationships or conflicts of interest, which could impair their objectivity and independence during the course of the work.

During the financial year under review, two (2) cycles of internal audit were carried out to assess the adequacy and operating effectiveness of the Group's internal control system based on the Internal Audit Plan approved by the AC. The key internal controls relating to Anti-Bribery and Corruption Framework, Sales and Marketing function, Human Resource function and Finance - treasury function were evaluated by the outsourced IA Function for their adequacy and operating effectiveness to achieve intended outcomes, i.e., how the controls mitigated the risk exposures in the processes evaluated. Observations from the internal audit, which covered areas for enhancements to be addressed by Management, were reported in February 2022 and August 2022. The costs incurred for the IA Function for the financial year ended 30 June 2022 amounted to approximately RM52,000.

Additionally, ongoing reviews and deliberation of financial reports during Board and AC meetings were conducted as a means to flag any unusual movements in the Group's financial performance.

### INTERNAL CONTROL FRAMEWORK

Key features of the Group's Internal Control Framework, including the ongoing associated activities, encompass the following:

- a Board Charter which enables all Directors to be aware of their roles and responsibilities, the standards of corporate governance as well as relevant laws and regulations;
- a clearly defined organisational structure within the Group, with respective levels of responsibility, limits of authority and accountability, to ensure that Management performs its functions and that such functions are appropriately segregated;
- periodical review of financial and operational reports, and scheduled Management meetings with corrective actions carried out by Management, as appropriate;

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### INTERNAL CONTROL FRAMEWORK (CONT'D)

- documentation and communication to staff members on operating procedures that set out the policies, procedures and practices adopted by the Group to ensure clear accountabilities. The design of internal control procedures is reviewed and revised by Management as deemed necessary;
- quarterly reporting to Senior Management, AC and Board on financial reports, progress reports, key variances and analysis of financial data of the Group's businesses;
- establishment of management information systems with documented processes, comprising change request to computer programmes and controlled access to data files;
- ensuring adequate insurance and safety measures over major assets of the Group against any mishap that may result in material losses to the Group; and
- Establishment of an integrity and ethical framework which comprises:
  - i) a Whistle Blowing Policy, to provide an avenue for employees and other stakeholders to report unethical, unlawful and undesirable conduct in a safe and confidential environment;
  - ii) an Anti-Fraud, Anti-Bribery and Corruption Policy to deter corrupt acts by Directors, Management and employees; and
  - iii) a Code of Conduct and Ethics to upholding integrity and ethical values within the Group.

### CONCLUSION ON THE ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board has received assurance in writing from the Managing Director and Chief Financial Officer that the Group's risk management and internal control system has been operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this Statement. Taking this assurance into consideration and input from relevant parties like the IA Function based on internal audit findings and feedback from the External Auditors on any control failings, the Board is of the view that the system of risk management and internal control is adequate and operating effectively, in all material aspects, to achieve objectives and has not resulted in any material losses, contingencies or uncertainties that would require separate disclosure in the Annual Report. The Board remains committed towards establishing a robust system of risk management and internal control, where improvements are made as considered appropriate.

The External Auditors have reviewed this Statement, pursuant to the scope set out in the Audit and Assurance Practice Guide 3 ("AAPG 3"), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants, for inclusion in the Annual Report for the year ended 30 June 2022 and reported to the Board that nothing has come to their attention that caused them to believe that the Statement intended to be included in the Annual Report, in all material respects, has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers, or is factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system, including the assessment and views by the Board of Directors and Management thereon. The External Auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

This Statement is approved by the Board on 6 October 2022.

## REPORT OF THE AUDIT COMMITTEE

The Board of Directors (“Board”) of Kotra Industries Berhad (“Company”) is pleased to present the Report of the Audit Committee (“AC”) (“AC Report”) for the financial year ended 30 June 2022. The AC Report complies with Paragraph 15.15 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

### COMPOSITION AND MEETING ATTENDANCE

The AC, which is appointed by the Board from amongst its members, comprises three (3) members who are Non-Executive Directors, with a majority being Independent Directors. This composition meets the requirement of Paragraph 15.09 of the MMLR, which stipulates that the AC must be composed of not fewer than three (3) members, all of whom must be Non-Executive Directors.

The AC Chairman, Mr. Lee Min On, is a member of the Malaysian Institute of Accountants.

All AC members are financially literate with diverse backgrounds, possessing financial related qualifications and experiences.

During the financial year ended 30 June 2022, the attendance of members at AC meetings is as follows:

Name	Designation	Attendance
Lee Min On <i>Independent Non-Executive Director</i>	Chairman	5/5
Datuk Jamaludin bin Nasir <i>Independent Non-Executive Director</i>	Member	5/5
Piong Chee Kien <i>Non-Independent Non-Executive Director</i>	Member	5/5

The AC met five (5) times for the financial year ended 30 June 2022. The AC meetings were held in accordance with the requisite quorum of at least two (2) AC members, both of whom must be Independent Directors. The Managing Director, Chief Financial Officer and Senior Finance Manager attended all AC meetings upon invitation, providing a platform for direct interaction and deliberation on matters arising from the financial reports and/or any other specific issues that required the AC’s attention. The AC has the discretion to invite the Internal and/or External Auditors or other relevant personnel to attend the AC meetings and was given reasonable resources to discharge its duties and effectively.

The Company Secretary, who is the secretary of the AC, attended all the AC meetings and recorded the meeting minutes which were circulated to all members of the AC and were presented for confirmation at the following AC meeting. A meeting agenda, accompanied by relevant supporting reports, was prepared and circulated in a timely manner to ensure sufficient time for the AC members to discuss and consider the matters to be deliberated at the forthcoming AC meeting.

### TERMS OF REFERENCE

The AC is guided by Terms of Reference in performing and discharging its duties and responsibilities. The Terms of Reference are accessible on the Group’s website at [www.kotrapharma.com](http://www.kotrapharma.com)

### REVIEW OF THE AC

The Board, through its Nomination Committee (“NC”), performed an assessment on the term of office and performance of the AC and its members for the financial year ended 30 June 2022. The Board was satisfied that the AC has effectively discharged its functions, duties and responsibilities in accordance with its Terms of Reference.

## REPORT OF THE AUDIT COMMITTEE (CONT'D)

### SUMMARY OF WORK FOR THE FINANCIAL YEAR

During the financial year under review, the AC performed the following work:

#### A) Financial Reporting

- Reviewed the draft quarterly unaudited financial results of the Group and made the necessary recommendations to the Board for approval prior to announcement to Bursa Securities;
- Reviewed the Directors' Report and the annual audited financial statements before recommending the same for approval by the Board; and
- In reviewing the quarterly financial results and annual audited financial statements, the AC ensured the disclosures accorded with applicable accounting standards such as Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and requirements of the Companies Act 2016, as the case may be.

#### B) Internal Audit

- Assessed the suitability of newly outsourced Internal Auditors, Tricor Axcelasia Sdn. Bhd. ("Tricor") before recommending the appointment to the Board for approval;
- Approved the fees for the Internal Auditors to carry out their audit plan for the financial year ended 30 June 2022;
- Reviewed and approved the internal audit plan presented by the Internal Auditors, which covered a reasonable scope of auditable areas vis-à-vis the Group's operations, taking into consideration the Group's risk profile following the risk update conducted by Management;
- Reviewed the two (2) internal audit reports, findings and recommendations tabled by the Internal Auditors, including remedial actions agreed to be deployed by Management to address the observations reported;
- Reviewed the adequacy, function, competency and performance of the Internal Auditors and ensured that they had the necessary authority to perform their work. The Internal Auditors, who were appointed during the financial year ended 30 June 2022 to replace the previous outsourced Internal Auditors, namely KPMG Management & Risk Consulting Sdn. Bhd., conducted two (2) cycles of internal audit covering the activities of the Group for the year under review. In respect of the status of Management's agreed actions to address the observations reported by them for the above-mentioned two (2) cycles of work done, the Internal Auditors will conduct a follow-up and report to the AC during the financial year ending 30 June 2023.

#### C) External Audit

- Discussed the Audit Planning Memorandum tabled by the External Auditors, Crowe Malaysia PLT, which detailed, inter-alia, the audit focus areas, potential Key Audit Matters, the engagement team and reporting timelines;
- Reviewed with the External Auditors the results of their work and their report on the audited financial statements of the Company and the Group, including any significant issues or findings arising from the audit;
- Reviewed the independence, suitability, objectivity and effectiveness of the External Auditors for the purpose of recommending to the Board for their re-appointment by shareholders at the Company's forthcoming Annual General Meeting. The AC received written assurance from the External Auditors to confirm their independence throughout the duration of their audit engagement in accordance with professional and regulatory requirements set out in the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' Code of Ethics and Conduct;
- Reviewed and approved the provision of non-audit services provided by the External Auditors or their affiliates that were permissible for them to undertake in line with the Group's policy on non-audit services to ensure that such non-audit services did not compromise the objectivity and independence of the External Auditors. Details of non-audit fees incurred by the Company and Group for the financial year ended 30 June 2022 are set out under Additional Compliance Information; and
- Held one (1) private discussion with the External Auditors without the presence of Management. This provided an opportunity for the External Auditors to express to, and discuss with candour, with the AC on any issues of concern arising from their audit.

#### D) Related Party Transactions

- Reviewed on a quarterly basis the Group's recurrent related party transactions ("RRPTs") and ensured all transactions were within the approved shareholders' mandate and in compliance with MMLR as well as the Group's policies and procedures; and
- Reviewed any new related party transactions entered into by the Group, covering the nature and amount of the transactions to ensure that these transactions were undertaken on an arm's length basis, on normal commercial terms and not detrimental to the interests of the minority shareholders.

## REPORT OF THE AUDIT COMMITTEE (CONT'D)

### E) Risk Management and Internal Control

- Reviewed and approved the Enterprise Risk Management plan as proposed by Baker Tilly Monteiro Heng Governance Sdn. Bhd., a newly appointed professional firm engaged to assist Management in the risk update exercise for the Group, to ensure the adequacy of the scope, resources and coverage of risk update work;
- Ensured relevant business risks, including emerging ones, were adequately identified, and evaluated, including the controls implemented by Management, to arrive at the residual risk profile of the Group;
- Reviewed the implementation progress arising from the Anti-Bribery and Corruption Policy that was developed to address the risk of bribery and corruption as well as to ensure adequate procedures were in place to mitigate against the risk of corporate liabilities; and
- Reviewed the updated Group's risk profile, including key risks identified by Management and the remedial measures undertaken to mitigate the risks to acceptable levels.

### F) Other Matters

- Reviewed the Group's revised Whistleblowing Policy and Procedures as well as the updated Transfer Pricing Documentation;
- Reviewed the Corporate Governance Overview Statement, AC Report, and Statement on Risk Management and Internal Control prior to recommending the same for consideration and approval of the Board for inclusion in the Annual Report 2022;
- Reviewed the Circular to Shareholders relating to shareholders' mandate for RRPTs of a revenue or trading nature prior to recommending it for the Board's approval; and
- Reviewed the Corporate Governance Report prior to submission of the same to the Board for its approval.

### TRAINING OF AC MEMBERS

The AC members are aware on the importance of developing and increasing their knowledge continuously to enable them to effectively discharge their duties in line with Practice 9.5 of MCCG 2021. During the financial year under review, the AC members attended training courses which were related to the discharge of the Terms of Reference. The list of trainings attended by the AC members is disclosed in the Corporate Governance Overview Statement included in this Annual Report.

### SUMMARY OF WORKS OF THE INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to an independent professional services firm, Tricor, that provides independent and reasonable assurance on whether the Group's system of internal control is adequate and operating effectively in all material aspects. To maintain its objectivity and independence, the internal audit function reports directly to the AC and has unrestricted access to information within the Group in their conduct of internal audit.

The internal audit function is headed by Mr. Chang Ming Chew ("Mr. Chang"), who has over twenty years of professional experiences that encompass internal audit, accounting, risk management and management consulting. Mr. Chang is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants and is currently attached to the Internal Audit, Risk and Compliance Services practice of Tricor. His team consists of Internal Auditors with relevant qualifications and experience in internal audit.

The internal audit, which were conducted during the financial year under review, adopted a risk-based approach in scoping auditable areas to be covered and the methodology applied in internal audit was guided by the International Professional Practices Framework of the Institute of Internal Auditors. The two (2) cycles of internal audit conducted addressed the Group's Anti-bribery Management System, Sales and Marketing function, Human Resource function and Finance - Treasury function.

The summary of work conducted by the internal audit function for the financial year ended 30 June 2022 included the following:

- Prepared risk-based annual internal audit plan for the financial year ended 30 June 2022 for the AC's approval;
- Performed audit assignments covering the focus areas in accordance with the approved audit plan; and
- Presented audit reports during the AC meetings for deliberation. The audit reports highlighted observations, recommendations including Management action plans for improvements on the internal control weaknesses identified.

Based on the internal audits performed, no significant deficiencies which resulted in material losses, contingencies or uncertainties were identified that would require separate disclosure in this Annual Report. Further details of the internal audit function are elaborated in the Statement on Risk Management and Internal Control in this Annual Report 2022.

Total estimated cost incurred in respect of internal audit services during the financial year ended 30 June 2022 was RM52,000.

# SUSTAINABILITY STATEMENT

The Board of Directors (“Board”) of Kotra Industries Berhad and its subsidiaries (“Group”) recognises the importance of embedding sustainable practices throughout the Group by integrating pertinent standards of governance into the Group’s sustainability initiatives. By doing so, the Group seeks to embrace responsible practices in our business conduct to provide long-term value to shareholders, minding also the interest of other stakeholders. The Group acknowledges that the success of a commercial organisation hinges not only on its financial performance, but also on how well it performs in the environmental, social and governance dimensions of business, collectively the EESG pillars of sustainability. With such emphasis within the Group, the Board is committed to nurturing a culture that permeates throughout the Group towards creating a more sustainable tomorrow.

## SCOPE OF REPORTING

This Sustainability Statement (“Statement”) is prepared in accordance with the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and guided by the Malaysian Code on Corporate Governance 2021 (“MCCG 2021”) as well as the Sustainability Reporting Guide 2nd Edition, issued by Bursa Securities. In line with the reporting period of our Annual Report 2022, this Statement discloses the Group’s sustainability objectives, initiatives and performances for the financial year ended 30 June 2022. Comparative data from the preceding financial years, where applicable and available, have been included. This Statement focuses on the Company and its largest and active subsidiary, namely Kotra Pharma (M) Sdn. Bhd.

## SUSTAINABILITY GOVERNANCE STRUCTURE

In implementing the Group’s sustainability initiatives, we have established a clear and definitive governance structure. This structure, augmented by delineated roles and responsibilities, enables us to drive sustainability practices and steer the Group towards business continuity and delivering our commitment to stakeholders.

The Board, which provides leadership, sets the sustainability direction and assumes ultimate responsibility in driving the Group’s sustainability practices, has entrusted the Audit Committee (“AC”) to oversee the adequacy and effectiveness of the Group’s governance, risk management and internal control system. The Managing Director who is responsible for managing the day-to-day operations, monitors and manages the execution of the Group’s sustainability strategies and plans. The Managing Director is supported by the Senior Management Team, Heads of Department and Managers who undertake the task of integrating sustainability practices across the Group and play an important role in raising sustainability awareness among our employees. This governance structure is depicted as follows:






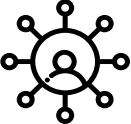


## SUSTAINABILITY STATEMENT (CONT'D)

### STAKEHOLDER ENGAGEMENT

The Group believes that effective and meaningful communication with our key stakeholders is imperative for our long-term growth and success. Continuous engagement with our stakeholders allows us to identify and understand their expectations and concerns related to our business operations. The feedback we receive during these engagements enables us to improve decision-making and accountability, and subsequently, helps us to create long-term and sustainable value for these stakeholders.

Our stakeholder engagement matrix is shown in the following table:

STAKEHOLDER GROUP	AREAS OF INTEREST/CONCERN	ENGAGEMENT CHANNELS
<b>Shareholders and Investors</b> 	<ul style="list-style-type: none"> <li>Group Financial Performance</li> <li>Share Price Performance</li> <li>Dividend</li> <li>Corporate Governance</li> <li>Investor Relationship Management</li> </ul>	<ul style="list-style-type: none"> <li>Annual Reports</li> <li>Group Website</li> <li>Annual General Meetings</li> <li>Bursa Announcements</li> <li>Press Releases or Interviews</li> </ul>
<b>Regulatory Agencies and Statutory Bodies</b> 	<ul style="list-style-type: none"> <li>Regulatory Compliance</li> <li>Occupational Safety and Health</li> <li>Adherence to Laws and Regulations</li> <li>Permits and Licenses</li> </ul>	<ul style="list-style-type: none"> <li>Compliance Audits</li> <li>Inspections, Visits, and Meetings by and with Local Authorities</li> <li>Annual Regulatory Reports</li> <li>Dialogues, Seminars and Meetings</li> <li>Membership in Pharmaceutical Related Organisations</li> </ul>
<b>Customers</b> 	<ul style="list-style-type: none"> <li>Product Quality</li> <li>Price Points</li> <li>Customer Satisfaction</li> <li>New Product Development</li> </ul>	<ul style="list-style-type: none"> <li>Advertisements</li> <li>Promotional Campaigns and other Marketing Events</li> <li>Meeting with Sales Personnel</li> <li>Social Media</li> <li>Corporate Website</li> <li>Field Visit by Senior Management</li> </ul>
<b>Employees</b> 	<ul style="list-style-type: none"> <li>Training and Development</li> <li>Career Development Opportunities</li> <li>Succession Planning</li> <li>Performance Management</li> <li>Workplace Health and Safety</li> <li>Company Policies and Procedures</li> </ul>	<ul style="list-style-type: none"> <li>Induction Training</li> <li>Staff Appraisal</li> <li>Circulation of Internal Policies</li> <li>Learning and Development Programme</li> <li>Engagement with Senior Management</li> <li>Company Social Events</li> </ul>
<b>Vendors / Suppliers</b> 	<ul style="list-style-type: none"> <li>Selection of Suppliers</li> <li>Credit Terms</li> <li>Sourcing of Quality Raw Materials</li> <li>Business Relationships and Continuity</li> </ul>	<ul style="list-style-type: none"> <li>Vendor Registration</li> <li>Vendor Appointment</li> <li>Contract Negotiation</li> <li>Face-to-face, Telephone or E-mail Interaction</li> <li>Supplier Audit</li> <li>Supplier Performance Evaluation</li> </ul>
<b>Local Community</b> 	<ul style="list-style-type: none"> <li>Job Creation</li> <li>Environmental Impact of Operations</li> <li>Social Contributions</li> </ul>	<ul style="list-style-type: none"> <li>Social Media and Corporate Website</li> <li>Community Engagement Programme</li> <li>Sponsorships</li> <li>Events and Roadshows</li> </ul>




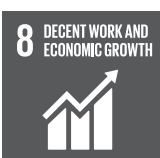
The frequency of engagement is dependent on the category of stakeholders involved, for example in respect of regulatory or compliance, it is based on statutes as prescribed whilst for other categories, the frequency may range from ad-hoc basis to annual intervals.

## SUSTAINABILITY STATEMENT (CONT'D)

### MATERIAL SUSTAINABILITY MATTERS

In identifying and assessing the materiality of sustainability matters, we evaluate the impact of these matters from the perspectives of the Group as well as those of our key stakeholders, with an aim of channelling our resources to address the concerns so identified in our materiality assessment process. In short, we endeavour to hear from our various stakeholders their concerns on the way our Group's operations are being carried out and not just focus on what we view to be important in our operations. From our internal assessment of sustainability matters, we identified the sustainability risks and opportunities, which encompassed the elements of EESG, to be material from the perspectives of the Group and our prioritised stakeholders, based on a matrix of increasing significance.














With our focus on sustainable economic growth, environmental stewardship, social responsibility and strong governance, we have identified eleven (11) United Nations Sustainable Development Goals ("SDGs") which are considered relevant and significant to the Group. As we navigate in our sustainability journey, we believe that aligning our focus towards driving sustainability growth and meeting the relevant SDGs will build a more sustainable future for the Group, and at the same time improving the world we live in. The material sustainability matters identified from the materiality assessment are listed in the table below with respect to the identified SDGs:

SUSTAINABILITY PILLAR	MATERIAL TOPICS	SDGs
Economic	Product Innovation	 SDG 9: Industry, Innovation and Infrastructure
	Customer Satisfaction	 SDG 3: Good Health and Well-being
	Product Quality	 SDG 3: Good Health and Well-being
	Procurement Practices	 SDG 8: Decent Work and Economic Growth






## SUSTAINABILITY STATEMENT (CONT'D)

## MATERIAL SUSTAINABILITY MATTERS (CONT'D)

SUSTAINABILITY PILLAR	MATERIAL TOPICS	SDGs
Environment	Energy Management	   <p>SDG 7: Affordable and Clean Energy SDG 12: Responsible Consumption and Production SDG 13: Climate Action</p>
	Water Management	  <p>SDG 6: Clean Water and Sanitation SDG 12: Responsible Consumption and Production</p>
	Waste Management	  <p>SDG 11: Sustainable Cities and Communities SDG 12: Responsible Consumption and Production</p>
Social	Workforce Diversity	  <p>SDG 5: Gender Equality SDG 8: Decent Work and Economic Growth</p>
	Training and Development	 <p>SDG 4: Quality Education</p>
	Safety and Health	 <p>SDG 3: Good Health and Well-being</p>
	Local Community	  <p>SDG 3: Good Health and Well-being SDG 4: Quality Education</p>

## SUSTAINABILITY STATEMENT (CONT'D)

### MATERIAL SUSTAINABILITY MATTERS (CONT'D)

SUSTAINABILITY PILLAR	MATERIAL TOPICS	SDGs
Governance	Corporate Governance	 SDG 16: Peace, Justice and Strong Institutions
	Ethical Conduct	
	Regulatory Compliance	 SDG 3: Good Health and Well-being
	Data Protection and Security	 SDG 9: Industry, Innovation and Infrastructure

### ECONOMIC

#### Product Innovation

As the competitive landscape in the pharmaceutical industry continues to intensify, innovation through research and development (“R&D”) is pulse for the Group’s growth and in order to remain relevant in the industry. R&D activities provide opportunities to vary the existing abilities of treating diseases and enhancing quality of life. To meet healthcare needs, we are committed to provide affordable access to effective, quality and safe products.

In line with the Group’s vision and mission, we continuously invest in R&D activities to expand our product portfolio to accommodate market needs based on our manufacturing capabilities. Our dedicated R&D team constantly works on developing new products and improving existing products. The team is involved in developing processes such as formulation development, analytical development and stability studies, amongst others. We continue to fortify our R&D team through skills and knowledge enhancement by keeping abreast with the latest advancements in science and technology.

We also focus on identifying more partners for technology transfer to successfully progress in our product development. Moving forward, we will continue our efforts on exploring technologies and increasing our R&D competences to drive excellence in developing and producing high value-added products to meet healthcare needs and strengthen our presence in the industry.

During the financial year ended 30 June 2022, we introduced four (4) new products to the market, namely Axcel Prednisolone 5mg, Vaxcel Methylprednisolone 1g Injection, Axcel Azithromycin 500mg Tab and Vaxcel Esomeprazole 40mg. We have submitted sixteen (16) new over-the-counter (“OTC”) and generic drug products to the National Pharmaceutical Regulatory Agency (“NPRA”) for product registration approval during the financial year under review.

#### Customer Satisfaction

Our customers are significant to the Group’s business. With existing manufacturing capabilities to produce in various dosage forms such as tablets, ointments, injectables, cream, capsules and liquids, we aim to offer quality products to meet our customers’ expectations. Therefore, we emphasise on the quality and reliability of products to attract, retain and grow our clientele. In addition to this, customer satisfaction is crucial to cement our business continuity and maintain our reputation and market position.

## SUSTAINABILITY STATEMENT (CONT'D)

### ECONOMIC (CONT'D)

#### Customer Satisfaction (Cont'd)

Over the years, we have earned the trust and loyalty of our customers. We continuously engage with them through various channels to identify their needs. Our sales teams are trained to educate customers about our products by disseminating product knowledge and information-sharing about the products. We have established a 'contact us' page and dedicated customer support line which are available on the Group's website for customers' to provide us their feedback. Through such feedback, we are able to address and improve upon any shortcomings. During the financial year under review, we received 49 customer complaints in comparison to 56 incidents in the preceding year. All feedback and complaints received are addressed promptly and appropriately by our team, according to standard operating procedures to address incidents of product recall or customer complaint/queries expeditiously. Corrective and preventive actions ("CAPA") in identifying the root causes and implementing remediations to eliminate the issues and resolve complaints are used by our designated personnel.

#### Product Quality

The quality of a product is imperative to the Group as it can influence the success of a business and, for customer satisfaction, that ultimately result in customer loyalty. All our products manufactured comply to the current Good Manufacturing Practice ("cGMP") and Good Distribution Practice ("GDP") under the Pharmaceutical Inspection Co-operation Scheme ("PIC/S"). We have stringent internal controls as well as quality assurance ("QA") and quality control ("QC") professionals in place who diligently conduct monitoring, enforcement, testing and inspection to ensure the safety and quality our products are not compromised.

Our commitment towards quality is underpinned by the accreditation of ISO/IEC 17025:2017 accorded by Department of Standards Malaysia for the competence of testing and calibration laboratories. Such certification testifies that the Group operates competently and is able to generate reliable and validated results from laboratory testing and calibration. Being aware that it is not enough to rely solely on testing to maintain product quality, we focus on enhancing our knowledge on Quality by Design ("QbD") approach to increase our manufacturing process capability and reduce the risk of product variability that often leads to product defects, rejections and recalls.

With our commitment to uphold the ISO 9001:2015 for Quality Management System ("QMS") certification, we drive the Group's activities towards meeting regulatory and customer requirements and improve our effectiveness as well as efficiency on a continuous basis – this will help the Group realise improvements in business performance. We organise internal audits and Management Quality Review Meetings annually to assess the progress and continual improvement of QMS. Any gaps identified are addressed and resolved accordingly.

For the financial year ended 30 June 2022, we maintained our quality and regulatory standards, with no incidents of non-compliance with regulations concerning safety and quality impacts of our products.

#### Procurement Practices

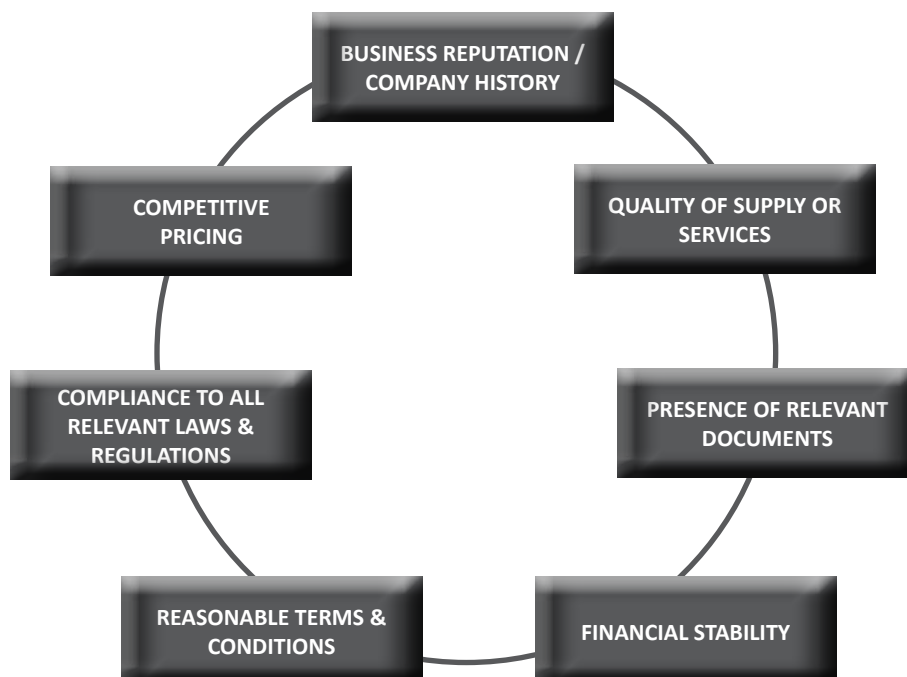
Procurement is an essential business process to run our day-to-day operations. We engage with suppliers to ensure uninterrupted supply of raw materials and services while upholding operational efficiency and cost optimisation. We look for opportunities to collaborate with those supplies who not only provide quality materials at competitive prices but also honour their obligations, including no corruption or bribery, consistent compliance with statutory environmental regulations, human rights, labour practices, occupational health and safety matters. Any non-compliant incident by our suppliers that comes to our knowledge results in termination of business dealings.

## SUSTAINABILITY STATEMENT (CONT'D)

### ECONOMIC (CONT'D)

#### Procurement Practices (Cont'd)

Procurement of materials and services is made through our approved panel of suppliers. In compliance with ISO 9001:2015 for QMS, we closely monitor our procurement to ensure appropriate criteria are met. Our suppliers are filtered through careful selection based on pre-determined criteria before approvals are given by the Head of Department and Managing Director. To mitigate risks associated with procurement, potential suppliers are evaluated and selected based on the criteria below:



For the financial year under review, we evaluated 29 suppliers as compared to 37 suppliers last year. The outcome of our evaluation is shown in the table below with financial year 2021 as the baseline:

Financial Year	Rating Scale for Suppliers	
	Good	Met Expectation
2021	89%	11%
2022	67%	33%

**Note:** None of the suppliers were rated as poor.

As presented above, there was a decrease in overall rating and this was mainly attributed to delivery delays by suppliers during the reporting period. Due to growing demand for materials, compounded by global material shortages and logistical disruptions, we faced issues on delayed deliveries. Nevertheless, our suppliers remained supportive to fulfill our orders despite such limitations.

We endeavour to support the local economy by prioritising sourcing from local suppliers, where possible, even though the Group has a heavy dependence on importation of raw materials such as Active Pharmaceutical Ingredient ("API") from India and China. During the reporting financial year, the Group transacted with 105 suppliers of raw and packaging materials, 57% of whom are local suppliers with the remaining 43% overseas vendors.

## SUSTAINABILITY STATEMENT (CONT'D)

### ENVIRONMENTAL

#### Energy Management

Energy is the largest contributor to climate change, attributing about 60% of total global greenhouse gas (“GHG”) emissions. Global climate change is a pressing concern and the Group is aware of the importance of embedding sustainability practices in daily operations to mitigate GHG emissions generated. Energy-saving initiatives as well as shifting to greener and renewable energy resources are crucial in our efforts to improve energy efficiency across our operations.

Several energy-saving initiatives implemented in the Group include the following:

- Replacement of old fluorescent tubes with energy-efficient bulbs and Light-Emitting Diodes (“LED”) lightings;
- Our in-house engineering team records and monitors energy consumption efficiency on a monthly basis;
- Implementing a practice to switch off lights and office computers/laptops during lunch breaks and/or when not in use;
- Regular maintenance of machineries and office equipment to improve operating efficiency; and
- Setting computer and printer/photocopy machines to sleep mode when not in use.

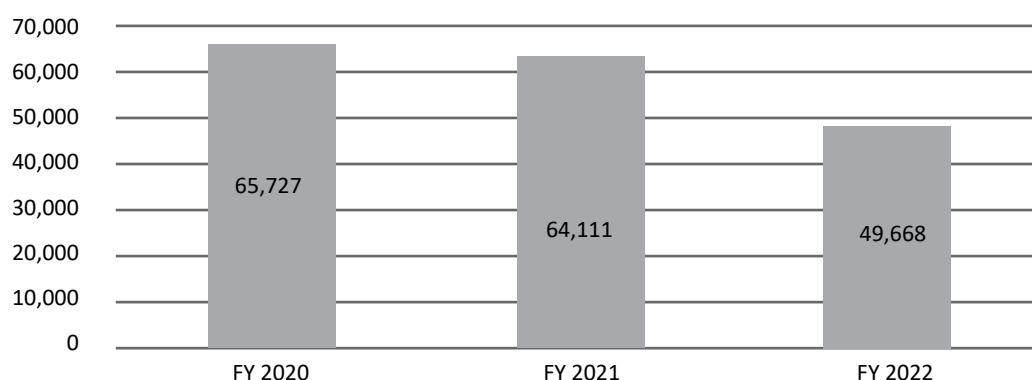
We monitor electricity consumption to determine operational efficiency and to reduce unnecessary energy expenditure. For the financial year ended 30 June 2022, we saw a slight increase of 0.9% in our overall energy consumption as compared to the previous financial year. We continue to optimise electricity consumption across our business operations and during the financial year under review, business activities were gradually returning to normalcy as movement controls due to the COVID-19 pandemic were not as restrictive as they were imposed during the financial year ended 30 June 2021. Based on the performance trend below, there is improvement in our energy intensity against revenue, i.e., 49,668 kWh per RM million revenue compared to 64,111 kWh per RM million revenue during the financial year ended 30 June 2021, due to higher revenue generated.



TOTAL ENERGY CONSUMPTION FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

**10,326,819 kWh**

#### Energy Intensity (Average kWh Per RM Million Revenue)



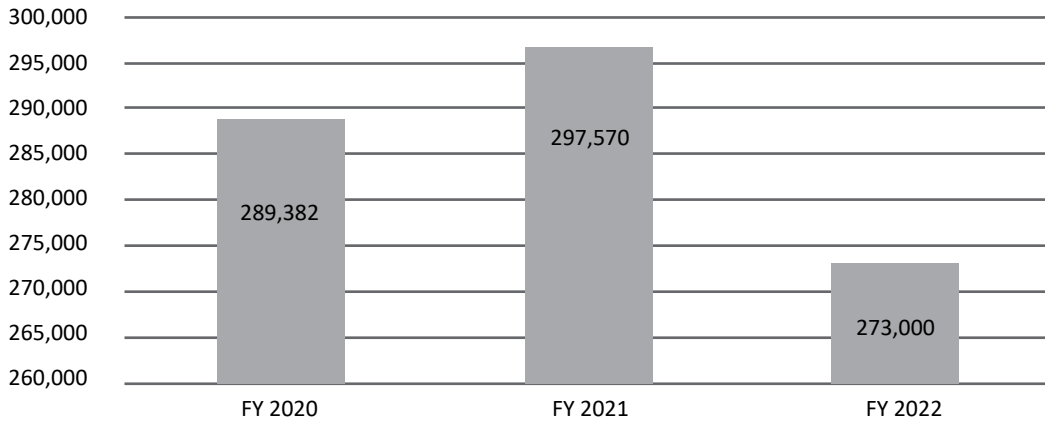
## SUSTAINABILITY STATEMENT (CONT'D)

### ENVIRONMENTAL (CONT'D)

#### Diesel Consumption

For the financial year ended 30 June 2022, we recorded a slight drop of 8% in our diesel consumption in comparison to the previous financial year. This was due to lower usage of steam boilers in our plant as lesser production lines were running in the financial year under review.

**Diesel Consumption (litres)**



#### Renewable Energy

To support the growth of Malaysia’s renewable energy and to harness the use of cleaner energy sources in business operations, we had identified solar photovoltaic (PV) system as our renewable energy solution to reduce reliance on non-renewable energy. In the previous financial year, the Group successfully commissioned the installation of 600 kW solar PV system on our building in partnership with Cleantech Solar, a leading provider of renewable energy in Asia.



861,236 kWh of energy was generated by leveraging our renewable energy initiative with savings of approximately RM92,352.

#### Water Management

Malaysia is blessed with abundant rainfall and water resources. However, pollution and climate change are constraining on the country’s water resources and thus, creating risks for business and society. Water is one of the integral components for the manufacturing of our products where consistent, high-quality water is needed. We recognise the importance of water management to reduce unnecessary usage and to discharge wastewater efficiently without contaminating the environment.

Among the measures adopted by the Group to prevent water wastage in our offices are:

- Water dispensers are installed to encourage employees to refill their own water bottles in the office;
- Inspections to detect and monitor leaks in the building’s piping systems; and
- Installation of faucet aerators in the restrooms and low flow toilets.

## SUSTAINABILITY STATEMENT (CONT'D)

### ENVIRONMENTAL (CONT'D)

#### Water Management (Cont'd)

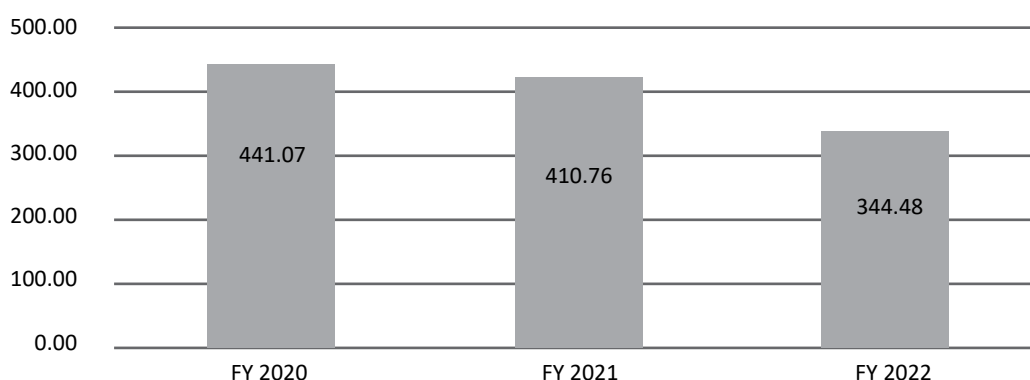
We have been collecting data of our water consumption every month to manage and monitor consumption patterns. This helps to mitigate the risk of business disruption in the event of water shortages and enhances cost optimisation. During the financial year ended 30 June 2022, we consumed 71,360 m<sup>3</sup> of water. There has been a slight increase of 9% for the overall water consumption during the financial year under review but a decrease of 16% in water consumption per RM million of revenue as compared to the previous financial year.



TOTAL WATER CONSUMPTION FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

**71,360 m<sup>3</sup>**

#### Water Intensity (Average m<sup>3</sup> Per RM Million Revenue)



#### Wastewater and Effluent Discharge

In managing our wastewater and effluent discharge, the Group strictly abides by the environmental laws and regulations of Department of Environment (“DOE”). Due to the nature of our operations, it is critical for us to ensure that water and effluent discharge management practices do not pose any hazardous impact to the ecological system and our surrounding community. We have an on-site wastewater treatment plant (“WWTP”) to treat wastewater from our plant before discharged into the drainage system surrounding our plant. Our designated employee ensures wastewater is treated and tested daily in compliance with Stipulated Quality (Standard B) under Environmental Quality (Industrial Effluent) Regulations 2009. On a weekly basis, wastewater testing is also conducted by an external wastewater treatment consultant from a laboratory accredited by Skim Akreditasi Makmal Malaysia. Demonstrating the efficacy of the environmental controls we have put in place, the Group had been in full compliance with all relevant laws and regulations. There were zero reported incidents of non-compliance for the financial year under review.

#### Waste Management

Managing waste in Malaysia poses a big challenge. Wastes generated from sources such as domestic, industrial and commercial are showing increasing trends mainly due to population growth in Malaysia. Despite policies and programmes introduced and carried out by government agencies, there remains a dire need to incorporate sustainable waste management practices in our daily lives to improve and maintain environmental quality.

## SUSTAINABILITY STATEMENT (CONT'D)

### ENVIRONMENTAL (CONT'D)

#### Waste Management (Cont'd)

Pharmaceutical wastes are generated through a wide array of activities in our plant, resulting in the production of hazardous (scheduled) and non-hazardous waste. Improper management of scheduled waste leads to pollution and adverse effects to the environment and human health. Disposal of scheduled wastes is handled by a licensed waste disposal contractor, registered with the DOE. We manage our scheduled wastes in accordance with the Environmental Quality (Scheduled Wastes) Regulations 2005 to ensure that such wastes are collected, handled and disposed of safely. A summary of hazardous wastes disposed of by weight for the financial year ended 30 June 2022 is set out below:

No.	Waste Description	Waste Code	Metric Tonne (MT)
1.	Discarded Drug Containing Psychotropic	SW 403	10.1
2.	Sludge	SW 204	2.5
3.	Waste Arising from Preparation	SW 405	110.7
4.	Electronic Waste	SW 110	0.3
5.	Disposed Containers	SW 409	4.9
6.	Non-Halogenated Waste	SW 322	11.8
		Total	140.3

As part of our initiatives to manage and minimise wastes, we encourage good practices among our employees. We have incorporated 3R (Reduce, Reuse and Recycle) which is an on-going initiative across our operations to handle wastes more effectively. We have carried out the following initiatives within the Group to promote 3R, particularly emphasising on paper usage to avoid unnecessary paper consumption and waste generation:

- Print or photocopy only where necessary;
- Practise duplex printing or photocopying;
- Moved from printed annual report to digital version;
- Encourage digital storage of documents;
- Encourage the usage of electronic platforms such as e-mail, WhatsApp or SMS as efficient alternative modes of communication;
- Share documents electronically among employees;
- Reuse packing materials, cartons and pallets used to protect our products from damages during transportation;
- Adopt the usage of digital signature; and
- Reuse envelopes and recycle papers to print.

Our waste management is monitored on a continuous basis and we aim towards better waste management to minimise waste generation for obvious reasons. We focus on operational efficiency as well as recycling initiatives and will look into identifying and exploring opportunities to enhance our waste management process. During the financial year ended 30 June 2022, there were no recorded incidents of non-compliance with regulatory requirements. There was no legal action taken against the Group nor any fine or penalties imposed related to waste management.

### SOCIAL

#### Workforce Diversity

Employees are the Group's asset and backbone of its business in achieving our vision and mission. We are committed to create a good working condition, ensuring social security and safeguarding the rights of our employees. We strive to build a diverse and inclusive workforce with the right mix of talents. The Group's Code of Conduct and Ethics Policy is applied to all employees and sets out the requirement of professional conduct to maintain a conducive environment that is non-discriminatory.

The Group provides equal rights and opportunities to all employees. Our human capital consists of employees from various cultural backgrounds, gender, age group, religion, skills and experiences. In terms of hiring, employment or promotion, we prohibit any discrimination based on race, religion, age and gender. Promotions and rewards are accorded to our employees based on merit. We strongly believe that a diverse workforce is essential to ensure business development and sustained business growth.



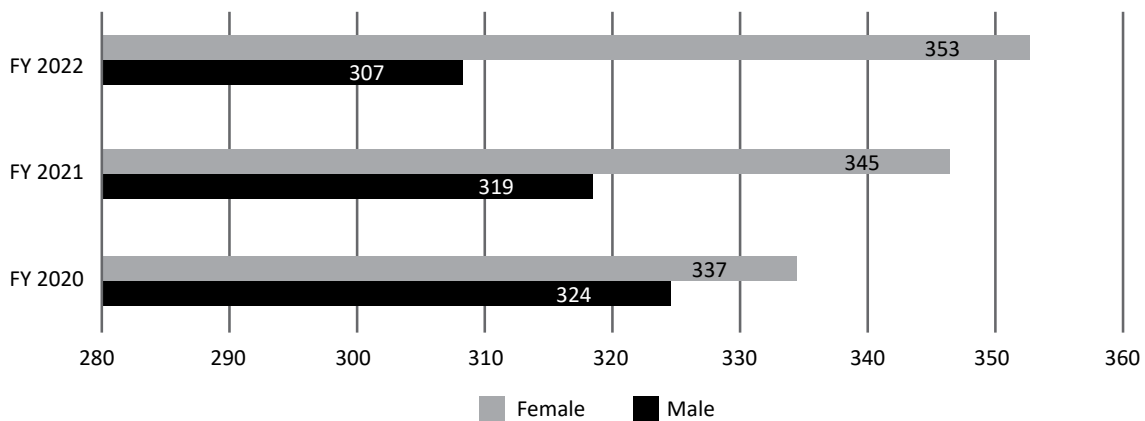
## SUSTAINABILITY STATEMENT (CONT'D)

### SOCIAL (CONT'D)

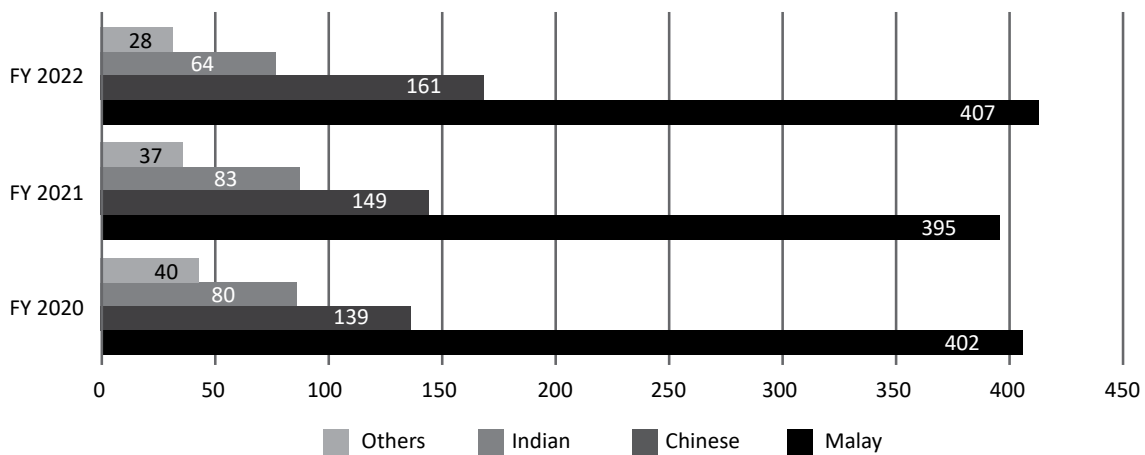
#### Workforce Diversity (Cont'd)

As of 30 June 2022, the Group's workforce stood at 660 employees comprising 53% female and 47% male. In terms of gender equality, we strive to achieve a balanced representation of male and female employees, especially in managerial role. In managerial (executive and above) roles, the proportion of female employees is higher as shown in the graph below. The Group is steadfast towards ensuring a fair female representation and strives to provide equal opportunities to develop their careers within the Group.

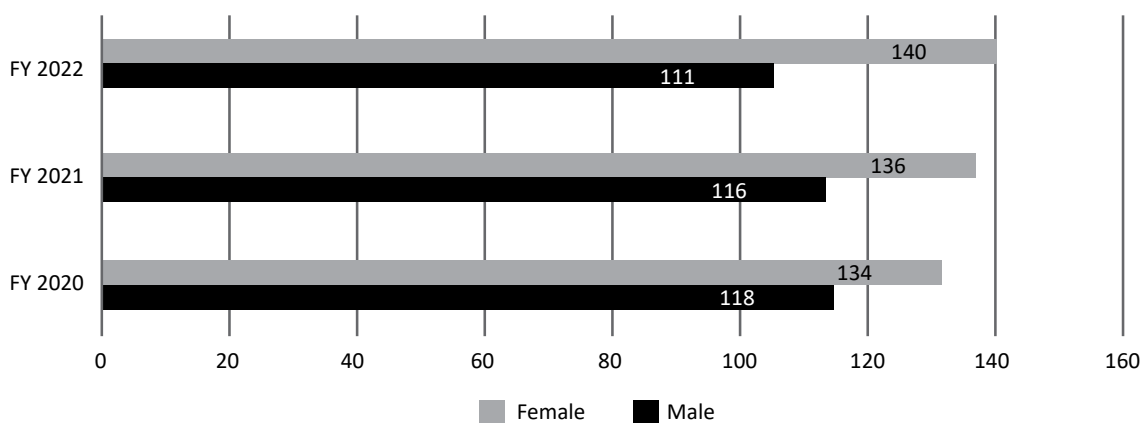
#### Gender Diversity



#### Diversity by Ethnicity



#### Female Representation in Managerial Role



## SUSTAINABILITY STATEMENT (CONT'D)

### SOCIAL (CONT'D)

#### Training and Development

The Group believes in fostering professional development of its employees to enhance their knowledge and achieve their full potential in executing their responsibility effectively. We embrace a culture of continuous learning and encourage our employees of all levels to broaden their knowledge and skills necessary to perform their jobs properly while developing additional capabilities to keep up with the demands of ever evolving pharmaceutical landscape. The trainings attended by our employees consist of external and internal programmes. These trainings are attended on a voluntary basis or are mandatory to obtain required qualification or certification to perform the employees' job.

We have an in-house Learning and Organisational Development ("LOD") manager who is responsible for training and development of our employees. Our LOD manager works closely with various managers of different business units across the Group and creates training programmes that are aligned with the Group's objectives with full understanding on the specific training requirements.

The competencies of our employees are assessed through performance appraisal that is conducted annually. All employees are required to achieve an average number of training hours a year that is determined by their Heads of Department ("HODs"). Based on Training Needs Analysis ("TNA"), the respective HODs are able to identify gaps in skills, knowledge and abilities of employees. Through TNA, we plan our internal training programmes in advance and determine the right employees to attend training in order to improve overall performance. We have dedicated trainings to upskill and reskill various focus groups in enhancing their current as well as new technical and job specific skills to meet their job demand.

During the financial year under review, we spent a total of RM28,000 in training costs, compared to RM64,000 in the previous financial year, representing a reduction of 56%, attributed to the uncertainties brought on by the COVID-19 pandemic. With the prolonged pandemic online learning increased tremendously. With the wide reach of internet, expanding knowledge has become easier with accessibility to on-line training materials. As it was a challenge in observing social distancing, we limited our trainings at external physical training spaces and utilised online resources, webinars, virtual trade fairs as well internal trainings.

#### Safety and Health

The Group prioritises providing a safe and healthy workplace for all its employees and non-employees such as contractors, vendors and general public. Measures are in place to prevent unsafe working conditions, work related injuries, illnesses and fatalities. We uphold a zero-tolerance approach against non-compliance with our occupational safety and health ("OSH") standards in our operations. We expect the same commitment from our employees and equip them with safety awareness from time to time.

The Group's Safety and Health Committee ("SHC") was established in line with the requirements of the Occupational Safety and Health Act ("OSHA"). The SHC was established to nurture safe workplace practices and takes the lead in overseeing OSH management of the Group. The SHC is chaired by Engineering Management Department with committee members consisting of representatives from various departments. In its meetings, the SHC reviews any occupational accidents or illness, workplace hazards, accident mitigation and determines corrective and preventive actions to improve our OSH management. We have detailed guidelines established on hazard identification and risk assessment to minimise and reduce hazards, augmented by an Emergency Response Team ("ERT") consisting of members from various departments to manage accidents or emergency situations that may arise in the Group.

Regular OSH trainings on fire extinguisher handling, safety awareness, specific work-related hazards and hazardous activities, including in-house fire drill, are organised to create awareness and instil safety culture among our employees. OSH briefings are also provided for new joiners which are concurrently conducted during their induction programme. Employees who are exposed to occupational hazards are provided personal protective equipment ("PPE"). Full compliance with the use of PPE is mandatory and strictly monitored. New employees and employees exposed to high noise and chemical substances are required to undergo medical and physical check-ups. Standard operating procedures to boost safety compliance are in place and reviewed and improved as considered necessary. Any hazardous chemicals or wastes are properly stored at designated areas, clearly labelled and indicated by appropriate cautionary signs. During the financial year under review, we employed a Safety and Health officer to ensure the Group's compliance with regulatory requirements and to promote a safe conduct of work among our employees.

As a result of our OSH initiatives, we have maintained zero fatalities in the Group during the reporting financial year. The data relating to industrial accidents for two (2) financial years is set out below:

Description	FY 2021	FY 2022
Number of accidents reported	4	3
Number of fatalities	0	0
Major Accident Cases <i>*Lost time injury more than four (4) days</i>	0	0
Minor Accident Cases <i>*Lost time injury four (4) days and below</i>	4	3

## SUSTAINABILITY STATEMENT (CONT'D)

### SOCIAL (CONT'D)

#### Our Response to COVID-19

The world continues to battle against COVID-19 pandemic, which has been challenging and impacting businesses and communities. With our government announcing the transition from pandemic to endemic phase effective from 1st April 2022, local businesses and economy are recovering progressively under the 'new normal' working conditions. In addition to the government-mandated Standard Operating Procedures ("SOPs"), the Group has taken proactive steps to safeguard our employees and reduce the risk of COVID-19 transmission at the workplace.

In this aspect, the following safety measures, amongst others, were instituted:

- Weekly COVID-19 testing for employees;
- Enforcing usage of face masks at all times in the premises;
- Communication to all employees on COVID-19 awareness;
- Daily temperature recordings of employees and visitors;
- Employees are encouraged to stay home if feeling unwell;
- Reducing physical engagements/meetings by opting virtual platforms;
- Good ventilation in the premises;
- Availability of hand sanitisers in the premises;
- Frequent cleaning and disinfecting in the premises, especially common areas; and
- Partition installation in the canteen and limiting the number of people at each table to facilitate physical distancing.

In line with the government's aim of fully vaccinating every person including foreigners, the Group participated in the employees' vaccination programme under *Program Imunisasi Industri COVID-19 Kerjasama Awam-Swasta* ("PIKAS") to increase our employees' vaccination rate. We provided vaccination leave to our employees to ensure they had sufficient rest after vaccination. As of 30 June 2022, we are pleased to inform that 100% of our employees have been fully vaccinated with two (2) compulsory doses of vaccination.

#### Local Community

As a socially responsible business organisation, we strive to make a positive difference to our community in which we live and operate. The Group values the importance of giving back to the society through our corporate social responsibility ("CSR") activities, which include contributing product donations and financial assistance. Despite restrictions on movements and gatherings which were still imposed in Malaysia during financial year 2022 to prevent the spread of the COVID-19 virus, we were able to continue with our commitment in creating a positive social impact.

During the financial year under review, we delivered the following initiatives:

- 1) Annual Sponsorship for Children's Day - we continued with our annual sponsorship for Children's Day to nineteen (19) schools around Melaka. We provided vitamin supplements and pastilles to boost children's immunity and at the same time added joy in their Children's Day celebration;
- 2) Sponsorship for Blood Donation Drive - we sponsored vitamin supplements to a number of non-governmental organisations for blood donation events, namely, Hash House Harriers Melaka, Persatuan Kebajikan Bacang Melaka and CRSM Melaka;
- 3) Sponsorship of Book Prize and Post-Graduate Research Studies - the Group contributed in the area of education to encourage and empower students to excel in the pharmaceutical field. We sponsored book prizes to International Medical University and University Malaya for pharmacy students of graduating class. We also extended our sponsorship to post-graduate research studies as part of the Group's commitment towards developing the community through education;
- 4) Sponsorship to Old Folks' homes and B40 families - due to the COVID-19 pandemic, many old folks' homes and B40 families were affected and endured difficulty. We played a part to alleviate their condition by collaborating with Lion's Club Melaka in providing our nutrition milk products;
- 5) Sponsorship to Orphanage homes in Melaka - the Group collaborated with Oriental Melaka Straits Medical Centre for their Christmas Cheer CSR event by sponsoring vitamin supplements to three (3) Melaka orphanages during Christmas;
- 6) Sponsorship to COVID-19 sanitisation volunteers - to boost the immunity of volunteers during their sanitisation work, we contributed Appeton Essentials Vitamin C; and
- 7) Internship and provisionally registered pharmacist ("PRP") placement in the Group - this allowed us to discover talents and create a new crop of employees to meet our business needs.

## SUSTAINABILITY STATEMENT (CONT'D)

### GOVERNANCE

#### Corporate Governance

Robust governance is a key factor to safeguard business and drive long-term, sustainable growth of an organisation. Guided by MCCG 2021, we are committed towards maintaining integrity, transparency and accountability to drive our performance and enhance long-term shareholder value.

The Board provides leadership and supervision at the top, advocating good governance and ethical practices throughout the Group. Independent Directors sit on the Board to provide the necessary checks and balances in the decision-making process. The Board is supported by Board Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee. Each committee is governed by their respective Terms of Reference approved by the Board. They are delegated with certain roles and responsibilities to support the Board in discharging its duties effectively.

Risk management is an essential part of corporate governance as it helps us to identify critical risks that might impact the Group's strategic success. In this regard, the Board has formalised an Enterprise Risk Management ("ERM") which identifies, evaluates, manages and monitoring significant financial and non-financial risks of the Group. The Board affirms its overall responsibility for the Group's risk management and internal control system, including reviewing its adequacy and effectiveness on a regular basis.

To uphold good corporate governance, ethics and integrity, the Group has established the following:

- Board Charter;
- Terms of Reference for Audit, Nomination and Remuneration Committee;
- Board Diversity Policy;
- Corporate Disclosure Policies and Procedures;
- Board Diversity Policy;
- Directors' Fit and Proper Policy;
- Code of Conduct and Ethics;
- Whistleblowing Policy and Procedures;
- Remuneration Policy and Procedures;
- Anti-Bribery and Corruption Policy;
- Anti- Fraud Policy; and
- The Company's Constitution.

The documents above are also available on the Group's website at [www.kotrapharma.com](http://www.kotrapharma.com)

#### Ethical Business Conduct

In tandem with our core value of "We act with integrity", the Group believes that conducting our business with ethical standards and integrity is essential to build and maintain our stakeholders' trust. With a strong foundation of corporate governance, we are committed on embedding ethical business practices among our employees in our day-to-day operations. We recognise the importance of formalising our values and ethical practices. To instil best practices in the Group, we have established relevant policies and procedures to govern our Directors, Management and employees. These policies and procedures are reviewed by the Board from time to time and updated where necessary to ensure their continuing relevancy, adequacy and effectiveness.

##### a) Anti-Bribery and Corruption

The Group has adopted zero tolerance towards any form of bribery and corruption. Our Anti-Bribery and Corruption Policy ("ABC Policy") has been developed in accordance with the provisions of Section 17A of the Malaysian Anti-Corruption Commission Act 2009, to demonstrate our commitment against any bribery and corruption activities which may arise in the course of business. This ABC policy is applicable to the Board, Management, employees as well as all third parties associated to the Group.

During the financial year ended 30 June 2022, the following initiatives were implemented: -

- i) the inclusion of relevant clauses in invoices and purchase orders where third parties accepting the invoice or purchase order are deemed to have acknowledged their obligation to abide by the Group's ABC Policy; and
- ii) all employees, including Management, submitted signed declaration on Confidentiality and ABC Policy.

## SUSTAINABILITY STATEMENT (CONT'D)

### GOVERNANCE (CONT'D)

#### Ethical Business Conduct (Cont'd)

##### b) Whistleblowing Policy

The Group's Whistleblowing Policy provides an avenue for employees and third parties to report incidents of suspected or actual wrongdoing in a transparent and confidential manner. Whistle-blowers are able to raise genuine concerns in good faith pertaining to any improper conduct within the Group without fear of reprisals. The report can be made via dedicated reporting channels; by hand/mail to the Chairman of the Company and/or Chairman of the Audit Committee or by e-mail at [whistleblowing@kotrapharma.com](mailto:whistleblowing@kotrapharma.com). Any report that is made anonymously may not be investigated unless it is deemed as a sensitive and serious case, supported with sufficient evidence for an investigation to be carried out. Investigations are conducted with strict confidentiality and further actions are taken, as deemed necessary.

##### c) Code of Conduct and Ethics

The Code of Conduct and Ethics ("Code") contains policies and guidelines relating to the standards and ethics that all employees are expected to adhere to in performing their duties and discharging their responsibilities. It sets out the Group's integrity and ethical standards to promote corporate culture and to maintain discipline and order in the Group. The Code is applicable to the Board and all employees of the Group. They are expected to understand and comply with the principles and standards stipulated in the Code. Any breach of the Code and its provisions results in disciplinary action.

The Anti-Bribery & Corruption Policy, Whistleblowing Policy and Code of Conduct and Ethics are accessible on the Group's website at [www.kotrapharma.com](http://www.kotrapharma.com)

For the financial year under review, the Group did not receive any instances of bribery/corruption nor reports of any improper conduct involving the Group's employees or third parties associated with the Group.

#### Regulatory Compliance

The pharmaceutical industry is a heavily regulated industry as we play a critical role in safeguarding the health and wellbeing of people. Regulatory scrutiny occurs across pharmaceutical operations, including manufacturing, sales and marketing, product pricing, research and development. Complying with regulatory requirements ensures the safety, efficiency and efficacy of a product. We constantly engage with relevant bodies such as Malaysian Organisation of Pharmaceutical Industries ("MOPI") and NPRA to keep abreast with the current regulatory environment.

The main legislations which govern the Group are as below:

- a) Medicines (Advertisement and Sale) Act 1956;
- b) Poisons Act 1952;
- c) Sale of Drugs Act 1952;
- d) Dangerous Drugs Act 1952;
- e) Control of Drugs and Cosmetic Regulations 1984; and
- f) Other guidelines and regulations issued by NPRA.

We adopted prudent measures to ensure adherence to laws, relevant regulatory requirements and guidelines to avoid any disruptions to our operations. The Group is guided by cGMP and GDP under the PIC/S and in compliance with these guidelines, we rigorously test our products before launching them in the market. With the aim of protecting the health of our customers, we have an in-house pharmacovigilance officer. This is to carefully monitor and report any possible adverse drug reactions ("ADR") that had not previously been detected before the product was released to the market.

The Group is mindful of the consequences of non-compliance which could severely affect the Group with the risk of monetary fines and penalties as well as risk of reputational loss related with non-compliance incidents. As a result of strict internal controls within the Group, none of our subsidiaries has been fined by NPRA or any other regulatory body for non-compliance for the financial year ended 30 June 2022.

## SUSTAINABILITY STATEMENT (CONT'D)

### GOVERNANCE (CONT'D)

#### Data Protection and Security

The Group manages a wide range of stakeholders' data, including personal and confidential data. Such information is treated with high level of confidentiality by our employees. Our data management is governed by the Personal Data Protection Act 2010 ("PDPA 2010").

Our BigLink application, a smartphone based cardless loyalty programme requires customers to submit their personal data to participate in BigLink's redemptions and activities. We have formulated Privacy Policy to ensure data security and privacy of our customers. This Privacy Notice is a transparent guide on how we collect the data, why we need it and how we use it. It is important to secure the confidentiality and privacy of these data and to protect or prevent exposure to data breach threats and violations. The Privacy Notice is available at [www.biglink.my/main/policy.php](http://www.biglink.my/main/policy.php). To establish confidential relationship with our third parties where exchange of sensitive information is involved to explore mutual business opportunities or research activities, a Non-Disclosure Agreement ("NDA") is signed between parties to protect the confidential information or data shared among them.

With increasing risk of data breaches in today's digitalised world, we have taken steps to strengthen our cybersecurity. With the Group's dedicated IT team, we ensure all software installed in employees' computers and laptops are licensed and legal to ensure that our corporate data is protected against malware attacks and preventing data loss through unauthorised access. In the reporting year, we have increased our investment in the IT department by 13% compared to the previous financial year. There were zero cases of data breach during the financial year ended 30 June 2022.

### MOVING FORWARD

The COVID-19 pandemic, extreme climate conditions and other challenges have triggered negative impacts to the economy, environment, lives and livelihood of people across the globe. It is a stark reminder for us to collectively act in embracing sustainability and adopt sustainable business practices to generate long-term positive change for the benefit of our business, planet and people. As we stand firm on our commitment to operate our business in a responsible manner, we aspire to do better in our sustainability journey. We will continue our efforts to elevate our various EESG initiatives for a sustainable future, particularly towards bridging the gaps in our existing sustainability governance and reporting to align with the Practices promulgated by the MCCG 2021 Edition and the recent amendments to the MMLR of Bursa Securities.

## ADDITIONAL COMPLIANCE INFORMATION

### Utilisation Proceeds from Corporate Proposal

There were no funds raised by the Company from any corporate proposals during the financial year under review.

### Recurrent Related Party Transactions of a Revenue or Trading Nature (“RRPT”)

Following to the shareholders’ mandate obtained during the Company’s 22nd AGM held on 26 November 2021, details of RRPT of a revenue or trading nature conducted during the financial year ended 30 June 2022 are as follows:

The Mandated Related Parties	Nature of Transactions	Nature of Relationship	Aggregate Value of transactions from 1 July 2021 till 30 June 2022 (RM)
Kwong Onn Tong Sdn Bhd (“KOT”)	• Sales of goods by KPM to KOT	A Related Party by virtue of Piong Teck They being a brother to Piong Teck Onn and Datuk Piong Teck Yen who are Directors of the Company. Piong Teck They is a major shareholder of KOT.	339,526
Lonnix (M) Sdn Bhd (“Lonnix”)	• Charges by Lonnix to KPM for contract manufacture and repackaging of goods	A company in which Piong Chee Kien, who is a Director of the Company, is a Director and major shareholder.	NIL
Appeton Laboratory Sdn Bhd	• Rental charged by Appeton Laboratory to KPM for use of premises as hostel for KPM’s staff	A company in which Datuk Piong Teck Yen and Piong Teck Onn, who are Directors of the Company, are Directors and major shareholders.	7,800
Thames Bioscience Sdn Bhd (“Thames”)	• Payment of royalty by KPM to Thames	A company in which Piong Teck Onn and Datuk Piong Teck Yen, who are Directors of the Company, are Directors and Piong Teck Onn is a major shareholder.	831
Datuk Piong Teck Yen	• Rental of premises paid/ payable	Director of the Company	28,200
Piong Teck Onn	• Rental of premises paid/ payable	Director of the Company	28,200
Quanweili Sdn Bhd (“Quanweili”)	• Sales of goods by KPM to Quanweili	A company by virtue of Piong Teck They, being a brother to Piong Teck Onn and Datuk Piong Teck Yen, who are Directors of the Company, is a major shareholder.	73,727
Coxinet Asset Sdn Bhd (“Coxinet”)	• Rental charged by Coxinet for use of office premises by KPM	A company in which Piong Teck Onn, a Director of the Company, is a Director and major shareholder.	984,000

**Note:** Details of related party transactions are disclosed in Note 34 to the Audited Financial Statements, of which none of the actual value of transactions conducted pursuant to the shareholders’ mandate during the financial year exceeded the applicable prescribed threshold under paragraph 10.09(2)(e) of the MMLR of Bursa Securities.

## ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

### Audit and Non-audit Fees Paid to External Auditors

The audit and non-audit fees payable to the External Auditors and/or their affiliates for services rendered to the Company and the Group for the financial year ended 30 June 2022 were as follows:

Type of Fees	Group (RM)	Company (RM)
<b>Audit</b>	100,000	28,000
<b>Non-audit</b>		
Tax Filing	43,700	5,000
Review of the Statement on Risk Management and Internal Control	3,000	3,000
<b>Total Non-audit fees</b>	<b>46,700</b>	<b>8,000</b>

### Material Contracts Involving Directors' and Major Shareholders' Interests

Save for RRPT of a revenue in nature as disclosed, there were no material contracts entered into by the Company and its subsidiaries involving interests of the Directors, Senior Management who is not a director, major shareholders or connected persons which were still subsisting as of 30 June 2022 or entered into since the end of the previous financial year except as disclosed in the financial statements.

### Employees' Share Scheme

The Company did not grant any options under the Employees' Share Option Scheme ("ESOS") during the financial year ended 30 June 2022. Details on the ESOS are available in the Director's Report and Note 23 to the Annual Audited Financial Statements for the financial year ended 30 June 2022.

The total number of options granted, exercised and outstanding under the ESOS are set out in the table below since the commencement of the ESOS on 29 July 2013 and during this financial year ended 30 June 2022:

ESOS	Total	Directors	Senior Management	Other Entitled Employees
FOR THE PERIOD FROM 29 JULY 2013 TO 30 JUNE 2021				
Number of Options granted	16,969,120	7,920,000	3,780,000	5,269,120
Number of Options exercised	15,837,920	7,920,000	3,780,000	4,137,920
Number of Options lapsed	1,011,600	-	-	1,011,600
<b>Number of Options outstanding as at 30 June 2021</b>	<b>119,600</b>	<b>-</b>	<b>-</b>	<b>119,600</b>

ESOS	Total	Directors	Senior Management	Other Entitled Employees
FOR THE PERIOD FROM 1 JULY 2021 TO 30 JUNE 2022				
Number of Options outstanding as at 1 July 2021	119,600	-	-	119,600
Number of Options exercised	30,000	-	-	30,000
Number of Options lapsed	-	-	-	-
<b>Number of Options outstanding as at 30 June 2022</b>	<b>89,600</b>	<b>-</b>	<b>-</b>	<b>89,600</b>

During the financial year ended 30 June 2022, no option shares were granted to the Non-Executive Directors.



## ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

### Maximum Allowable Allocation of the ESOS

Pursuant to ESOS By-Laws, the aggregate number of Shares entitled by the selected person shall be determined by the ESOS Committee based on:

- i. The total number of new shares made available under the ESOS shall not exceed fifteen per cent (15%) of the issued and paid-up share capital of the Company at the point in time when the ESOS is offered; and
- ii. Not more than ten per cent (10%) of the total new shares is to be issued under the ESOS at the point in time when the ESOS is offered or allocated to any individual Selected Person, who, either singly or collectively through persons connected with him, holds twenty per cent (20%) or more in the issued and paid-up share capital of the Company.

During the financial year ended 30 June 2022, there were no options granted to the Executive Directors and Senior Management. The Executive Directors and Senior Management were granted a total of seventy-three per cent (73%) of the shares pursuant to the ESOS (excluding number of shares lapsed) since the commencement of ESOS on 29 July 2013.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required to prepare the financial statements for each financial year which have been made in accordance with applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act 2016 of Malaysia and the Main Market Listing Requirements.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs, the financial results and cash flow of the Group and the Company at the end of the financial year.

In preparing the financial statements, the Directors have:

- i. adopted the appropriate accounting policies and applied them consistently;
- ii. made judgements and estimates that are reasonable and prudent;
- iii. ensured that all applicable approved accounting standards have been complied with; and
- iv. prepared the financial statements on a going concern basis.

The Directors are responsible for keeping proper accounting records of the Group and the Company, which disclose with reasonable accuracy the financial position of the Group and the Company, and which will enable them to ensure the financial statements have complied with the provisions of the Companies Act 2016 and the applicable approved accounting standards in Malaysia.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

# FINANCIAL STATEMENTS

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## DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2022.

### PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and the provision of management services.

The principal activities of its subsidiaries are set out in Note 14 to the financial statements.

### RESULTS

	Group RM'000	Company RM'000
Profit after taxation for the financial year	62,095	24,515

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

### DIVIDENDS

Dividends paid by the Company since 30 June 2021 are as follows:-

- A final single tier dividend of 7 sen per ordinary share amounting to RM10,358,214 for the financial year ended 30 June 2021 on 9 December 2021; and
- An interim single tier dividend of 9.5 sen per ordinary share amounting to RM14,057,576 for the financial year ended 30 June 2022 on 24 March 2022.

At the forthcoming Annual General Meeting, a final single tier dividend of 16 sen per ordinary share in respect of the current financial year amounting to RM23,678,733 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect the proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2023.

### HOLDING COMPANY

The holding company is Piong Nam Kim Holdings Sdn. Bhd., a company incorporated in Malaysia which the directors also regard as the ultimate holding company.

### DIRECTORS

The names of directors of the Company who served during the financial year and up to the date of this report are as follows:

Chin Swee Chang  
Datuk Jamaludin Bin Nasir  
Datuk Piong Teck Yen  
Lee Min On  
Piong Chee Kien  
Piong Teck Onn

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:

Datuk Seri Piong Teck Min  
Piong Chee Wei

## DIRECTORS' REPORT (CONT'D)

### DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares and options under the Employees' Share Option Scheme ("ESOS") of the Company and its related corporations during the financial year are as follows:-

	1.7.2021	Number of ordinary shares		30.6.2022
		Acquired	Sold	
<b>Holding company</b>				
<i>Direct interest</i>				
Piong Teck Onn	59,920	1,609	-	61,529
Datuk Piong Teck Yen	10,346	-	(1,609)	8,737
	1.7.2021	Number of ordinary shares		30.6.2022
		Acquired	Sold	
<b>The Company</b>				
<i>Direct interest</i>				
Chin Swee Chang	1,800,000	514,800	-	2,314,800
Piong Teck Onn	10,161,224	6,125,402	-	16,286,626
Datuk Piong Teck Yen	8,296,564	-	-	8,296,564
<i>Indirect interest</i>				
Chin Swee Chang <sup>1</sup>	5,564,060	-	-	5,564,060
Piong Teck Onn <sup>2</sup>	79,112,964	-	(6,125,402)	72,987,562

<sup>1</sup> Indirect interest by virtue of the director's spouse's shareholding in Medisch Specialist Centre Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 and by virtue of the director's son's shareholding pursuant to Section 59(11)(c) of the Companies Act 2016.

<sup>2</sup> Indirect interest by virtue of the director's interests in Piong Nam Kim Holdings Sdn. Bhd., Medisch Specialist Centre Sdn. Bhd., and Platinum Essence Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 and by virtue of the director's son's shareholding pursuant to Section 59(11)(c) of the Companies Act 2016.

By virtue of his interests in the holding company, namely Piong Nam Kim Holdings Sdn. Bhd., Piong Teck Onn is deemed to have interests in shares of the Company and its related corporations during the financial year to the extent of the holding company's interests, in accordance with Section 8 of the Companies Act 2016.

The other directors holding office at the end of the financial year had no interest in shares or options of the Company or its related corporations during the financial year.

### OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company except for the share options granted pursuant to the Company's Employees Share Option Scheme below.

### EMPLOYEES' SHARE OPTIONS SCHEME

At an extraordinary general meeting held on 29 July 2013, the Company's shareholders approved the establishment of an Employees' Share Option Scheme ("ESOS") of not more than 15% of the total issued and paid-up ordinary shares of the Company to eligible directors and employees of the Group (herein referred to as "new ESOS").

The details of the ESOS are disclosed in Note 23 to the financial statements.

## DIRECTORS' REPORT (CONT'D)

### DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted to the directors under the ESOS.

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than directors' remuneration as disclosed in the "Director Remuneration" of this report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 34 to the financial statements.

### DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are as follows:-

	The Group RM'000	The Company RM'000
Fees	307	307
Emoluments	2,585	18
Defined Contribution Benefits	308	-
	3,200	325

The estimated monetary value of benefits-in-kind provided by the Group to a director of the Company was RM25,000.

### INDEMNITY AND INSURANCE COST

During the financial year, the amount of indemnity coverage for the directors of the Company was RM12,000,000.

There was no indemnity given to or professional indemnity insurance effected for the other officers or auditors of the Company.

### ISSUES OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up share capital from RM84,714,573 to RM84,766,148 by way of issuance of 30,000 new ordinary shares pursuant to the Company's employees' share option scheme at the exercise prices as disclosed in Note 23 to the financial statements. The new ordinary shares were issued for cash consideration and they rank pari passu in all respects with the existing ordinary shares of the Company.

There were no issues of debentures by the Company.

### SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 14 to the financial statements.

## DIRECTORS' REPORT (CONT'D)

### OTHER STATUTORY INFORMATION

- (a) 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 impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables; and
  - (ii) to ensure that any current assets, which were unlikely to realise their values 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.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off of bad debts or allowance for impairment losses on receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or 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 of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### AUDITORS

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration for the financial year are as follows:-

	The Group RM'000	The Company RM'000
Audit fees	100	28
Non-audit fees	3	3
	103	31

Signed in accordance with a resolution of the directors dated 6 October 2022.

**Piong Teck Onn**  
Managing Director

**Chin Swee Chang**  
Executive Director

## STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Piong Teck Onn and Chin Swee Chang, being two of the directors of Kotra Industries Berhad, state that, in the opinion of the directors, the financial statements set out on pages 67 to 117 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2022 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 6 October 2022.

**Piong Teck Onn**  
Managing Director

**Chin Swee Chang**  
Executive Director

## STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Daniel Chua Chong Liang, MIA membership number: CA18092, being the officer primarily responsible for the financial management of Kotra Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 67 to 117 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the  
abovementioned Daniel Chua Chong Liang,  
at Melaka in the State of Melaka  
on this 6 October 2022

**Daniel Chua Chong Liang**

Before me,

Sharizah Binti Yahya  
M084  
Persuruhjaya Sumpah  
Commissioner for Oaths  
No. 9-1, Jalan TMR 34,  
Taman Melaka Raya,  
75000 Melaka.



# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF KOTRA INDUSTRIES BERHAD

### (INCORPORATED IN MALAYSIA) REGISTRATION NO: 199901022732 (497632-P)

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

##### Opinion

We have audited the financial statements of Kotra Industries Berhad, which comprise the statements of financial position as at 30 June 2022 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 67 to 117.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

##### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Independence and other ethical responsibilities*

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

##### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	How our audit addressed the key audit matter
Revenue Recognition (Refer to Page 85, Note 4 to the financial statements)	
Consolidated revenue recorded by the Group during the year amounted to approximately RM208 million. We consider revenue recognition for sale of goods to be a potential cause for higher risk of material misstatement from the perspective of timing of recognition and the amount of revenue recognised. Accordingly, we regard revenue recognition to be a Key Audit Matter.	Our procedures included, amongst others: <ul style="list-style-type: none"> <li>• testing the operating effectiveness of internal control over the completeness, accuracy, and timing of revenue recognised in the financial statements;</li> <li>• reviewing the terms of customer agreements to determine the point of control transfer to the customers on sampling basis;</li> <li>• testing the recording of sales transactions, revenue cut-off and review of credit notes after year end; and</li> <li>• obtaining confirmations from trade receivables as at the financial year end on sampling basis and reviewing collections relating to material trade receivables during and after the financial year end.</li> </ul>

**INDEPENDENT AUDITORS' REPORT (CONT'D)  
TO THE MEMBERS OF KOTRA INDUSTRIES BERHAD  
(INCORPORATED IN MALAYSIA) REGISTRATION NO: 199901022732 (497632-P)**

**Key Audit Matters (continued)**

Key Audit Matters Deferred Tax Assets (Refer to Page 95, Note 16 to the financial statements)	How our audit addressed the key audit matter								
<p>Due to the availability of tax incentives, despite being profitable, the Group has potential deferred tax assets arising from substantial unused tax losses and unused tax credits as at the end of the financial year as follows:-</p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: right;">RM'000</th> </tr> </thead> <tbody> <tr> <td>• Unused tax losses</td> <td style="text-align: right;">5,941</td> </tr> <tr> <td>• Unutilised capital and industrial building allowances</td> <td style="text-align: right;">987</td> </tr> <tr> <td>• Unutilised investment tax and reinvestment allowances</td> <td style="text-align: right;">19,892</td> </tr> </tbody> </table> <p>Pursuant to MFRS 112, a deferred tax asset shall be recognised for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.</p> <p>The Group performs annual review of deferred tax assets by estimating the recoverable amount of the subsidiaries' unused tax losses and unused tax credits based on profit projections and income tax estimates over a foreseeable time period.</p> <p>Due to the subjectivity involved in estimating the recoverable unused tax losses and unused tax credits, we consider this estimation to be a Key Audit Matter.</p>		RM'000	• Unused tax losses	5,941	• Unutilised capital and industrial building allowances	987	• Unutilised investment tax and reinvestment allowances	19,892	<p>Our procedures include obtaining the profit projections and income tax estimates and the assumptions used by management for the purpose of estimating the deferred tax asset and:</p> <ul style="list-style-type: none"> <li>• evaluating the key assumptions applied such as revenue growth, significant components of operating costs and future tax incentives;</li> <li>• checking the mathematical accuracy of the projections; and</li> <li>• reviewing the projected income tax estimates to evaluate the reasonableness of the assumptions and check the mathematical accuracy of the income tax estimates.</li> </ul>
	RM'000								
• Unused tax losses	5,941								
• Unutilised capital and industrial building allowances	987								
• Unutilised investment tax and reinvestment allowances	19,892								

**Information other than the financial statements and auditors' report thereon**

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITORS' REPORT (CONT'D)  
TO THE MEMBERS OF KOTRA INDUSTRIES BERHAD  
(INCORPORATED IN MALAYSIA) REGISTRATION NO: 199901022732 (497632-P)**

**Responsibilities of the directors for the financial statements**

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

**INDEPENDENT AUDITORS' REPORT (CONT'D)  
TO THE MEMBERS OF KOTRA INDUSTRIES BERHAD  
(INCORPORATED IN MALAYSIA) REGISTRATION NO: 199901022732 (497632-P)**

**Auditors' responsibilities for the audit of the financial statements (continued)**

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**OTHER MATTERS**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**Crowe Malaysia PLT**  
201906000005 (LLP0018817-LCA) & AF 1018  
Chartered Accountants

**Wong Tak Mun**  
01793/09/2024 J  
Chartered Accountant

Melaka  
6 October 2022

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	4	207,917	159,622	25,253	8,403
Other operating income	5	5,115	2,194	8	19
Raw materials and consumables used		(54,967)	(34,961)	-	-
Changes in inventories of finished goods and work in progress		3,887	(5,556)	-	-
Employee benefits expenses	6	(47,405)	(41,821)	(411)	(384)
Selling and distribution expenses		(25,610)	(22,676)	-	-
Depreciation and amortisation		(14,727)	(15,908)	-	-
Other operating expenses		(16,826)	(13,497)	(257)	(248)
Finance costs	7	(462)	(877)	-	-
Net reversal of impairment losses/ (Net impairment losses) on financial assets	8	1,357	(247)	-	-
Profit before taxation	9	58,279	26,273	24,593	7,790
Tax income/(expense)	10	3,816	(1,883)	(78)	(21)
Profit after taxation		62,095	24,390	24,515	7,769
Other comprehensive income		-	-	-	-
Total comprehensive income for the financial year		62,095	24,390	24,515	7,769
<b>Earnings per share attributable to equity holders of the Company (sen):</b>					
- Basic	11	41.96	16.53		
- Diluted	11	41.95	16.52		

The accompanying notes form an integral part of the financial statements.

## STATEMENTS OF FINANCIAL POSITION

### AS AT 30 JUNE 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	99,154	108,919	-	-
Investment properties	13	1,338	1,364	-	-
Investment in subsidiaries	14	-	-	121,276	121,276
Right-of-use assets	15	11,054	11,248	-	-
Deferred tax assets	16	6,970	2,955	-	-
		118,516	124,486	121,276	121,276
<b>Current assets</b>					
Inventories	17	45,699	34,304	-	-
Trade receivables	18	35,124	22,622	-	-
Other receivables	19	9,852	2,347	2	2
Amounts owing by subsidiaries	20	-	-	140	129
Current tax assets		246	82	199	26
Short-term investments	21	945	52,800	-	-
Fixed deposits with licensed banks	22	65,500	8,350	400	500
Cash and bank balances		23,271	7,552	169	109
		180,637	128,057	910	766
<b>Total assets</b>		<b>299,153</b>	<b>252,543</b>	<b>122,186</b>	<b>122,042</b>
<b>Equity and liabilities</b>					
<b>Equity attributable to equity holder of the Company</b>					
Share capital	23	84,766	84,715	84,766	84,715
Retained earnings	24	159,275	121,596	37,266	37,167
Other reserves	25	99	108	99	108
<b>Total equity</b>		<b>244,140</b>	<b>206,419</b>	<b>122,131</b>	<b>121,990</b>
<b>Non-current liabilities</b>					
Term loans	26	-	6,672	-	-
Deferred income	27	1,118	1,413	-	-
Lease liabilities	28	82	82	-	-
		1,200	8,167	-	-
<b>Current liabilities</b>					
Term loans	26	6,671	11,228	-	-
Trade payables	29	18,553	14,705	-	-
Other payables	30	27,609	11,048	55	52
Derivative liabilities	31	15	3	-	-
Lease liabilities	28	965	973	-	-
		53,813	37,957	55	52
<b>Total liabilities</b>		<b>55,013</b>	<b>46,124</b>	<b>55</b>	<b>52</b>
<b>Total equity and liabilities</b>		<b>299,153</b>	<b>252,543</b>	<b>122,186</b>	<b>122,042</b>

The accompanying notes form an integral part of the financial statements.

## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Group	Note	Non-distributable		Distributable	
		Share capital RM'000	Share option reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 July 2020		81,823	1,201	106,822	189,846
Profit after taxation, representing total comprehensive income for the financial year		-	-	24,390	24,390
Contributions by and distributions to owners of the Company					
- Dividends	32	-	-	(9,616)	(9,616)
- Employees' share options exercised		2,892	(1,093)	-	1,799
Total transactions with owners		2,892	(1,093)	(9,616)	(7,817)
At 30 June 2021 / 1 July 2021		84,715	108	121,596	206,419
Profit after taxation, representing total comprehensive income for the financial year		-	-	62,095	62,095
Contributions by and distributions to owners of the Company					
- Dividends	32	-	-	(24,416)	(24,416)
- Employees' share options exercised		51	(9)	-	42
Total transactions with owners		51	(9)	(24,416)	(24,374)
At 30 June 2022		84,766	99	159,275	244,140
<b>Company</b>					
At 1 July 2020		81,823	1,201	39,014	122,038
Profit after taxation, representing total comprehensive income for the financial year		-	-	7,769	7,769
Contributions by and distributions to owners of the Company					
- Dividends	32	-	-	(9,616)	(9,616)
- Employees' share options exercised		2,892	(1,093)	-	1,799
Total transactions with owners		2,892	(1,093)	(9,616)	(7,817)
At 30 June 2021 / 1 July 2021		84,715	108	37,167	121,990
Profit after taxation, representing total comprehensive income for the financial year		-	-	24,515	24,515
Contributions by and distributions to owners of the Company					
- Dividends	32	-	-	(24,416)	(24,416)
- Employees' share options exercised		51	(9)	-	42
Total transactions with owners		51	(9)	(24,416)	(24,374)
At 30 June 2022		84,766	99	37,266	122,131

The accompanying notes form an integral part of the financial statements.

## STATEMENTS OF CASH FLOWS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Cash flows from operating activities</b>					
Profit before taxation		58,279	26,273	24,593	7,790
Adjustments for:					
Amortisation of deferred income	27	(295)	(295)	-	-
Depreciation:					
- investment properties	13	26	25	-	-
- property, plant and equipment	12	13,549	14,733	-	-
- right-of-use assets	15	1,152	1,150	-	-
Fair value loss on derivative financial instrument		12	12	-	-
Loss/(Gain) on disposal of property, plant and equipment		3	(37)	-	-
Impairment losses on trade receivables	18	-	247	-	-
Interest expense on lease liabilities		19	28	-	-
Interest income		(533)	(119)	(8)	(19)
Interest income from short-term investments		(598)	(729)	-	-
Inventories written down	17	2,750	1,229	-	-
Other interest expense		443	849	-	-
Property, plant and equipment written off	12	1	1	-	-
Reversal of impairment losses on trade receivables	18	(1,357)	-	-	-
Unrealised (gain)/loss on foreign exchange		(436)	31	-	-
Operating profit before working capital changes		73,015	43,398	24,585	7,771
(Increase)/Decrease in inventories		(14,145)	3,510	-	-
(Increase)/Decrease in receivables		(11,978)	2,380	(11)	(11)
Increase/(Decrease) in payables		20,884	(3,664)	3	(21)
Cash from operations		67,776	45,624	24,577	7,739
Income tax paid		(363)	(129)	(251)	(31)
Income tax refunded		-	5	-	5
Net cash from operating activities		67,413	45,500	24,326	7,713



## STATEMENTS OF CASH FLOWS (CONT'D) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Cash flows (for)/from investing activities</b>					
Interest received		1,131	848	8	19
Proceeds from disposal of property, plant and equipment		4	37	-	-
Purchase of property, plant and equipment	33(a)	(11,180)	(4,003)	-	-
Placement of fixed deposits with tenure more than 3 months		(28,000)	-	-	-
<b>Net cash (for)/from investing activities</b>		<b>(38,045)</b>	<b>(3,118)</b>	<b>8</b>	<b>19</b>
<b>Cash flows for financing activities</b>					
Dividend paid		(24,416)	(9,616)	(24,416)	(9,616)
Interest paid	33(b)	(462)	(877)	-	-
Proceeds from issuance of shares		42	1,799	42	1,799
Repayment of term loans	33(b)	(11,229)	(13,309)	-	-
Repayment on lease liabilities	33(b)	(966)	(1,000)	-	-
<b>Net cash for financing activities</b>		<b>(37,031)</b>	<b>(23,003)</b>	<b>(24,374)</b>	<b>(7,817)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(7,663)</b>	<b>19,379</b>	<b>(40)</b>	<b>(85)</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>		<b>677</b>	<b>(3)</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at beginning of the financial year</b>		<b>68,702</b>	<b>49,326</b>	<b>609</b>	<b>694</b>
<b>Cash and cash equivalents at end of the financial year</b>	33(c)	<b>61,716</b>	<b>68,702</b>	<b>569</b>	<b>609</b>

The accompanying notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2022

### 1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The Company is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office is located at No. 60-1, Jalan Lagenda 5, Taman 1 Lagenda, 75400 Melaka. The principal place of business is located at No. 1, 2 & 3, Jalan TTC 12, Cheng Industrial Estate, 75250 Melaka.

The Company is principally involved in investment holding and the provision of management services. The principal activities of its subsidiaries are set out in Note 14 to the financial statements.

The holding company is Piong Nam Kim Holdings Sdn. Bhd., a company incorporated in Malaysia, which the directors also regard as the ultimate holding company.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 6 October 2022.

### 2. Basis of preparation

The financial statements of the Group and of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

- (a) During the current financial year, the Group and the Company have adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

#### MFRSs and IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 all of which relate to Interest Rate Benchmark Reform - Phase 2

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) did not have any material impact on the Group's and the Company's financial statements.

- (b) The Group and the Company have not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

#### MFRSs and IC Interpretations (Including The Consequential Amendments)

#### Effective Date

• Amendments to MFRS 3: References to the Conceptual Framework	1 January 2022
• Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
• Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
• Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
• Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
• Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
• Amendments to MFRS 137: Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
• Annual Improvements to MFRS Standard 2018 - 2020	1 January 2022

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) is not expected to have any material impact on the Group's and the Company's financial statements upon their initial application.

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

### 30 JUNE 2022

### 3. Significant accounting policies

#### (a) Critical accounting estimates and judgements

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

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

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations, and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 12 to the financial statements.

#### (ii) Income taxes

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

#### (iii) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be recognised. Management's judgement is required to determine the amount of deferred tax assets that can be recognised, based on an assessment of the availability of the future taxable profits. The carrying amount of deferred tax assets as at the reporting date is disclosed in Note 16 to the financial statements.

#### (iv) Write-down of inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 17 to the financial statements.

#### (v) Impairment of trade and other receivables

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade and other receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjust for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade and other receivables. The carrying amounts of trade and other receivables as at the reporting date are disclosed in Note 18 and Note 19 to the financial statements respectively.

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

### 30 JUNE 2022

#### 3. Significant accounting policies (Cont'd)

##### (b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

##### (i) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

##### (ii) Changes in ownership interests in subsidiaries without change of control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity of the Group.

##### (iii) Loss of control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

### 30 JUNE 2022

### 3. Significant accounting policies (Cont'd)

#### (c) Functional and foreign currencies

##### (i) Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional and presentation currency. All values are rounded to the nearest thousand (RM'000) except where otherwise indicated.

##### (ii) Foreign currency transactions and balances

Transactions in foreign currencies are converted into RM on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

#### (d) Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132 (Financial Instruments: Presentation). Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 - Revenue from Contracts with Customer at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to or deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

##### (i) Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets as disclosed in Note 37(c) to the financial statements.

##### *Debt instruments*

- Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

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

### 30 JUNE 2022

#### 3. Significant accounting policies (Cont'd)

##### (d) Financial instruments (Cont'd)

###### (i) Financial assets (Cont'd)

###### *Debt instruments (Cont'd)*

- Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

- Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The fair value changes do not include interest or dividend income.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

###### *Equity Instruments*

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established. However, if the dividends clearly represent a recovery of part of the cost of the equity investments, the dividends received/receivable shall be treated as a reduction in the cost of investments.

###### (ii) Financial liabilities

The classification of financial liabilities are disclosed in Note 37(c) to the financial statements.

- Financial liabilities at fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

- Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

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

### 30 JUNE 2022

### 3. Significant accounting policies (Cont'd)

#### (d) Financial instruments (Cont'd)

##### (iii) Equity instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

##### Ordinary Shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

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

##### (iv) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the reporting period, other than those accounted for under hedge accounting, are recognised directly in profit or loss.

Any derivative embedded in a financial asset is not accounted for separately. Instead, the entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

An embedded derivative is recognised separately from the host contract which is a financial liability as a derivative if, and only if, its risks and characteristics are not closely related to those of the host contract and the host contract is not measured at fair value through profit or loss. The classification of derivative financial instruments are disclosed in Note 37(c) to the financial statements.

##### (v) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit and loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

##### (vi) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

The financial guarantees have not been recognised in the financial statements of the Company as their fair value on initial recognition is not material.

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

### 30 JUNE 2022

#### 3. Significant accounting policies (Cont'd)

##### (e) Investments in subsidiaries

Investments in subsidiaries including the share options granted to employees of the subsidiary are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

##### (f) Property, plant and equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the assets and other costs directly attributable to bringing the assets to working condition for their intended use.

Subsequent to initial recognition, all property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation on property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Industrial buildings and installations	2% -10%
Machinery and equipment	5% -20%
Motor vehicles	10%
Office equipment	10%
Computer equipment	20%
Furniture and fittings	10%
Renovation	10%

Capital expenditure in progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amount, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.



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

### 30 JUNE 2022

### 3. Significant accounting policies (Cont'd)

#### (g) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of financing a specific project-in-progress, in which case the actual borrowing costs incurred on that borrowings less any investment income on temporary investment of that borrowings will be capitalised.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

#### (h) Investment properties

Investment properties are properties which are owned or right-of-use asset held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes.

Investment properties which are owned are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Freehold land is not depreciated. Depreciation on other investment properties is charged to profit or loss on a straight-line method over the estimated useful lives of the investment properties. The estimated useful lives of the investment properties are 50 years.

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

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

#### (i) Impairment

##### (i) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debts instrument that are measured at amortised cost as well as trade receivables.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

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

### 30 JUNE 2022

#### 3. Significant accounting policies (Cont'd)

##### (i) Impairment (Cont'd)

##### (ii) Impairment of non-financial assets

The carrying values of assets, other than inventories and deferred tax assets which are governed by MFRS 102 and MFRS 112 respectively, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

##### (j) Leases

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases with 12 months or less and low-value assets which are less than RM50,000. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets that do not meet the definition of investment property and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and the estimated costs of dismantling and restoration costs, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined as follows:

Leasehold land	Over the lease period of 76 to 77 years
Motor vehicle	20%
Office premise	Over the lease period of 2 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

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

### 30 JUNE 2022

### 3. Significant accounting policies (Cont'd)

#### (k) Inventories

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

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. Where necessary, write-down is made for all damaged, obsolete and slow-moving items.

#### (l) Income taxes

##### (i) Current tax

Current tax assets and liabilities are expected amount of income tax recoverable from, or payable to the taxation authorities respectively.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit and loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

##### (ii) Deferred tax

Deferred tax is recognised using the liability method for temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period to determine whether:

- previously unrecognised deferred tax asset be taken up to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered; or
- the existing deferred tax asset be reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or in different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

#### (m) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short-term, highly liquid investment that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

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

### 30 JUNE 2022

#### 3. Significant accounting policies (Cont'd)

##### (n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liabilities. The unwinding of the discount is recognised as interest expense in profit or loss.

##### (o) Employee benefits

###### (i) Short-term benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

###### (ii) Defined contribution plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

###### (iii) Share-based payment transactions

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company (known as "share options").

At grant date, the fair value of the share options is recognised as an expense on a straight-line method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to employee share option reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

In the Company's separate financial statements, the grant of the share options to the subsidiary's employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the investment in subsidiary undertaking with a corresponding credit to the employee share option reserve.

Upon expiry of the share option, the employee share option reserve is transferred to retained profits.

When the share options are exercised, the employee share option reserve is transferred to share capital if new ordinary shares are issued.

##### (p) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

### 30 JUNE 2022

### 3. Significant accounting policies (Cont'd)

#### (q) Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

#### (r) Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. However, this basis does not apply to share-based payment transactions.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

#### (s) Revenue from contracts with customers

Revenue is recognised by reference to each distinct performance obligation in the contract with customer, and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when it transfers control over a product or service to customer. An asset is transferred when the customer obtains control of that asset.

The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

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

### 30 JUNE 2022

#### 3. Significant accounting policies (Cont'd)

##### (s) Revenue from contracts with customers (Cont'd)

###### Sale of goods

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

##### (t) Revenue from other sources and other operating income

###### (i) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

Interest income from financial assets at fair value through profit and loss is included in the net fair value gains/losses.

###### (ii) Management fee

Management fee is recognised on an accrual basis.

###### (iii) Dividend income

Dividend income from investment is recognised when the right to receive dividend payment is established.

###### (iv) Government grants

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis over the period necessary to match them with the related expenses which they are intended to compensate for. These grants are presented as other income in profit or loss.

Grants that compensate the Group for the cost of an asset are recognised as deferred grant income in the consolidated statement of financial position and are amortised to profit or loss on a systematic basis over the expected useful life of the relevant asset.

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

### 30 JUNE 2022

#### 4. Revenue

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Revenue from contract with customers</b>				
<u>Recognised at a point in time</u>				
Sale of goods	207,917	159,622	-	-
<b>Revenue from other sources</b>				
Dividend income	-	-	24,713	7,863
Management fees	-	-	540	540
	207,917	159,622	25,253	8,403

The information on the disaggregation of revenue by geographical market is disclosed in Note 36 to the financial statements.

#### 5. Other operating income

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Amortisation of deferred income	295	295	-	-
Gain on disposal of property, plant and equipment	-	37	-	-
Gain on foreign currency exchange - realised	1,610	614	-	-
Gain on foreign currency exchange - unrealised	436	-	-	-
Interest income from short-term investments	598	729	-	-
Interest income on financial assets measured at amortised cost	533	119	8	19
Miscellaneous	1,643	400	-	-
	5,115	2,194	8	19

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

### 30 JUNE 2022

#### 6. Employee benefits expenses

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Directors' remuneration (Note 34(d))</b>				
Directors of the company	3,200	3,110	325	301
Directors of the subsidiaries	423	367	-	-
	<hr/>			
	3,623	3,477	325	301
<b>Non-directors' remuneration</b>				
Short-term employee benefits	38,832	33,903	77	74
Contributions to defined contribution plan	3,818	3,556	9	9
Other personnel expenses	1,132	885	-	-
	<hr/>			
	47,405	41,821	411	384
	<hr/>			

Included in employee benefits expenses are key management personnel compensation as disclosed in Note 34(d) to the financial statements.

#### 7. Finance costs

	Group	
	2022 RM'000	2021 RM'000
Interest expense on financial liabilities that are not at fair value through profit or loss:-		
- Bank overdrafts	49	53
- Term loans	394	796
Interest expense on lease liabilities (Note 28)	19	28
	<hr/>	
	462	877
	<hr/>	

#### 8. (Net reversal of impairment losses)/Net impairment losses on financial assets

	Group	
	2022 RM'000	2021 RM'000
Impairment losses on trade receivables (Note 18)	-	247
Reversal of impairment losses on trade receivables (Note 18)	(1,357)	-
	<hr/>	
	(1,357)	247
	<hr/>	



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

### 30 JUNE 2022

#### 9. Profit before taxation

Profit before taxation is arrived at after charging:-

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Auditors' remuneration:				
- audit fees	100	82	28	25
- non-audit fees	3	3	3	3
Depreciation:				
- investment properties (Note 13)	26	25	-	-
- property, plant and equipment (Note 12)	13,549	14,733	-	-
- right-of-use assets (Note 15)	1,152	1,150	-	-
Direct operating expenses arising from investment properties	16	19	-	-
Fair value loss on derivative financial instrument	12	12	-	-
Inventories written down (Note 17)	2,750	1,229	-	-
Loss on disposal of property, plant and equipment	3	-	-	-
Loss on foreign exchange - unrealised	-	31	-	-
Property, plant and equipment written off (Note 12)	1	1	-	-
Lease expense on:				
- short-term leases	127	172	-	-
- low-value assets	4	155	-	-
Research and development expenses	10	224	-	-

#### 10. Tax (income)/expense

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Income tax:-				
- Current year	143	46	20	22
- Under/(Over) provision in the previous financial years	56	(5)	58	(1)
	199	41	78	21
Deferred tax (Note 16):-				
- Recognition of previously unrecognised deferred tax assets	(4,735)	-	-	-
- Origination and reversal of temporary differences	720	809	-	-
- Write-down of deferred tax assets	-	1,033	-	-
	(4,015)	1,842	-	-
Tax (income)/expense	(3,816)	1,883	78	21

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

### 30 JUNE 2022

#### 10. Tax (income)/expense (Cont'd)

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	2022 RM'000	2021 RM'000
<b>Group</b>		
Profit before taxation	58,279	26,273
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	13,987	6,306
Effect of non-taxable income	(214)	(246)
Effect of expenses not deductible for tax purposes	504	352
Effect of income tax incentives	(2,457)	(2,427)
Utilisation of unrecognised deferred tax assets	(10,957)	(3,130)
Recognition of previously unrecognised deferred tax assets	(4,735)	-
Write-down of deferred tax assets	-	1,033
Under/(Over) provision of income tax expense in the previous financial year	56	(5)
<b>Tax (income)/expense</b>	<b>(3,816)</b>	<b>1,883</b>
<b>Company</b>		
Profit before taxation	24,593	7,790
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	5,902	1,870
Effect of non-taxable income	(5,931)	(1,887)
Effect of expenses not deductible for tax purposes	49	39
Under/(Over) provision of income tax expense in the previous financial year	58	(1)
<b>Tax expense</b>	<b>78</b>	<b>21</b>

Deferred tax assets have not been recognised in respect of the following items due to uncertainty of their recoverability in view of the expected availability of additional tax incentives:

	Group	
	2022 RM'000	2021 RM'000
Unabsorbed business losses		
- expires by 30 June 2028	16,315	22,850
Unutilised reinvestment allowances		
- expires by 30 June 2028	62,873	82,568
	79,188	105,418

The unabsorbed business losses and unutilised reinvestment allowances are allowed to be utilised for 10 (2021: 7) consecutive years of assessment.

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

### 30 JUNE 2022

#### 11. Earnings per share

##### (i) Basic

The basic earnings per share of the Group is calculated by dividing the profit after taxation for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
Profit after taxation (RM'000)	62,095	24,390
Weighted average number of ordinary shares in issue ('000)	147,972	147,549
Basic earnings per ordinary share (sen)	41.96	16.53

##### (ii) Diluted

The diluted earnings per share of the Group is calculated by dividing the profit after taxation for the financial year by the weighted average number of ordinary shares in issue during the financial year after adjusted for the dilutive effects of share options granted to employees.

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
Profit after taxation (RM'000)	62,095	24,390
Weighted average number of ordinary shares in issue ('000)	147,972	147,549
Shares deemed to be issued for no consideration - ESOS ('000)	63	76
Weighted average number of ordinary shares for diluted earnings per share computation	148,035	147,625
Diluted earnings per ordinary share (sen)	41.95	16.52

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

### 30 JUNE 2022

#### 12. Property, plant and equipment

Group	As at 1.7.2021 RM'000	Additions RM'000	Disposal RM'000	Written Off (Note 9) RM'000	Depreciation Charges (Note 9) RM'000	As at 30.6.2022 RM'000
<b>Net carrying amount</b>						
Industrial buildings and installations	42,250	57	-	-	(1,240)	41,067
Machinery and equipment	60,703	940	(7)	-	(10,752)	50,884
Motor vehicles	775	-	-	-	(125)	650
Office equipment	83	1	-	(1)	(20)	63
Computer equipment	2,382	1,459	-	-	(897)	2,944
Furniture and fittings	1,067	87	-	-	(252)	902
Renovation	1,243	17	-	-	(263)	997
Capital expenditure-in-progress	416	1,231	-	-	-	1,647
<b>Total</b>	<b>108,919</b>	<b>3,792</b>	<b>(7)</b>	<b>(1)</b>	<b>(13,549)</b>	<b>99,154</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**30 JUNE 2022**

**12. Property, plant and equipment (Cont'd)**

Group	As at 1.7.2020 RM'000	Additions RM'000	Reclassification RM'000	Written Off (Note 9) RM'000	Depreciation Charges (Note 9) RM'000	As at 30.6.2021 RM'000
<b>Net carrying amount</b>						
Industrial buildings and installations	43,493	-	-	-	(1,243)	42,250
Machinery and equipment	71,126	1,560	60	-	(12,043)	60,703
Motor vehicles	807	90	-	-	(122)	775
Office equipment	109	3	-	-	(29)	83
Computer equipment	1,324	1,518	196	(1)	(655)	2,382
Furniture and fittings	1,383	61	-	-	(377)	1,067
Renovation	1,507	-	-	-	(264)	1,243
Capital expenditure-in-progress	371	301	(256)	-	-	416
<b>Total</b>	<b>120,120</b>	<b>3,533</b>	<b>-</b>	<b>(1)</b>	<b>(14,733)</b>	<b>108,919</b>

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

### 30 JUNE 2022

#### 12. Property, plant and equipment (Cont'd)

Group	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
<b>At 30 June 2022</b>			
Industrial buildings and installations	58,783	(17,716)	41,067
Machinery and equipment	180,112	(129,228)	50,884
Motor vehicles	1,678	(1,028)	650
Office equipment	566	(503)	63
Computer equipment	8,835	(5,891)	2,944
Furniture and fittings	4,942	(4,040)	902
Renovation	2,672	(1,675)	997
Capital expenditure-in-progress	1,647	-	1,647
Balance at 30 June 2022	259,235	(160,081)	99,154
<b>At 30 June 2021</b>			
Industrial buildings and installations	58,726	(16,476)	42,250
Machinery and equipment	179,195	(118,492)	60,703
Motor vehicles	1,678	(903)	775
Office equipment	568	(485)	83
Computer equipment	7,441	(5,059)	2,382
Furniture and fittings	4,855	(3,788)	1,067
Renovation	2,655	(1,412)	1,243
Capital expenditure-in-progress	416	-	416
Balance at 30 June 2021	255,534	(146,615)	108,919

The carrying amount of property, plant and equipment pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 26(i) are as follows:-

	Group	
	2022 RM'000	2021 RM'000
Industrial buildings and installations	41,067	42,250
Machinery and equipment	28,765	34,175
	69,832	76,425

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

### 30 JUNE 2022

#### 13. Investment properties

	Group	
	2022 RM'000	2021 RM'000
<b>Cost</b>		
At 1 July/30 June	2,105	2,105
<b>Accumulated depreciation</b>		
At 1 July	741	716
Depreciation during the financial year (Note 9)	26	25
At 30 June	767	741
<b>Net carrying amount</b>	1,338	1,364

The investment properties comprise freehold land and building.

The fair values of the investment properties are within level 3 of the fair value hierarchy and are arrived at by reference to the market evidence of transaction prices for similar properties and are performed by registered valuers having appropriate recognised professional qualification and recent experience in the locations and category of properties being valued. The most significant input into this valuation approach is the price per square foot of comparable properties. Adjustments are then made for differences in location, size, facilities available, market conditions and other factors in order to arrive at a common basis. The fair value of the investment properties as at the end of reporting period is estimated at RM2,807,000 (2021: RM2,807,000).

#### 14. Investment in subsidiaries

	Company	
	2022 RM'000	2021 RM'000
Unquoted shares, at deemed cost	114,756	114,756
Share options granted to employees of subsidiary	6,520	6,520
	121,276	121,276

The details of the subsidiaries are as follows:-

Name of subsidiary	Principal place of business /Country of incorporation	Percentage of issued share capital held by parent		Principal activities
		2022	2021	
		%	%	
Kotra Pharma (M) Sdn. Bhd.	Malaysia	100	100	Developing, manufacturing and trading of pharmaceutical and healthcare products
Appeton Healthcare Sdn. Bhd.	Malaysia	100	100	Dormant
Biglink Rewards Sdn. Bhd.	Malaysia	100	100	Dormant

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

### 30 JUNE 2022

#### 15. Right-of-use assets

Group	As at 1.7.2021 RM'000	Modification of lease liabilities RM'000	Depreciation Charges (Note 9) RM'000	As at 30.6.2022 RM'000
<b>Net carrying amount</b>				
Leasehold land	9,853	-	(132)	9,721
Motor vehicle	349	-	(55)	294
Office premise	1,046	958	(965)	1,039
<b>Total</b>	<b>11,248</b>	<b>958</b>	<b>(1,152)</b>	<b>11,054</b>

Group	As at 1.7.2020 RM'000	Modification of lease liabilities RM'000	Depreciation Charges (Note 9) RM'000	As at 30.6.2021 RM'000
<b>Net carrying amount</b>				
Leasehold land	9,985	-	(132)	9,853
Motor vehicle	404	-	(55)	349
Office premise	1,044	965	(963)	1,046
<b>Total</b>	<b>11,433</b>	<b>965</b>	<b>(1,150)</b>	<b>11,248</b>

- (a) The Group has lease contracts for leasehold land, office premise and motor vehicle used in its operations. Their lease terms are as below:-

	2022	2021
Leasehold land	76 to 77 years	76 to 77 years
Office premise	2 years	2 years
Motor vehicle	5 years	5 years

- (b) The Group has applied recognition exemptions for short-term lease and leases of low-value assets which do not exceed RM50,000.
- (c) The Group has lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the portfolio of leased asset and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.
- (d) The leasehold land of the Group with carrying amount of RM3,774,397 (2021: RM3,826,345) has been pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 26(i) to the financial statements.



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

### 30 JUNE 2022

#### 16. Deferred tax assets

Group 2022	As at 1.7.2021 RM'000	Recognised in Profit or Loss (Note 10) RM'000	As at 30.6.2022 RM'000
<i>Deferred tax liabilities</i>			
Property, plant and equipment	(15,360)	1,193	(14,167)
Right-of-use assets	(258)	3	(255)
	(15,618)	1,196	(14,422)
<i>Deferred tax assets</i>			
Other temporary differences	3,360	510	3,870
Lease liabilities	253	(2)	251
Unutilised capital allowances	3,674	(3,674)	-
Unutilised industrial building allowances	5,345	(4,358)	987
Unabsorbed business losses	5,941	-	5,941
Unutilised reinvestment allowance	-	10,343	10,343
	18,573	2,819	21,392
	2,955	4,015	6,970
<b>2021</b>			
<i>Deferred tax liabilities</i>			
Property, plant and equipment	(17,058)	1,698	(15,360)
Right-of-use assets	(257)	(1)	(258)
	(17,315)	1,697	(15,618)
<i>Deferred tax assets</i>			
Other temporary differences	3,605	(245)	3,360
Lease liabilities	251	2	253
Unutilised capital allowances	14,025	(10,351)	3,674
Unutilised industrial building allowances	4,231	1,114	5,345
Unabsorbed business losses	-	5,941	5,941
	22,112	(3,539)	18,573
	4,797	(1,842)	2,955

The recognition of deferred tax assets is dependant on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences based on financial projections prepared by the Group's management.

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

### 30 JUNE 2022

#### 17. Inventories

	Group	
	2022 RM'000	2021 RM'000
Raw materials	22,484	15,290
Work-in-progress	1,843	1,799
Finished goods	20,083	16,239
Goods in transit	1,289	976
	45,699	34,304
Recognised in profit or loss:-		
Inventories recognised as cost of sales	48,330	39,288
Amount written down (Note 9)	2,750	1,229

#### 18. Trade receivables

	Group	
	2022 RM'000	2021 RM'000
Trade receivables	36,727	25,621
Less: Allowance for impairment losses	(1,603)	(2,999)
	35,124	22,622
Allowance for impairment losses:-		
At 1 July	2,999	2,774
Addition during the financial year (Note 8)	-	247
Reversal during the financial year (Note 8)	(1,357)	-
Written off during the financial year	(39)	(22)
At 30 June	1,603	2,999

The Group's normal trade credit terms range from 60 to 120 (2021: 60 to 120) days.

Included in trade receivables are amounts due from related parties as disclosed in Note 34(c) to the financial statements.

#### 19. Other receivables

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other receivables:-				
Third parties	26	62	-	-
Interest receivables	344	82	-	-
Advanced payment to suppliers	8,064	1,672	-	-
	8,434	1,816	-	-
Deposits	302	347	2	2
Prepayments	1,116	184	-	-
	9,852	2,347	2	2

The advanced payments to suppliers are unsecured and interest-free. The amount owing will be offset mainly against future procurement of property, plant and equipment from suppliers.

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

### 30 JUNE 2022

#### 20. Amounts owing by subsidiaries

The amounts owing by subsidiaries are non-trade balances which represent unsecured payment made on their behalf. The amounts owing are repayable on demand and are to be settled in cash.

#### 21. Short-term investments

	Group	
	2022 RM'000	2021 RM'000
Money market funds, at fair value (Note 33(c))	945	52,800

The money market funds represent investments in highly liquid money market instruments and deposits with financial institutions in Malaysia which are redeemable with one (1) day notice at known amounts of cash, and are subject to an insignificant risk of changes in value.

#### 22. Fixed deposits with licensed banks

The fixed deposits with licensed banks of the Group and of the Company at the end of the reporting period bore effective interest rates ranging from 1.25% to 2.35% and 1.55% (2021: 1.03% to 1.94% and 1.55%) per annum respectively. The fixed deposits have maturity periods ranging from 4 to 181 (2021: 6 to 92) days for the Group and 92 (2021: 92) days for the Company.

#### 23. Share capital

	Group/Company			
	Number of shares		Amount	
	2022 '000	2021 '000	2022 RM'000	2021 RM'000
<b>Issued and fully paid-up:</b>				
Ordinary shares				
At 1 July	147,944	145,470	84,715	81,823
New shares issued under the employees' share option scheme for cash	30	2,474	51	2,892
At 30 June	147,974	147,944	84,766	84,715

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

Further information relating to the exercise of employees' share option scheme is set at in page 99.

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

### 30 JUNE 2022

#### 23. Share capital (Cont'd)

At an extraordinary general meeting held on 29 July 2013, the Company's shareholders approved the establishment of an Employees' Share Option Scheme ("ESOS") of not more than 15% of the total issued and paid-up ordinary shares of the Company to eligible directors and employees of the Group (herein referred to as "new ESOS"). The new ESOS is governed by the ESOS By-Laws.

The main features of the new ESOS are as follows:-

- (a) The maximum number of new shares of the Company, which may be available under the scheme, shall not exceed in aggregate 15%, or any such amount or percentage as may be permitted by the relevant authorities of the issued and paid-up share capital of the Company at any one time during the existence of the ESOS.
- (b) Eligible directors or employees of the Group are directors or employees of the Group who have been confirmed in the service of the Group prior to the offer or, if the employee is serving under an employment contract, the contract should be for a duration of at least two (2) years. The maximum allowable allotments for the directors have been approved by the shareholders of the Company in a general meeting.
- (c) The Scheme shall be in force for a period of five (5) years from 30 July 2013 and has been extended for a further period of up to five (5) years, at the sole and absolute discretion of the Board upon the recommendation by the ESOS committee and shall not in aggregate exceed a duration of ten (10) years from the effective date.
- (d) The option price may be subjected to a discount of not more than 10% of the average of the market quotation of the shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the five trading days immediately preceding the offer date.
- (e) The option may be exercised by the grantee by notice in writing to the Company in the prescribed form during the option period in respect of all or any part of the new shares of the Company comprised in the ESOS.
- (f) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company, provided always that new ordinary shares so allotted and issued, will not be entitled to any dividends, rights, allotments and/or other distributions declared, where the entitlement date of which is prior to date of allotment and issuance of the new shares.
- (g) An option holder may, in a particular year, exercise up to such maximum number of shares in the option certificate or as determined by the ESOS Committee.
- (h) The option granted to eligible employees will lapse when they are no longer in employment with the Group.

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

### 30 JUNE 2022

#### 23. Share capital (Cont'd)

The option prices and the details in the movement of the options granted are as follows:-

Date of offer	Exercise period	Exercise price per ordinary share RM	Number of Options over Ordinary Shares	
			Balance at 1.7.2021	Exercised Balance at 30.6.2022
31.7.2013	31.7.2014	0.65	4,400	-
31.7.2013	31.7.2016	0.65	8,800	-
31.7.2013	31.7.2018	0.65	26,400	-
22.5.2017	31.7.2018	1.40	10,000	-
22.5.2017	31.7.2019	1.40	20,000	-
22.5.2017	31.7.2020	1.40	50,000	(30,000)
			119,600	(30,000)
				89,600

Date of offer	Exercise period	Exercise price per ordinary share RM	Number of Options over Ordinary Shares	
			Balance at 1.7.2020	Exercised Balance at 30.6.2021
31.7.2013	31.7.2014	0.65	534,648	(530,248)
31.7.2013	31.7.2016	0.65	907,176	(898,376)
31.7.2013	31.7.2018	0.65	816,976	(790,576)
22.5.2017	31.7.2018	1.40	40,000	(30,000)
22.5.2017	31.7.2019	1.40	135,000	(115,000)
22.5.2017	31.7.2020	1.40	160,000	(110,000)
			2,593,800	(2,474,200)
				119,600

No person to whom the share option has been granted above has any right to participate by virtue of the option in any share issue of any other company.

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

### 30 JUNE 2022

#### 24. Retained earnings

Under the single tier tax system, tax on the Company's profits is the final tax and accordingly, any dividends declared to the shareholders are not subject to tax.

#### 25. Other reserves

	Group and Company	
	2022 RM'000	2021 RM'000
Share options under ESOS:		
At 1 July	108	1,201
Movement during the year	(9)	(1,093)
At 30 June	99	108

The share option reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the exercise of the share options.

#### 26. Term Loans (Secured)

	Group	
	2022 RM'000	2021 RM'000
Current liabilities	6,671	11,228
Non-current liabilities	-	6,672
	6,671	17,900

The term loans are secured by:-

- (i) fixed charges over certain assets of the Group as disclosed in Note 12 and Note 15 to the financial statements;
- (ii) specific debenture for RM25,000,000 over a subsidiary's machineries;
- (iii) debentures over a subsidiary's fixed and floating assets both present and future; and
- (iv) corporate guarantee from the Company.

The interest rate profile of the term loans is summarised below:

	Effective Interest Rate		Group	
	2022 %	2021 %	2022 RM'000	2021 RM'000
Floating rate term loans	3.21 to 3.41	3.22 to 4.78	6,671	17,900

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

### 30 JUNE 2022

#### 27. Deferred income

	Group	
	2022 RM'000	2021 RM'000
<b>Non-current</b>		
Government grant	1,118	1,413

During the financial year, RM294,796 has been amortised and recognised as other income in the statement of profit or loss.

#### 28. Lease liabilities

	Group	
	2022 RM'000	2021 RM'000
<b>At 1 July</b>	1,055	1,090
Changes due to lease modification (Note 33(b))	958	965
Interest expense recognised in profit or loss (Note 7)	19	28
Repayment of principal	(966)	(1,000)
Repayment of interest expense	(19)	(28)
<b>At 30 June</b>	1,047	1,055

	Group	
	2022 RM'000	2021 RM'000
<b>Analysed by:</b>		
Current liabilities	965	973
Non-current liabilities	82	82
	1,047	1,055

#### 29. Trade payables

The normal trade credit terms granted to the Group range from 60 to 90 (2021: 60 to 90) days.

#### 30. Other payables

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Accruals	1,232	790	55	52
Deposit received from customers	12,717	-	-	-
Payroll liabilities	7,729	6,339	-	-
Due to suppliers of property, plant and equipment	118	1,114	-	-
Other payables	5,813	2,805	-	-
	27,609	11,048	55	52

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

### 30 JUNE 2022

#### 31. Derivative liabilities

	Contract/Notional amount		Group	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<u>Derivative liabilities</u>				
Forward foreign currency contracts	1,042	1,672	15	3

The Group does not apply hedge accounting.

Forward currency contracts are used to hedge the Group's sales denominated in United States Dollar (USD) for which firm commitments existed at the end of the reporting period. The settlement dates on forward currency contracts is 1 month (2021: 1 to 4 months) after the end of the reporting period.

#### 32. Dividends

	Company	
	2022	2021
	RM'000	RM'000
Final single tier dividend of 7 (2021: 4.5) sen per ordinary shares in respect of the previous financial year	10,358	6,657
Interim single tier dividend of 9.5 (2021: 2) sen per ordinary shares in respect of the current financial year	14,058	2,959
	24,416	9,616

At the forthcoming Annual General Meeting, a final single tier dividend of 16 sen per ordinary share in respect of the current financial year amounting to RM23,678,733 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect the proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2023.



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

### 30 JUNE 2022

### 33. Cash flow information

(a) The cash disbursed for the purchase of property, plant and equipment is as follows:-

	Group	
	2022	2021
	RM'000	RM'000
<b>Property, plant and equipment</b>		
Cost of property, plant and equipment purchased (Note 12)	3,792	3,533
Advanced payments for future purchase	6,392	491
Under payable for purchase of property, plant and equipment	996	(21)
	11,180	4,003

(b) The reconciliations of liabilities arising from financing activities are as follows:-

Group	Bank Overdrafts RM'000	Term Loans RM'000	Lease liabilities RM'000	Total RM'000
<b>2022</b>				
At 1 July	-	17,900	1,055	18,955
<u>Changes in financing cash flow</u>				
Repayment of borrowing principal	*	(11,229)	(966)	(12,195)
Repayment of borrowing interests	(49)	(394)	(19)	(462)
<u>Other changes</u>				
Modification of lease (Note 28)	-	-	958	958
Interest expense recognised in profit or loss	49	394	19	462
At 30 June	-	6,671	1,047	7,718
<b>2021</b>				
At 1 July	-	31,209	1,090	32,299
<u>Changes in financing cash flow</u>				
Repayment of borrowing principal	*	(13,309)	(1,000)	(14,309)
Repayment of borrowing interests	(53)	(796)	(28)	(877)
<u>Other changes</u>				
Modification of lease (Note 28)	-	-	965	965
Interest expense recognised in profit or loss	53	796	28	877
At 30 June	-	17,900	1,055	18,955

\* Bank overdrafts form part of the cash and cash equivalents, therefore, no movement is presented.

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

### 30 JUNE 2022

#### 33. Cash flow information (Cont'd)

(c) The cash and cash equivalents comprise the following:-

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Money market funds (Note 21)	945	52,800	-	-
Cash and bank balances	23,271	7,552	169	109
Fixed deposits with licensed banks	65,500	8,350	400	500
	89,716	68,702	569	609
Less: Fixed deposit with tenure more than 3 months	(28,000)	-	-	-
	61,716	68,702	569	609

(d) The total cash outflows for leases as a lessee are as follows:-

	Group	
	2022 RM'000	2021 RM'000
Payment of short-term leases	127	172
Payment of low-value assets	4	155
Interest paid on lease liabilities	19	28
Payment of lease liabilities	966	1,000
	1,116	1,355

#### 34. Significant related party disclosures

(a) Identities of related parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

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

### 30 JUNE 2022

#### 34. Significant related party disclosures (Cont'd)

##### (b) Significant related party transactions

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:-

	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>		
Companies in which certain directors have significant financial interests:-		
- lease payments on short-term leases	64	71
- lease payments for right-of-use assets	984	984
- royalty paid/payable	1	-
Companies in which close family members of certain directors have significant financial interests:-		
- sales of goods	(413)	(317)
<hr/>		
<b>Company</b>		
A subsidiary:		
- management fee received/receivable	(540)	(540)
- dividend received	(24,713)	(7,863)
<hr/>		

The related party transactions described above were entered in the normal course of business carried out based on negotiated terms and conditions and are mutually agreed between the parties concerned.

##### (c) The related party outstanding balances at the end of the reporting period are as follows:-

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Companies in which close family members of certain directors have significant financial interests:-		
- trade receivables	49	34
<hr/>		

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

### 30 JUNE 2022

#### 34. Significant related party disclosures (Cont'd)

##### (d) Key management personnel compensation

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Group and of the Company.

The key management personnel compensation during the financial year are as follows:-

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<i>Directors of the Company</i>					
Short-term employee benefits:-					
- fees		307	285	307	285
- emoluments		2,585	2,524	18	16
Defined contribution plan		308	301	-	-
		3,200	3,110	325	301
<i>Directors of the Subsidiaries</i>					
Short-term employee benefits:-					
- emoluments		378	328	-	-
Defined contribution plan		45	39	-	-
		423	367	-	-
	6	3,623	3,477	325	301

The estimated monetary value of benefits-in-kind provided by the Group to a director of the Company was RM25,000 (2021: RM25,000).

#### 35. Capital commitments

	Group	
	2022 RM'000	2021 RM'000
Approved and contracted for:-		
- Purchase of plant and equipment	9,329	710

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

### 30 JUNE 2022

#### 36. Segmental reporting

In determining the geographical segments of the Group, sales are based on the country in which the customer is located.

Non-current assets are determined according to the country where these assets are located. The amounts of non-current assets do not include financial instruments and deferred tax assets.

Group	Revenue		Non-current assets	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Malaysia	147,229	105,023	111,546	121,531
Asia	58,792	53,226	-	-
Africa	1,896	1,373	-	-
	207,917	159,622	111,546	121,531

The revenue are recognised at a point in time.

No other segmental information such as segment assets, liabilities and results is presented as the Group is principally engaged in pharmaceutical and healthcare products manufacturing and trading business and operates from Malaysia only.

Revenue from one major customer (2021 : one major customer), with revenue equal to or more than 10% of Group revenue, amounts to RM22,997,027 (2021: RM23,627,901) arising from export sales.

#### 37. Financial instruments

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

##### (a) Financial risk management policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

##### (i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Euro Dollar ("EUR"), Singapore Dollar ("SGD") and Brunei Dollar ("BND"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. On occasions, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

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

### 30 JUNE 2022

#### 37. Financial instruments (Cont'd)

##### (a) Financial risk management policies (Cont'd)

##### (i) Foreign currency risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

##### Foreign currency exposure

The Group	USD RM'000	EUR RM'000	SGD RM'000	BND RM'000	Total RM'000
<b>30.6.2022</b>					
Trade receivables	4,955	-	458	214	5,627
Other receivables	7,187	-	-	-	7,187
Cash and bank balances	18,502	27	3,149	-	21,678
Trade payables	(850)	(1,923)	-	-	(2,773)
Other payables	(14,607)	(66)	(2)	-	(14,675)
<b>Net exposure</b>	<b>15,187</b>	<b>(1,962)</b>	<b>3,605</b>	<b>214</b>	<b>17,044</b>
<b>30.6.2021</b>					
Trade receivables	2,478	-	513	405	3,396
Other receivables	893	180	143	-	1,216
Cash and bank balances	4,454	37	1,569	-	6,060
Trade payables	(1,661)	(1,228)	(10)	-	(2,899)
Other payables	(65)	(9)	-	-	(74)
<b>Net exposure</b>	<b>6,099</b>	<b>(1,020)</b>	<b>2,215</b>	<b>405</b>	<b>7,699</b>

##### Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:-

		Group	
		2022 RM'000	2021 RM'000
<b>Effects on profit after taxation</b>			
USD/RM	- strengthened by 5% (2021: 5%)	577	232
	- weakened by 5% (2021: 5%)	(577)	(232)
EUR/RM	- strengthened by 5% (2021: 5%)	(75)	(39)
	- weakened by 5% (2021: 5%)	75	39
SGD/RM	- strengthened by 5% (2021: 5%)	137	85
	- weakened by 5% (2021: 5%)	(137)	(85)
BND/RM	- strengthened by 5% (2021: 5%)	8	15
	- weakened by 5% (2021: 5%)	(8)	(15)

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

### 30 JUNE 2022

#### 37. Financial instruments (Cont'd)

##### (a) Financial risk management policies (Cont'd)

###### (ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing borrowings.

The Group's fixed rate receivables are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 26 to the financial statements.

###### Interest rate risk sensitivity analysis

At the end of the reporting period, if interest rates had been 100 basis points higher/lower, with all other variables held constant, the Group's profit after taxation would have been RM50,702 lower/higher (2021: RM136,038 lower/higher), arising mainly as a result of higher/lower interest expense on floating rate bank borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

###### (iii) Equity price risk

The Group's principal exposure to price risk arises mainly from changes in prices of money market funds.

###### Equity price risk sensitivity analysis

At the end of the reporting period, if the prices of money market funds strengthen/weaken by 100 basis points with all other variable being held constant, the Group's profit after taxation would have been RM7,182 higher/lower (2021: RM401,280 higher/lower).

###### (iv) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from corporate guarantee given to financial institutions for credit facilities granted to a subsidiary. The Company monitors the results of the subsidiary regularly and repayments made by the subsidiary.

###### Credit risk concentration profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

In addition, the Group also determines the concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables (including related parties) at the end of the reporting period is as follows:-

	Group	
	2022	2021
	RM'000	RM'000
Local	29,240	19,226
Export	5,884	3,396
	35,124	22,622

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

### 30 JUNE 2022

#### 37. Financial instruments (Cont'd)

##### (a) Financial risk management policies (Cont'd)

##### (iv) Credit risk (Cont'd)

###### Maximum exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is presented by the carrying amount of each class of financial assets recognised in the statements of financial position of the Group after deducting any allowance for impairment losses (where applicable).

###### Assessment of impairment losses

The Group has a credit policy in place and the exposure to credit risk is monitored on an on-going basis through periodic review of the ageing of the trade receivables. The Group closely monitors the trade receivables' financial strength to reduce the risk of loss.

At each reporting date, the Group assesses whether any of the financial assets at amortised cost, are credit impaired.

The gross carrying amounts of financial assets are written off against the associated impairment, if any, when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities.

A financial asset is credit impaired when any of following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:

- Significant financial difficulty of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty;
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

The Group considers a receivable to be in default when the receivable is unlikely to repay its debts to the Group in full or is more than 90 days past due.

###### *Trade receivables*

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

###### *Inputs, assumptions and techniques used for estimating impairment losses*

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

The expected loss rates are based on the payment profiles of past sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the trade receivables to settle their debts.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.



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

### 30 JUNE 2022

#### 37. Financial instruments (Cont'd)

##### (a) Financial risk management policies (Cont'd)

##### (iv) Credit risk (Cont'd)

##### Assessment of impairment losses (Cont'd)

##### *Allowance for impairment losses*

Group	Gross amount RM'000	Individual impairment RM'000	Collective impairment RM'000	Carrying amount RM'000
<b>30.6.2022</b>				
Current (not past due)	28,185	-	(757)	27,428
1 to 30 days past due	5,004	-	(99)	4,905
31 to 60 days past due	2,185	-	(60)	2,125
61 to 90 days past due	730	-	(64)	666
Credit impaired	623	(170)	(453)	-
	<b>36,727</b>	<b>(170)</b>	<b>(1,433)</b>	<b>35,124</b>
<b>30.6.2021</b>				
Current (not past due)	13,113	-	(1,472)	11,641
1 to 30 days past due	5,019	-	(627)	4,392
31 to 60 days past due	4,766	-	(237)	4,529
61 to 90 days past due	1,603	-	(242)	1,361
Credit impaired	1,120	(94)	(327)	699
	<b>25,621</b>	<b>(94)</b>	<b>(2,905)</b>	<b>22,622</b>

The movements in the loss allowances in respect of trade receivables are disclosed in Note 18 to the financial statements.

##### *Other receivables*

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables.

Under this approach, loss allowance is measured on either 12-month expected credit losses or lifetime expected credit losses, by considering the likelihood that the receivable would not be able to repay during the contractual period (probability of default, PD), the percentage of contractual cash flows that will not be collected if default happens (loss given default, LGD) and the outstanding amount that is exposed to default risk (exposure at default, EAD).

In deriving the PD and LGD, the Group considers the receivable's past payment status and its financial condition as at the reporting date. The PD is adjusted to reflect current and forward-looking information and macroeconomic factors affecting the ability of the receivable to settle its debts.

##### *Allowance for impairment losses*

No expected credit loss is recognised on other receivables as it is negligible.

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

### 30 JUNE 2022

#### 37. Financial instruments (Cont'd)

##### (a) Financial risk management policies (Cont'd)

##### (iv) Credit risk (Cont'd)

###### Assessment of impairment losses (Cont'd)

###### *Fixed deposits with licenced banks, cash and bank balances*

The Group considers the licenced banks have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

###### *Amount owing by subsidiaries*

The Company applies the 3-stage general approach to measuring expected credit losses for all inter-company balances. The Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly.

The Company measures the expected credit losses on individual basis, which is aligned with its credit risk management practices on the inter-company balances.

For loans and advances that are repayable on demand, impairment loss is assessed based on the assumption that repayment of the outstanding balances is demanded at the reporting date. If the subsidiary does not have sufficient highly liquid resources when the loans and advances are demanded, the Company will consider the expected manner of recovery to measure the impairment loss; the recovery manner could be either through 'repayable over time' or a fire sale less liquid assets by the subsidiary.

###### *Allowance for impairment losses*

At the end of the reporting period, there was no indication that the amount owing is not recoverable.

###### *Financial Guarantee Contracts*

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

##### (v) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

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

### 30 JUNE 2022

#### 37. Financial instruments (Cont'd)

##### (a) Financial risk management policies (Cont'd)

##### (v) Liquidity risk (Cont'd)

##### Maturity analysis

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	Contractual interest rate per annum (%)	Contractual undiscounted cash flows RM'000	Within 1 year RM'000	1 to 5 years RM'000
<b>2022</b>				
<b>Group</b>				
<u>Non-derivative Financial Liabilities</u>				
Term loans	3.41	6,721	6,721	-
Lease liabilities	3.11	1,066	984	82
Trade payables	-	18,553	18,553	-
Other payables	-	14,892	14,892	-
<u>Derivative Financial Liabilities</u>				
Forward currency contracts (gross settled) - gross payments	-	15	15	-
		41,247	41,165	82
<b>Company</b>				
<u>Non-derivative financial liabilities</u>				
Other payables	-	55	55	-
Financial guarantee contracts in relation to corporate guarantee given to a subsidiary	-	6,671	6,671	-
		6,726	6,726	-

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

### 30 JUNE 2022

#### 37. Financial instruments (Cont'd)

##### (a) Financial risk management policies (Cont'd)

##### (v) Liquidity risk (Cont'd)

##### Maturity analysis (Cont'd)

	Contractual interest rate per annum (%)	Contractual undiscounted cash flows RM'000	Within 1 year RM'000	1 to 5 years RM'000
<b>2021</b>				
<b>Group</b>				
<u>Non-derivative financial liabilities</u>				
Term loans	3.51	18,042	11,321	6,721
Lease liabilities	3.05	1,066	984	82
Trade payables	-	14,705	14,705	-
Other payables	-	11,048	11,048	-
<u>Derivative Financial liabilities</u>				
Forward currency contracts (gross settled)				
- gross payments	-	3	3	-
		44,864	38,061	6,803
<b>Company</b>				
<u>Non-derivative financial liabilities</u>				
Other payables	-	52	52	-
Financial guarantee contracts in relation to corporate guarantee given to a subsidiary	-	17,900	17,900	-
		17,952	17,952	-

The contractual undiscounted cash flows represent the outstanding credit facilities of a subsidiary at the end of the reporting period. The financial guarantees have not been recognised in the financial statements since their fair value on initial recognition were not material.

##### (b) Capital risk management

The Group manages its capital to ensure that entities within the Group are able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory requirements, if any. The debt-to-equity ratio is calculated as total net debts divided by total equity. The Group includes within net debts, loans and borrowings from financial institutions less cash and cash equivalents.

The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total external borrowings.

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

### 30 JUNE 2022

#### 37. Financial instruments (Cont'd)

##### (c) Classification of financial instruments

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Financial assets</b>				
<u>Fair Value Through Profit or Loss</u>				
Short-term investments	945	52,800	-	-
<u>Amortised cost</u>				
Trade receivables	35,124	22,622	-	-
Other receivables	370	144	-	-
Amounts owing by subsidiaries	-	-	140	129
Fixed deposits with licensed banks	65,500	8,350	400	500
Cash and bank balances	23,271	7,552	169	109
	124,265	38,668	709	738
<b>Financial liabilities</b>				
<u>Fair Value Through Profit or Loss</u>				
Derivative liabilities	15	3	-	-
<u>Amortised cost</u>				
Lease liabilities	1,047	1,055	-	-
Term loans	6,671	17,900	-	-
Trade payables	18,553	14,705	-	-
Other payables	14,892	11,048	55	52
	41,163	44,708	55	52

##### (d) Gains or losses arising from financial instruments

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Financial assets</b>				
<u>Fair Value Through Profit or Loss</u>				
Net losses recognised in profit or loss	(12)	(12)	-	-
<u>Amortised cost</u>				
Net gains recognised in profit or loss	4,334	874	8	19
<b>Financial liabilities</b>				
<u>Amortised cost</u>				
Net losses recognised in profit or loss	(262)	(567)	-	-

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

### 30 JUNE 2022

#### 37. Financial instruments (Cont'd)

##### (e) Fair value information

The fair values of the financial assets and financial liabilities of the Group which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair value of financial instruments carried at fair value Level 2 RM'000	Fair value of financial instruments not carried at fair value Level 2 RM'000	Total fair value RM'000	Total carrying amount RM'000
<b>2022</b>				
<b>Group</b>				
<u>Financial asset</u>				
Short-term investments:				
- Money market funds	945	-	945	945
<hr/>				
<u>Financial liabilities</u>				
Derivative liabilities:				
- Forward currency contract	15	-	15	15
Term loans	-	6,671	6,671	6,671
<hr/>				
<b>2021</b>				
<b>Group</b>				
<u>Financial assets</u>				
Short-term investments:				
- Money market funds	52,800	-	52,800	52,800
<hr/>				
<u>Financial liability</u>				
Derivative liabilities:				
- Forward currency contract	3	-	3	3
Term loans	-	17,900	17,900	17,900
<hr/>				

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

### 30 JUNE 2022

#### 37. Financial instruments (Cont'd)

##### (e) Fair value information (Cont'd)

###### Fair value of financial instruments carried at fair value

- (i) The fair value above have been determined using the following basis:-
  - (a) The fair values of forward currency contracts are determined by discounting the difference between the contractual forward prices and the current forward prices for the residual maturity of the contracts.
  - (b) The fair value of money market funds is determined by reference to statement provided by the financial institutions, with which the investment was entered into.
- (ii) There were no transfers between level 1 and level 2 during the financial year.

###### Fair value of financial instruments not carried at fair value

- (i) The fair value, which are for disclosure purposes have been determined using the following basis:-
  - (a) The fair value of the Group's term loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.

## LIST OF PROPERTIES

Title/Location	Description & Usage	Land area/ Existing Use	Tenure	Built-Up Area (sq. m.)	Approximate Age of Land/Building	Net Book Value as at 30 June 2022 (RM)
PN 24784 & PN 20043. Lot 4835 & Lot 4836, Mukim of Cheng, District of Melaka Tengah, Melaka	Two joined plots of land with a single storey factory and two storey office block	17,611 sq.m./ pharmaceutical manufacturing plant	Leasehold expiring on 14.8.2096	5,120.04	25 years	8,838,475
	Warehouse and production area	Warehouse and production area		6,613.00	22 years	
GPP 7972 & GPP 5156, Lot Nos. 43 & 45, Town Area III (3), District of Melaka Tengah, Melaka	Two plots of land with a 2 ½ storey office building, a store and a warehouse	2,252.10 sq.m./ office, store & warehouse	Freehold	1,539.31	Office & Store - 30 years Warehouse -26 years	1,033,250
Geran 4612, Lot No.42, Town Area III (3), District of Melaka Tengah, Melaka	Commercial site erected with a double storey shophouse cum storehouse	636.2 sq.m./ Double storey shophouse	Freehold	488.90	47 to 51 years	305,000
PN46842. Lot 9262, Mukim of Cheng, District of Melaka Tengah, Melaka	Two plots of land amalgamated into one plot with a three storey pharmaceutical factory	23,614 sq.m./ pharmaceutical manufacturing plant	Leasehold expiring on 15.8.2096	22,808.00	12 years	36,002,826
Lot 4833, Mukim Cheng, Daerah Melaka	Future expansion for logistic and warehouse	10,717 sq.m./ Future expansion for logistic and warehouse	Leasehold expiring on 14.8.2096	-	3 years	5,946,876
						<b>52,126,427</b>



## ANALYSIS OF SHAREHOLDINGS AS AT 30 SEPTEMBER 2022

Total number of issued shares	:	147,992,083
Class of Share	:	Ordinary shares
Voting rights on show of hands	:	1 vote
Voting rights on a poll	:	1 vote

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Share Held
Less than 100 shares	129	9.71	3,018	0.00
100 to 1,000 shares	315	23.72	177,061	0.12
1,001 to 10,000 shares	593	44.65	2,513,700	1.70
10,001 to 100,000 shares	205	15.44	6,451,501	4.36
100,001 to less than 5% of issued shares	85	6.40	74,222,441	50.15
5% and above of issued shares	1	0.08	64,624,362	43.67
<b>Total</b>	<b>1,328</b>	<b>100.00</b>	<b>147,992,083</b>	<b>100.00</b>

### LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 30 SEPTEMBER 2022

No.	Name	Direct	No. of Shares Held		%
			%	Indirect	
1.	Piong Nam Kim Holdings Sdn. Bhd.	64,624,362	43.67	-	-
2.	Piong Teck Onn	16,286,626	11.01	72,987,562 <sup>#</sup>	49.32
3.	Datuk Piong Teck Yen	8,296,564	5.61	-	-

### DIRECTORS' SHAREHOLDINGS

No.	Name	Direct	No. of Shares Held		%
			%	Indirect	
1.	Piong Teck Onn	16,286,626	11.01	72,987,562 <sup>*</sup>	49.32
2.	Datuk Piong Teck Yen	8,296,564	5.61	-	-
3.	Chin Swee Chang	2,314,800	1.56	5,564,060 <sup>^</sup>	3.76

Notes:-

- # Deemed interested by virtue of his interests in Piong Nam Kim Holdings Sdn. Bhd., Medisch Specialist Centre Sdn. Bhd. and Platinum Essence Sdn. Bhd. and his son, Piong Chee Wei's interest pursuant to Section 8(4) of the Act.
- \* Deemed interested by virtue of his interests in Piong Nam Kim Holdings Sdn. Bhd., Medisch Specialist Centre Sdn. Bhd. and Platinum Essence Sdn. Bhd. pursuant to Section 8(4) of the Act and his son, Piong Chee Wei's interest pursuant to Section 59(11) of the Act.
- ^ Deemed interested by virtue of her husband, Piong Teck Onn's interests in Medisch Specialist Centre Sdn. Bhd. pursuant to Section 8(4) of the Act and her son, Piong Chee Wei's interest pursuant to Section 59(11) of the Act.

## ANALYSIS OF SHAREHOLDINGS (CONT'D)

### AS AT 30 SEPTEMBER 2022

#### TOP 30 DEPOSITORS AS AT 30 SEPTEMBER 2022

NO	SHAREHOLDER	SHARES	%
1	PIONG NAM KIM HOLDINGS SDN BHD	64,624,362	43.67
2	PIONG TECK ONN	6,125,402	4.14
3	PIONG TECK MIN	5,006,220	3.38
4	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR PIONG TECK ONN</i>	4,401,224	2.97
5	PLATINUM ESSENCE SDN. BHD.	2,799,140	1.89
6	KOK HON SENG	2,500,016	1.69
7	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR PIONG TECK YEN</i>	2,500,000	1.69
8	CHEAH CHANG HAN	2,338,100	1.58
9	CHIN SWEE CHANG	2,314,800	1.56
10	JI YEH MING	2,000,000	1.35
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR PIONG TECK YEN</i>	2,000,000	1.35
12	PIONG TECK ONN	1,980,000	1.34
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR PIONG TECK ONN</i>	1,980,000	1.34
14	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR PIONG CHEE WEI</i>	1,980,000	1.34
15	RHB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR PIONG TECK YEN</i>	1,980,000	1.34
16	SEAH TIN KIM	1,844,440	1.25
17	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR PIONG TECK ONN (7002831)</i>	1,800,000	1.22
18	MEDISCH SPECIALIST CENTRE SDN BHD	1,664,060	1.12
19	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIM KIAN TIAK (8039574)</i>	1,500,000	1.01
20	PIONG TECK YEN	1,316,564	0.89
21	HO JONATHAN LEP KEE	1,210,000	0.82
22	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)</i>	1,200,000	0.81
23	CHEAH MING LOONG	1,153,200	0.78
24	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR PIONG CHEE WEI (7002905)</i>	1,000,000	0.68
25	OOI LEE PENG	970,800	0.66
26	TRIPLE BOUTIQUE SDN BHD	819,000	0.55
27	PIONG CHEE WEI	800,000	0.54
28	PIONG TECK FONG	788,560	0.53
29	PIONG TECK WAH	770,220	0.52
30	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR OOI LEE PENG (MLK/SS)</i>	650,900	0.44
	<b>TOTAL</b>	<b>122,017,008</b>	<b>82.45</b>

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Twenty-Third Annual General Meeting (“**23rd AGM**”) of **KOTRA INDUSTRIES BERHAD** (“**Company**”) will be conducted as a virtual meeting at the following date, time and venue to transact the following businesses: -

Day and Date	: Tuesday, 29 November 2022
Time	: 10.00 a.m.
Broadcast Venue	: Vertical Business Suite, Unit 35-01, Level 35, Tower A, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.
Online Meeting Platform	: <a href="https://agm.digerati.com.my/kib">https://agm.digerati.com.my/kib</a>

### AGENDA

- To receive the Audited Financial Statements for the financial year ended 30 June 2022 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Note 7)**
- To approve the payment of a final single-tier dividend of 16 sen per ordinary share for the financial year ended 30 June 2022. **(Ordinary Resolution 1)**
- To approve the payment of Directors’ fees amounting to RM420,000.00 from 30 November 2022 until the next AGM of the Company in year 2023. **(Ordinary Resolution 2)**
- To approve the payment of Directors’ benefits payable up to an amount of RM30,000.00 from 30 November 2022 until the next AGM of the Company in year 2023. **(Ordinary Resolution 3)**
- To re-elect the following Directors, who are retiring pursuant to Clause 118 of the Company’s Constitution, being eligible, have offered themselves for re-election: -
  - Datuk Piong Teck Yen **(Ordinary Resolution 4)**
  - Piong Chee Kien **(Ordinary Resolution 5)**
- To re-appoint Crowe Malaysia PLT as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 6)**

### **AS SPECIAL BUSINESS**

To consider and if thought fit, with or without any modification, to pass the following Ordinary Resolutions and Special Resolution:

- Ordinary Resolution** **(Ordinary Resolution 7)**  
**Authority to Allot and Issue Shares pursuant to the Companies Act 2016**

“**THAT**, pursuant to Section 75 and 76 of Companies Act 2016, the Directors be and are hereby authorised to allot and issue shares in the Company, from time to time and upon such terms and conditions and for such purposes and to such persons whomsoever the Director may, in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total issued shares of the Company and approval of all the relevant regulatory bodies being obtained for such allotment and issue.

**AND THAT** such authority shall continue to be in force until the conclusion of the next AGM of the Company.

**AND FURTHER THAT** pursuant to Section 85 of Companies Act 2016 to be read together with Clause 13 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares of the Company ranking equally to the existing issued shares arising from any issuance of new shares of the Company pursuant to Section 75 and 76 of the Companies Act 2016.”

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

### 8. Ordinary Resolution

(Ordinary Resolution 8)

#### **Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**

"**THAT** subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into recurrent related party transactions of a revenue and trading nature with the Related Parties as specified in Section 2.3.2(a) of the Circular to Shareholders dated 28 October 2022, which are necessary for the day-to-day operations of the Company and/or its subsidiaries ("**Group**"), to be entered by the Group in the ordinary course of business and are on terms which are not more favourable to the Related Parties with which such recurrent transactions to be entered into than those generally available to the public and are not detrimental to the minority shareholders.

**THAT** the authority for the Proposed Shareholders' Mandate shall continue to be in force until: -

- (i) the conclusion of the next AGM of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the next AGM;
- (ii) the expiration of the period within which the next AGM is to be held pursuant to Section 340(2) of the Companies Act 2016 but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016; or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting.

whichever is earlier.

**AND THAT** the Directors of the Company be authorised to complete and do such acts and things (including executing all such documents as may be required), as they may consider expedient or necessary to give full effect to the Proposed Shareholders' Mandate."

### 9. Special Resolution

#### **Proposed Amendments to the Constitution of the Company ("Proposed Amendments")**

"**THAT** approval be and is hereby given to adopt the proposed amendments to the Constitution of the Company as set out in Appendix I despatched together with the Company's Annual Report 2022.

**AND THAT** the Directors of the Company be and are hereby authorised to assent to any modifications, variations, and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

- 10. To transact any other ordinary business of which due notice shall have been given.

#### **NOTICE OF DIVIDEND ENTITLEMENT**

**NOTICE IS HEREBY GIVEN THAT** a final single-tier dividend of 16 sen per ordinary share in respect of the financial year ended 30 June 2022, if approved by the shareholders at the 23rd AGM of the Company, will be paid on 8 December 2022 to depositors who are registered in the Record of Depositors at the close of business on 1 December 2022.

A Depositor shall qualify for entitlement only in respect of: -

- (a) shares transferred into the Depositor's Securities Account before 4:30 p.m. on 1 December 2022 in respect of ordinary transfers; and
- (b) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

**CHUA SIEW CHUAN (SSM PC NO. 201908002648) (MAICSA 0777689)**

**TAN LEY THENG (SSM PC NO. 201908001685) (MAICSA 7030358)**

Company Secretaries

Kuala Lumpur

28 October 2022

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

### Notes:

#### Virtual 23rd AGM

1. The Meeting will be held as a virtual meeting at the Broadcast Venue. Members are advised to refer to the Administrative Guide for the 23rd AGM on the registration and voting process for the Meeting.
2. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue of the Meeting. No shareholders or proxies should be physically present at the Broadcast Venue on the day of the 23rd AGM.

#### Proxy

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 23 November 2022 ("**General Meeting Record of Depositors**") shall be eligible to attend, participate, speak and vote at the Meeting.
2. A member entitled to attend and vote at the Meeting, may appoint more than one (1) proxy to attend and vote in his stead. Where a member appoints more than one (1) proxy to attend, participate, speak and vote at the same meeting, the appointments shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting of the Company shall have the same rights as the member to attend, participate, speak and vote at the Meeting.
3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the member or of his attorney duly authorised in writing or, if the member is a corporation, shall either be executed under the Corporation's common seal or under the hand of an officer or attorney duly authorised.
6. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the office of the Poll Administrator at 95, Jalan Dato Senu 26, Taman Dato Senu, Sentul, 51000 Kuala Lumpur or email to ir\_kib@kotrapharma.com, not less than forty-eight (48) hours before the time for holding the Meeting or at any adjournment thereof. All resolutions set out in the Notice of the Meeting are to be voted by poll.

### Note:

7. **Audited Financial Statements for the financial year ended 30 June 2022**

Item 1 of the Agenda is meant for discussion only, as the provision of Section 340(1)(a) of the Act does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

#### Explanatory Notes to Ordinary and Special Business:

8. **Payment of Directors' fees and benefits**

The Board wishes to seek shareholders' approval for the following payments to Directors at the 23rd AGM in two (2) separate resolutions as below: -

- Ordinary Resolution 2 on payment of Directors' fees to the Directors of the Company amounting to RM420,000.00 for the period from 30 November 2022 until the next AGM of the Company in year 2023.
- Ordinary Resolution 3 of Directors' benefits up to an amount of RM30,000.00 for the period from 30 November 2022 until the next AGM of the Company in year 2023. The proposed Directors' benefits payable comprises the meeting allowance. The estimated amount of Directors' benefits payable is based on the size of the Board and Board Committees and the number of scheduled Board and Board Committee meetings for the period commencing from 30 November 2022 until the next AGM of the Company in year 2023.

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

### 9. **Re-election of Directors**

In determining the eligibility of the Directors to stand for re-election at the forthcoming 23rd AGM, the Nomination Committee ("**NC**"), guided by the requirements of Paragraph 2.20A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and recommended Datuk Piong Teck Yen and Piong Chee Kien, for re-election as Directors pursuant to Clause 118 of the Constitution of the Company ("**Retiring Directors**"). The Board of Directors ("**Board**") has conducted a separate assessment and being satisfied with the performance/contribution of the Retiring Directors. Therefore, the Board recommended the same be tabled to the shareholders for approval at the forthcoming 23rd AGM of the Company under Ordinary Resolutions 4 and 5 respectively. The evaluation criteria adopted as well as the process of assessment by the Board have been duly elaborated in the Corporate Governance Overview Statement of the Annual Report 2022 of the Company. All the Retiring Directors have consented to their re-election, and abstained from deliberations and voting in relation to their individual re-election at the NC and Board Meetings, respectively.

### 10. **Authority to Issue Shares pursuant to the Act**

The Company had been granted a general mandate by its shareholders at the Twenty-Second AGM of the Company held on 26 November 2021 ("**Previous Mandate**").

As at the date of this Notice, the Company has not issued any new ordinary shares pursuant to the Previous Mandate granted by the shareholders and hence no proceeds were raised therefrom.

The proposed Ordinary Resolution 7, if passed, will provide flexibility to the Directors of the Company to undertake any possible fund raising activities, including but not limited to placement of shares for the purpose of funding Company's current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or such other purposes as the Directors may deem fit, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next AGM of the Company.

### 11. **Proposed Shareholders' Mandate**

The proposed Ordinary Resolution 8 is intended to enable the Company and its affiliated companies to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the Company's day-to-day operations to facilitate transactions in the normal course of business of the Company with the specified classes of related parties, provided that they are carried out on arm's length basis and on normal commercial terms and are not prejudicial to the shareholders on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Please refer to the Circular to Shareholders dated 28 October 2022 for further information.

### 12. **Proposed Amendments to the Constitution of the Company**

The proposed Special Resolution is intended to provide better clarity and consistency of the existing Constitution of the Company with the provisions of the Companies Act 2016 in relation to dividend declaration.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

### Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

There are no Directors standing for election at the forthcoming 23rd AGM of the Company.

## APPENDIX I

Clause No.	Existing Clauses		Proposed Clauses	
3 (21)	<p><u>Objects</u></p> <p>To carry on business as farmers, dairy and poultry farmers and merchants, gaziers, cultivators, storekeepers, printers, newspapers proprietors, cattle breeders, stockmen, provision preservers, exporters and importers, brokers, and to transact any and every description of agency, commission, commercial manufacturing, mercantile and financial business.</p>		<p><u>Objects</u></p> <p>To carry on business as farmers, <b>dairy dairy</b> and poultry farmers and merchants, <b>gaziers graziers</b>, cultivators, storekeepers, printers, newspapers proprietors, cattle breeders, stockmen, provision preservers, exporters and importers, brokers, and to transact any and every description of agency, commission, commercial manufacturing, mercantile and financial business.</p>	
3 (26)	<p><u>Objects</u></p> <p>To carry on the business of chemists, druggists, drysalters, oil and colourmen and importers, exporters and manufacturers of and dealers in all pharmaceutical, medicinal, chemical, industrial, and other preparations, articles and compounds, cement, oils, paints, pigments, and varnishes, drug, dye-ware paint and colour grinders, makers of and dealers in proprietary articles of all kinds and of electrical, chemical, photographic, surgical and scientific apparatus and materials and to buy, sell, manufacture, refine, manipulate, and deal in all substances, apparatus, and things capable of being used in any such business as aforesaid or in any way in connection therewith.</p>		<p><u>Objects</u></p> <p>To carry on the business of chemists, druggists, drysalters, oil and colourmen and importers, exporters and manufacturers of and dealers in all pharmaceutical, medicinal, chemical, industrial, and other preparations, articles and compounds, cement, oils, paints, pigments, and varnishes, drug, dye-ware paint and colour grinders, makers of and dealers in <b>proprietary proprietary</b> articles of all kinds and of electrical, chemical, photographic, surgical and scientific apparatus and materials and to buy, sell, manufacture, refine, manipulate, and deal in all substances, apparatus, and things capable of being used in any such business as aforesaid or in any way in connection therewith.</p>	
5	<p><b>WORDS</b></p> <p>Company</p> <p>Depository</p> <p>Exchange</p>	<p><b>MEANINGS</b></p> <p>Kotra Industries Berhad (Company No.: 497632-P) or such other name as may be adopted from time to time.</p> <p>Bursa Malaysia Depository Sdn. Bhd. (Company No.: 165570-W) and its successors in title and permitted assigns.</p> <p>Bursa Malaysia Securities Berhad (Company No. 635998-W) and its successors-in-title.</p>	<p><b>WORDS</b></p> <p>Company</p> <p>Depository</p> <p>Exchange</p>	<p><b>MEANINGS</b></p> <p>Kotra Industries Berhad <b>[Registration No.: 199901022732 (Company No.:497632-P)]</b> or such other name as may be adopted from time to time.</p> <p>Bursa Malaysia Depository Sdn. Bhd. <b>[Registration No.: 198701006854 (Company No.:165570-W)]</b> and its successors in title and permitted assigns.</p> <p>Bursa Malaysia Securities Berhad <b>[Registration No.: 200301033577 (Company No.:635998-W)]</b> and its successors-in-title.</p>
9	<p><u>Share capital of the Company</u></p> <p>The share capital of the Company is its issued share capital. The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred, qualified or other special rights, privileges, conditions or restrictions as to s, capital, voting or otherwise.</p>		<p><u>Share capital of the Company</u></p> <p>The share capital of the Company is its issued share capital. The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred, qualified or other special rights, privileges, conditions or restrictions as to <b>dividends</b>, capital, voting or otherwise.</p>	

## APPENDIX I (CONT'D)

Clause No.	Existing Clauses	Proposed Clauses
82	<p><u>Business at meetings</u></p> <p>Subject always to the provisions of the Act, no business shall be transacted at a general meeting except business of which notice has been given in the notice convening the meeting. An annual general meeting shall be held to transact the business in accordance with the Act, which include the laying of audited financial statements and the reports of the Directors and Auditors, the declaration of a dividend, the election of Directors in place of those retiring, the appointment and the fixing of the Directors' fees and benefits payable, and the appointment and fixing of the remuneration of the Auditors in accordance with the Act.</p>	<p><u>Business at meetings</u></p> <p>Subject always to the provisions of the Act, no business shall be transacted at a general meeting except business of which notice has been given in the notice convening the meeting. An annual general meeting shall be held to transact the business in accordance with the Act, which include the laying of audited financial statements and the reports of the Directors and Auditors, <del>the declaration of a dividend</del>, the election of Directors in place of those retiring, the appointment and the fixing of the Directors' fees and benefits payable, and the appointment and fixing of the remuneration of the Auditors in accordance with the Act.</p>
186	<p><u>Declaration and distribution of dividends out of profit</u></p> <p>Subject to the provisions of the Act, the Company in general meeting may declare dividend. The distribution of dividends to the Members out of profits of the Company available if the Company is solvent, but no dividend shall exceed the amount as authorised by the Directors.</p>	<p><u>Declaration and distribution of dividends out of profit</u></p> <p><del>Subject to the provisions of the Act, the Company in general meeting may declare dividend. The Company</del> <u>may make a</u> distribution of dividends to the Members out of profits of the Company available if the Company is solvent, but no dividend shall exceed the amount as authorised by the Directors.</p>
211	<p><u>General mandate</u></p> <p>Subject to the Applicable Laws and the provisions of this Constitution, the Company may seek its shareholders' mandate which is renewable on an annual basis to enter into, deal with, act in or handle all related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for the day to day operations of the Company.</p>	<p><u>General mandate</u></p> <p>Subject to the Applicable Laws and the provisions of this Constitution, the Company may seek its shareholders' mandate which is renewable on an annual basis to enter into, deal with, act in or handle all related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for the <u>day-to-day</u> operations of the Company.</p>



## ADMINISTRATIVE GUIDE



**KOTRA**

**KOTRA INDUSTRIES BERHAD**

[Registration No. 199901022732 (497632-P)]

(Incorporated in Malaysia)

### ADMINISTRATIVE GUIDE FOR THE VIRTUAL TWENTY-THIRD ANNUAL GENERAL MEETING (“23rd AGM”) OF KOTRA INDUSTRIES BERHAD (“Company”)

<b>Date</b>	:	<b>29 November 2022 (Tuesday)</b>
<b>Time</b>	:	<b>10.00 a.m.</b>
<b>Broadcast Venue</b>	:	<b>Vertical Business Suite, Unit 35-01, Level 35, Tower A, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.</b>

#### Mode of Meeting

1. The 23rd AGM of the Company will be conducted virtually through live streaming and online remote voting via Remote Participation and Voting (“RPV”) facilities. This is in line with Practice 13.3 of the Malaysian Code on Corporate Governance 2021 which recommends listed companies to leverage technology to facilitate greater remote shareholders’ participation at general meetings and vote without being physically present at the venue.
2. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue of the 23rd AGM. No members/proxies should be physically present at the Broadcast Venue on the day of the 23rd AGM.
3. Kindly note that the quality of the live streaming is dependent on the bandwidth and stability of the internet connection of the participants. Therefore, please ensure that your connectivity for the duration of the 23rd AGM is maintained.

#### Entitlement to Attend and Vote

1. Only members whose names appear in the Record of Depositors on 23 November 2022 shall be eligible to virtually attend, participate, speak and vote at the 23rd AGM or appoint a proxy on his/her behalf.

#### Appointment of Proxy

1. The Form of Proxy must be deposited at the office of the Poll Administrator at 95, Jalan Dato Senu 26, Taman Dato Senu, Sentul, 51000 Kuala Lumpur, no later than Sunday, 27 November 2022 at 10.00 a.m. Alternatively, you may submit your Form of Proxy via email to [ir\\_kib@kotrapharma.com](mailto:ir_kib@kotrapharma.com).


#### Remote Participation and Voting

1. Members/proxies are to participate remotely at the 23rd AGM using RPV facilities provided by Digerati Technologies Sdn. Bhd.
2. The RPV facilities are available on <https://agm.digerati.com.my/kib>.
3. Please follow the procedures set out below to register, participate and vote remotely using the RPV facilities.

## ADMINISTRATIVE GUIDE (CONT'D)

### Procedures To Remote Participation and Voting Via RPV Facilities

Members who wish to participate the 23rd AGM remotely using RPV, must follow the following procedures:

Step	Action	Procedure
A	To register as a user at website: <a href="https://agm.digerati.com.my/kib">https://agm.digerati.com.my/kib</a> 	<ul style="list-style-type: none"> <li>● Click 'Register' to sign up as new user.</li> <li>● Upload your identity documents.</li> <li>● Complete and submit your registration.</li> <li>● Verify your email to complete the registration.</li> <li>● You will be notified upon successful or rejected registration.</li> <li>● You may pose your question, if any, to the Chairman/Board using the website.</li> <li>● Within seven (7) days before the AGM, you will be notified with login credentials to join the meeting upon approval.</li> </ul> <p>*Note: - Please check your spam box if you did not receive any email from us. - Registered user and proxy may skip this step. - Identity documents will be deleted after registration.</p>
B	To appoint proxy or corporate representative at the website (optional)	<ul style="list-style-type: none"> <li>● Login your registered account at the website.</li> <li>● Select "KIB 23rd AGM".</li> <li>● Fill up the information to appoint proxy.</li> <li>● Within seven (7) days before the AGM, you and your proxy will be notified upon approval or rejection of RPV.</li> </ul>
C	On the day of 23rd AGM	<ul style="list-style-type: none"> <li>● Access to Broadcast and E-Poll Form using the website or through email links.</li> <li>● If you have any questions for the Chairman/Board, you may use the Q&amp;A section to type your questions.</li> <li>● Submit your voting within a specific period once the Chairman announces that the voting is open.</li> <li>● Voting will be closed upon the expiry of the voting period.</li> <li>● Broadcast will be terminated upon the announcement of the poll result by the Chairman.</li> </ul>

### No door gifts/vouchers

There will be no distribution of door gifts/vouchers for the 23rd AGM.

### No recording or photography

Please note that no recording or photography of the 23rd AGM proceedings is allowed.

### Enquiry

If you have any enquiry in relation to registration, logging in and system related, please contact the Technical Support:

Technical Support : Digerati Technologies Sdn. Bhd.  
Tel No. : +6011-6338 8316  
Email : [support@digerati.com.my](mailto:support@digerati.com.my)

**KOTRA****KOTRA INDUSTRIES BERHAD**[Registration No. 199901022732 (497632-P)]  
(Incorporated in Malaysia)**FORM OF PROXY**

CDS ACCOUNT NO.	
NUMBER OF SHARES HELD	

\*I/We \_\_\_\_\_ NRIC No./Company No. \_\_\_\_\_ of (full address)

being a Member/Members of **KOTRA INDUSTRIES BERHAD** ("Company"), hereby appoint: -**PROXY "A"**

FULL NAME (IN BLOCK)	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS (%)
RESIDENTIAL ADDRESS		
E-MAIL ADDRESS	MOBILE NO.	

And/or failing \*him/her,

**PROXY "B"**

FULL NAME (IN BLOCK)	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS (%)
RESIDENTIAL ADDRESS		
E-MAIL ADDRESS	MOBILE NO.	

#to put a separate sheet where there are more than two (2) proxies.

or failing him/her, the Chairman of the Meeting as \*my/our proxy to attend and vote for \*me/us and on \*my/ our behalf at the Twenty-Third Annual General Meeting ("23rd AGM") of the Company to be conducted virtually at the Broadcast Venue at **Vertical Business Suite, Unit 35-01, Level 35, Tower A, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on Tuesday, 29 November 2022 at 10.00 a.m.** or any adjournment thereof.

ORDINARY RESOLUTIONS		FOR	AGAINST
1.	To approve the payment of a final single-tier dividend of 16 sen per ordinary share for the financial year ended 30 June 2022.		
2.	To approve the payment of Directors' fees amounting to RM420,000.00 from 30 November 2022 until the next AGM of the Company in year 2023.		
3.	To approve the payment of Directors' benefits up to an amount of RM30,000.00 from 30 November 2022 until the next AGM of the Company in year 2023.		
4.	To re-elect Datuk Piong Teck Yen, who is retiring pursuant to Clause 118 of the Company's Constitution, has offered himself for re-election.		
5.	To re-elect Mr. Piong Chee Kien, who is retiring pursuant to Clause 118 of the Company's Constitution, has offered himself for re-election.		
6.	To re-appoint Crowe Malaysia PLT as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration.		
7.	Authority to Issue Shares pursuant to the Companies Act 2016.		
8.	Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions of a Revenue or Trading Nature.		
<b>SPECIAL RESOLUTION</b>			
Proposed Amendments to the Constitution of the Company.			

\* Strike out whichever not applicable

Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.

As witness my/our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2022.

\_\_\_\_\_  
Signature of Member/Common Seal**Notes:**

Virtual 23rd AGM

- The Meeting will be held as a virtual meeting at the Broadcast Venue. Members are advised to refer to the Administrative Guide for the 23rd AGM on the registration and voting process for the Meeting.
- The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue of the Meeting. No shareholders or proxies should be physically present at the Broadcast Venue on the day of the 23rd AGM.

Proxy

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 23 November 2022 ("General Meeting Record of Depositors") shall be eligible to attend, participate, speak and vote at the Meeting.
2. A member entitled to attend and vote at the Meeting, may appoint more than one (1) proxy to attend and vote in his stead. Where a member appoints more than one (1) proxy to attend, participate, speak and vote at the same meeting, the appointments shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting of the Company shall have the same rights as the member to attend, participate, speak and vote at the Meeting.
3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the member or of his attorney duly authorised in writing or, if the member is a corporation, shall either be executed under the Corporation's common seal or under the hand of an officer or attorney duly authorised.
6. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the office of the Poll Administrator at 95, Jalan Dato Senu 26, Taman Dato Senu, Sentul, 51000 Kuala Lumpur or email to ir\_kib@kotrapharma.com, not less than forty-eight (48) hours before the time for holding the Meeting or at any adjournment thereof. All resolutions set out in the Notice of the Meeting are to be voted by poll.

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AFFIX  
STAMP

**KOTRA INDUSTRIES BERHAD**

[Registration No. 199901022732 (497632-P)]

**c/o Poll Administrator**

95, Jalan Dato Senu 26,  
Taman Dato Senu,  
Sentul,  
51000 Kuala Lumpur.

2nd Fold Here

Fold This Flap For Sealing

**KOTRA INDUSTRIES BERHAD**

[Registration No. 199901022732 (497632-P)]

No. 1, 2 & 3, Jalan TTC 12, Cheng Industrial Estate, 75250 Melaka

Tel : 606 - 336 2222 Fax : 606 - 336 6122

[www.kotrapharma.com](http://www.kotrapharma.com)

[www.appeton.com](http://www.appeton.com)



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Minox

