KOTRA

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

ANNUAL REPORT 2021

HEALTH FOR LIFE

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

CONTENTS

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
60, 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 and honours:
- 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 Solutions Sdn Bhd
- Board Member of MARC Learning Sdn Bhd
- Board Member of MARC Data Sdn Bhd
- Past Board Member of Bank Pembangunan Malaysia Berhad
- Past Technical Committee Member of Finance Accreditation Agency (Bank Negara Malaysia and Securities Commission Affiliate)
- Past Board Member of Aseambankers (M) Bhd (presently known as Maybank Investment Bank)
- Past Board Member of SME Credit Bureau Sdn Bhd (presently known as Credit Bureau of Malaysia)
- 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 2021:
- Has attended all five (5) Board meetings

PIONG TECK ONN
Managing Director
63, 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 37 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 strong leadership, KPM has grown from 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 (MOPI) from 2008 till 2009
- Was the Co-Chairman of the Malaysia's Third Industrial Master Plan for pharmaceutical products
- Past Branch Committee of Federation of Malaysian Manufacturers, Malacca Branch
- Current Executive Council Member of the Malaysian Organisation of Pharmaceutical Industries (MOPI)

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 2021:
- Has attended all five (5) Board meetings

Directors' Profile (Cont'd)

CHIN SWEE CHANG
Executive Director
64, 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 2021:
- Has attended all five (5) Board meetings

LEE MIN ON
Independent Non-Executive Director
61, 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 KPMG 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").
- Served in the Task Force set up by Bursa 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 2021:
- Has attended all five (5) Board meetings

Directors' Profile (Cont'd)

DATUK PIONG TECK YEN
Non-Executive Non-Independent Director
54, 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 2021:
- Has attended all five (5) Board meetings

PIONG CHEE KIEN
Non-Executive Non-Independent Director
41, Malaysian, Male
Date appointed: 19 February 2019

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 2021:
- Has attended all five (5) Board meetings

Save as disclosed above, none of the Directors has:

i. other directorships in other public companies and listed issuers; and

ii. 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 2021.

KEY SENIOR MANAGEMENT'S PROFILE

CHEAH MING LOONG
Chief Operating Officer
50, 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 20 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.

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
47, Malaysian, Male
Date appointed: 1 July 2003

Academic qualification:
- Bachelor of Business (Accounting) (University of Technology Sydney)

Experience and career path:
- More than 20 years of working experience and 18 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 the Kotra Industries Berhad and KPM.

Associations and affiliations:
- Member of Malaysian Institute of Accountants (MIA)

Key Senior Management's Profile (Cont'd)

HIEW MEIN FOONG
Chief Brand Officer
60, Malaysian, Male
Date appointed: 15 February 2000

Academic qualification:

- B.A. (Mass Communications) Hons. (Universiti Kebangsaan Malaysia)

Experience and career path:

- Began his career in advertising, spending more than 10 years in the advertising industry.
- 21 years in the pharmaceutical industry since joining KPM in 2000.
- Initiated the Company's Customer Satisfaction and CRM programmes.
- Developed the Company's Corporate Identity Manual.
- Responsible for developing KPM's new logo, Appeton, Axcel & Vaxcel logos.
- Secured MATRADE's promotion grant for the Company.
- Management Committee for Risk Management and ISO 9001.
- Set up and headed the International Markets OTC Division.
- Represented KPM (OTC) in the Pharmaceutical Mini-Lab (PEMANDU), 2013.
- Involves in strategic planning (local & International) focusing on branding, advertising, marketing, sales, overseas market expansion, distributor management, new product development, positioning, target market and segmentation.
- 'Development of Business, Branding and A&P' best practices for potential duplication to ensure standardised processes and success.

PIONG CHEE WEI
Senior Marketing Manager
36, Malaysian, Male
Date appointed: 1 January 2020

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 Marketing Department.

Associations and affiliations:

- Member of Malaysian Pharmaceutical Society (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 Senior Management has:

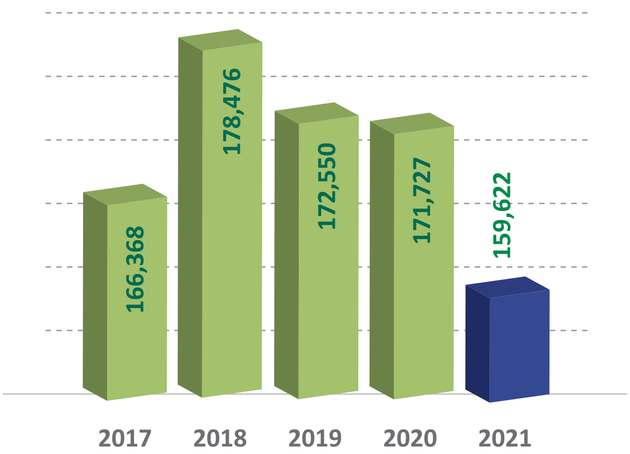
i. family relationships with any Directors/Substantial Shareholders of the Company;
ii. directorships in other public companies and listed issuers; and
iii. any conflict of interest with Kotra Industries Berhad.

Other than traffic offences, none of the Key Senior 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 2021.

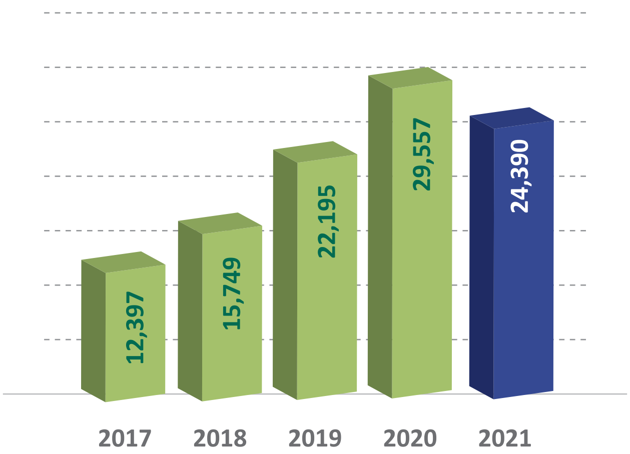
FINANCIAL HIGHLIGHTS

	2017 ('000)	2018 ('000)	2019 ('000)	2020 ('000)	2021 ('000)
Revenue	166,368	178,476	172,550	171,727	159,622
Profit after tax	12,397	15,749	22,195	29,557	24,390
Shareholders' equity	142,083	153,254	172,160	189,846	206,419
Net assets per share	1.07	1.15	1.20	1.31	1.40
Gearing ratio	0.52	0.38	0.26	0.17	0.09
Return on assets (%)	4.92	6.49	9.01	11.67	9.66
Return on equity (%)	8.73	10.28	12.89	15.57	11.82

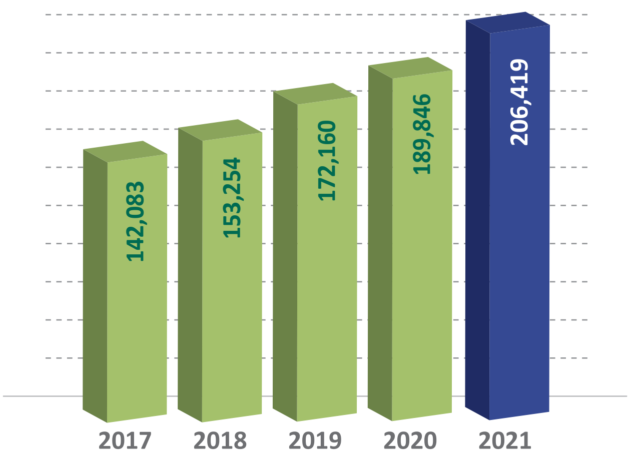
REVENUE (RM'000)



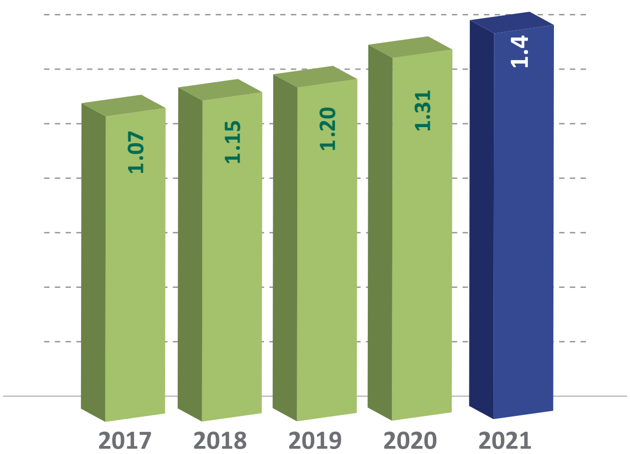
PROFIT AFTER TAX (RM'000)



SHAREHOLDERS' EQUITY (RM'000)



NET ASSETS PER SHARE (RM)



CHAIRMAN'S STATEMENT

Dear Esteemed Shareholders,

On behalf of the Board of Directors ("Board"), it is with pleasure and honour that I present to you the Annual Report of Kotra Industries Berhad ("Company") for the financial year ended 30 June 2021.

The financial year ended 30 June 2021 was indeed a significant year. The COVID-19 pandemic ("pandemic") continued to grip the world as we witnessed the brunt of this pandemic, affecting livelihoods, businesses and the economy at large. Countries including Malaysia were forced to implement stringent lockdowns and multiple movement restrictions as a containment measure of COVID-19. The world faced dampened demand whilst the supply chain disruptions remained at its highest. The Group, classified as essential services by the Ministry of International Trade and Industry ("MITI"), continued its operations to manufacture and supply products under strict standard operating procedures set by Majlis Keselamatan Negara when the Movement Control Order was imposed by the Malaysian Government during the financial year under review. We at the Board applaud the Group for persevering and rising up to the occasion in the difficult operating environment.

The Group was responsive and able to adapt to the changes in the worldwide business operating environment. Despite the unprecedented challenges, we remained resilient and ensured the continued supply of our products to customers and patients. We undertook operational efficiency initiatives across the Group which were crucial in sustaining our business as well as improving and maintaining our financial standing. By improving efficiencies, we were able to take strategic decision-making efforts to optimise our manufacturing footprint and to remain competitive and profitable in the long-term.

As we continued with our operations, we also focused on the safety and well-being of our employees and ensured that they were not compromised. We facilitated remote working whenever and wherever possible, held meetings or discussions virtually, compulsory usage of masks, social distancing practice at workplace and implemented other precautionary measures across the Group. We ensure strict adherence to the standard operating procedures that were established by the authorities to curb the spread of COVID-19 virus. With the rollout of COVID-19 vaccination programme in early 2021 in Malaysia, we encouraged all of our employees to be vaccinated quickly. The Group also partnered with MITI via "Program Imunisasi Industri COVID-19 Kerjasama Awam-Swasta" (PIKAS), which assisted in increasing the vaccination uptake and to reduce workplace clusters. We are proud to report that 99% of our employees are fully vaccinated with second dose while 1% of our employees have received their first dose of vaccine to date.

Our Financial Performance

For the financial year ended 30 June 2021 and against the backdrop of a volatile operating environment, the Group registered a revenue of RM159.6 million, representing a decline of 7.0% compared to RM171.7 million in the preceding year. The COVID-19 pandemic has had adversely affected our export markets for both over-the-counter ("OTC") and pharmaceutical products. Several countries were under prolonged lockdown periods to contain the spread of COVID-19 virus. The various movement restrictions that were implemented in stages in Malaysia, also impacted the sales of our pharmaceutical products. The shortfalls were, however, well mitigated by the diversified portfolio of our OTC products, evident from the higher sales achieved by this division for the financial year under review.

The Group's profit before tax was slightly higher in the financial under review, at RM26.3 million against a profit before tax of RM25.9 million during the financial year ended 30 June 2020. This marginal increase was a result of the Group's lower operating expenses due largely to cost rationalisation measures, a strategic approach undertaken due to the lockdown/movement restrictions period locally and overseas. Profit after tax saw a decrease from RM29.6 million to RM24.4 million for the financial year under review, mainly due to the write-down of deferred tax asset pursuant to MFRS 112 following an assessment of its realisability.

Chairman's Statement (Cont'd)

Despite a reduction in revenue, our balance sheet remained relatively healthy with shareholders' funds amounting to RM206.4 million and net assets attributable to ordinary equity holders of the Company of RM1.40 per share as of the end of the financial year under review, as compared to the preceding year's shareholders' funds of RM189.8 million and net assets attributable to ordinary equity holders of the Company at RM1.31 per share. Earnings per share stood at 16.53 sen as compared to 20.42 sen in the preceding financial year, mainly due to the decline in profit after tax.

Total assets of the Group reduced slightly to RM252.5 million during the financial year under review as compared to RM253.2 million in the preceding financial year. Operating cashflows of the Group for the year under review saw a decrease from RM50.1 million in the preceding year to RM45.2 million.

Dividend

In addition to an interim dividend of 2 sen per share which had been distributed for the financial year ended 30 June 2021, the Board has proposed a final dividend of 7 sen for this financial year, which is subject to shareholders' approval at the upcoming Annual General Meeting. This brings total dividends for the year to 9 sen per share.

Product Pipeline

In the pharmaceutical industry, innovation is crucial to maintain our competitive edge as well as to serve unmet needs. Our investment in R&D and creation of our new product range, amongst others, made the increase in life expectancy and improvements in available treatments possible. During the year, our dedicated R&D team continued devoting its efforts to developing a broad range of new pharmaceutical products. We will continue to be diligent in identifying future R&D projects with our focus being on developing complex and valued products.

The financial year ended 30 June 2021 witnessed the launch of six (6) products, comprising one (1) OTC and five (5) generic drugs, despite delays in product approvals which had impacted our new product launches due to the pandemic. The following products were launched to the market:

i) Appeton Multivitamin Pastilles
Healthy chewable pastilles (non-sugar coated) for children;
ii) Axcel Glimepiride
Medication used to treat diabetes mellitus type 2;
iii) Axcel Bromhexine (Children) Syrup
A mucolytic medicine used in the treatment of respiratory chest congestion;
iv) Arite Beclometasone 50mcg (Metered Dose Inhaler Product)
Used in long-term management of asthma;
v) Vaxcel Granisetron Injection
An antiemetic to treat nausea and vomiting following chemotherapy and radiotherapy; and
vi) Axcel Atenolol
Used to treat high blood pressure and heart-associated chest pain.

Outlook

Amidst the volatile business environment, the Group remained focus to improve operating efficiencies as well as strengthening our branding. With a robust risk management and internal control system in place, we constantly monitor our risks to ensure controls established are adequate and effective enough to mitigate the business risks in the identified areas.

The Group will expand its current facilities with the construction of a new, automated bulk handling warehouse to cater for storage and warehousing needs. This new warehouse will have a storage capacity of approximately 20,000 pallets and fully comply with the relevant regulations for storage and handling of pharmaceutical products. Preparations are underway and construction of the warehouse is planned to commence in the beginning of 2022.

With the increasing vaccination coverage, we look forward to an overall improvement in business sentiments. With the availability of our production capacity, we aim to explore and pursue new opportunities to expand in both local and international markets while leveraging the Group's R&D activities to introduce new products. As we anticipate that travel restrictions will be lifted soon, we plan to focus on expanding our footprint in the international markets to strengthen our global pharmaceutical presence through niche and high-quality products. Our vision of ensuring everyone deserves a healthier tomorrow with access to healthcare gives us the confidence to bolster our foundation to build a better future.

Acknowledgement

On behalf of the Board, my heartfelt appreciation to all our shareholders, customers, suppliers, vendors, bankers, regulatory bodies and other stakeholders for their continued trust, confidence and unwavering support to the Group. I also take this opportunity to extend my thanks to the Management and all employees of the Group for their dedication, diligent efforts and commitment to ensure business continuity despite being faced with multiple disruptions posed by the COVID-19 pandemic. Last but not least, my sincere gratitude also goes to my fellow Board members for their valuable contributions, guidance and insights over the years.

In anticipation of a gradual economic recovery in Malaysia, we are cautiously optimistic and remain prudent in our business and financial decisions. As we forge onward, we are committed to create substantial value for our shareholders and focus on our efforts to build our brand name. The Group remains steadfast in realising its mission of 'Everyone deserves a healthier tomorrow' and I look forward to report on our Group's progress in the coming financial year.

DATUK JAMALUDIN BIN NASIR
Independent Non-Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Dear Valued Shareholders,

I am honoured to present the Management Discussion and Analysis that highlights the financial and operational performance of Kotra Industries Berhad and its subsidiaries ("Group") for the financial year ended 30 June 2021.

OVERVIEW

The Group has been offering a wide range of healthcare products of over-the-counter supplements (OTC), nutritional products as well as pharmaceutical products in various dosage forms. The Group owns a manufacturing plant situated in Melaka with its Sales and Marketing office in Kuala Lumpur with over 650 employees. We carved our market niche via our three (3) main brands, namely Appeton, Axcel and Vaxcel. The latest brand to join the family last year is Arite.

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.

We are always guided by our vision of humanising health where we believe everyone deserves a healthier tomorrow and we will continue our efforts to bring a variety of safe and cost-efficient products accessible to everyone, especially during these trying times. The COVID-19 pandemic has caused unprecedented widespread disruption, affecting many sectors globally. The Malaysian economy was not spared, with economic activities dwindling, resulting in a GDP drop of 5.6% in year 2020 impacted by lower demand and the various phases of Movement Control Order ("MCO") rolled out by the Malaysian Government.

As the Group is principally involved in research, development and manufacture of pharmaceutical and health supplement products, the Group's activities are classified as "essential services" and, therefore, the Group was able to continue operations during MCO, and remained profitable with positive operating cash flows.

FINANCIAL REVIEW

For the financial year ended 30 June 2021, the Group registered a decline in revenue of 7%, from RM171.7 million in the previous financial year to RM159.6 million amid the COVID-19 pandemic. The lower revenue was primarily attributed to decreased sales in the international markets. However, a lift in demand for Appeton health supplements products in the local market managed to offset the impact of decline in international markets.

The data below provides a comparison of financial results between the financial year ended 30 June 2021 ("FY 2021") and 2020 ("FY 2020"):

	FY 2021 RM'000	FY 2020 RM'000	Variance (%)
Revenue	159,622	171,727	-7.0
Profit Before Tax	26,273	25,926	1.3
Profit After Tax	24,390	29,557	-17.5
Net Profit After Tax Margin	15.3%	17.2%	

Management Discussion And Analysis (Cont'd)

FINANCIAL REVIEW (CONT'D)

Demonstrating our positive operational performance, the Group closed the year with profit before tax, improving by 1.3% resulting from lower finance cost, and focusing on quality spent on our selling and administration expenses which brought more value to the cost incurred. The decrease in profit after tax of 17.5% was mainly due to the write-down of deferred tax asset pursuant to MFRS 112 following an assessment on the realisability of the assets.

As of 30 June 2021, the Group reported total assets of RM252.5 million and liabilities of RM46.1 million compared to RM253.2 million and RM63.4 million respectively for the preceding financial year. The decrease in total liabilities for the financial year under review was attributed to the repayment of both long-term and short-term borrowings.

COVID-19 related impacts and restrictions globally drove up costs and expenses, especially raw materials and logistics costs, which are significant expenses to the Group. Nevertheless, the Group is cautious of the challenges resulting from the deteriorated global and local economy arising from COVID-19 and has taken measures to tighten internal controls and fiscal measures to thwart any adverse effects that may arise.

OPERATIONS REVIEW

A. Manufacturing (Manufacturing Excellence)

Our manufacturing facilities comply to the current Good Manufacturing Practice (cGMP) requirements of Pharmaceutical Inspection Co-operation Scheme (PIC/S) whilst our quality management system is certified to the standards of ISO 9001. We also have ISO 17025 accreditation for our quality control laboratory to be competent to carry out tests or calibration.

During the year, the Group was able to continue operations with minimal disruption amid the MCO implemented by the Government to curb the spread of COVID-19.

Looking ahead to financial year 2022, the Group plans to allocate capital expenditure towards the upgrading of manufacturing equipment and expansion of warehouse. The Group is optimistic that with our infrastructure, sufficient capacity and resources, we will herald more opportunities to increase export supply in the future and compete in the overseas market, which will further enhance our standing as a player in the pharmaceutical industry.

B. New Product Development (Research and Development Excellence)

The Group firmly believes that research and development ("R&D") plays a crucial role in carving a competitive advantage. Our dedicated in-house R&D team, which consists of 51 headcount, is constantly working on developing and formulating new as well as existing pharmaceutical products to support the changing needs in the market.

As mentioned earlier, we launched six (6) products during the financial year under review. With the increasing portfolio of products registered, we are confident of sustaining our competitive advantage in this industry.

C. International Market (Global Pharmaceutical Excellence)

The COVID-19 pandemic has caused disruption worldwide. Although market sentiments seem to be improving, especially with the rise in vaccination numbers, the Group will remain cautious and prepared for any challenges ahead. Our international division has contributed RM54.60 million to the Group's overall revenue for the financial year ended 30 June 2021. A far cry compared to the previous financial year. Our current focus in the short-term is to continue to step up efforts on our existing customer base to increase value creation and generate additional revenue to the Group.

D. Brand and Marketing (Brand and Marketing Excellence)

The Group believes that brand image is more than a logo. It makes impression and builds credibility and loyalty among customers. Whilst market sentiments were soft during the year, we need to continue focusing on driving effective and high impact marketing activities that create value and awareness among our customers.

As of the financial year ended 30 June 2021, we continued our efforts in investing in our social media platforms, enabling us to actively engage with our followers and the feedback has been generally positive. We cannot deny that digital marketing is the future, and we intend to leverage it to achieve favourable impact on our brand image.

To build and strengthen our brand presence, 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.

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 and Compass Meetings. During the MCO, these trainings were conducted via teleconference. 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 Group has also launched a Clinic Assistant Program ("CAP") to bridge the unmet needs of our customers. This program aims to equip untrained clinic assistants with the knowledge and skills to be more competent. The immediate goal for this program is to increase our credibility among our customers, but in the long run we aim to be the pioneer in transforming traditional learning and training and contribute in elevating the Malaysian workforce in line with The Forth Industrial Revolution ("IR 4.0") and the Twelfth Malaysian Plan ("RMKe-12").

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, COVID-19 pandemic, 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.

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, 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, fluctuations in foreign currency exchange, economic instability, inventory obsolescence and lockdowns that will have a material impact on the Group's financial position and business performance.

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

b) COVID-19 Pandemic Risk

Although our country is in different phases of National Recover Plan ("NRP") at the date of this report, the risk of COVID-19 infection is still prevalent. The effects could be severe should any of our employees be diagnosed with the virus.

The Group's COVID-19 Response Team, headed by the human resource department, is tasked to provide a safe working environment and minimise the risk of infection by having policies in place such as regular COVID-19 testing for all employees, implementation of virtual meetings and work-from-home arrangements. The team is also in constant contact with Ministry of Health ("MOH") and Ministry of International Trade and Industry ("MITI") to ensure all standard operating procedures are kept updated and strictly adhered to.

In our efforts to guard against any hiccups in our production, we are constantly reviewing our supply chain network. We believe it is essential to closely monitor our suppliers on their ability to continue operating as well as ensure they are complying with our quality standards.

Management Discussion And Analysis (Cont'd)

ANTICIPATED RISKS (CONT'D)

c) Regulatory and Compliance Risk (in pharmaceutical industry)

Regulatory and compliance risks are inherent in the pharmaceutical industry. We are faced with continuous and constant changes in regulatory requirements. This poses a distraction to deliver quality products to the market, which may have a profound effect on the Group's reputation, financial standing as well as the lives of product users.

To mitigate this risk, we have been embedding controls and compliance process in the Group by conducting periodic reviews, continuous training and effective communication with regulatory bodies via an effective compliance management team, consisting of 123 members, who enabled us to sustain our commitment towards regulatory compliance.

d) Competitive Environment

The Group faces stiff competition from local and those international competitors with resources significantly greater than the Group. We have seen how disruption to the international market could affect us this year. This competitive environment may reduce our revenue and profit margin if not properly responded to.

Recovery of the global economy is not expected to be swift. 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

With the increased COVID-19 vaccine rollout worldwide, we can now see 'light at the end of the tunnel' with the recovery in various aspects from social safety and health to market certainty. 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 value for our shareholders. Moreover, the Group will be dynamic in making changes whenever needed and seizing new opportunities should they arise, given the increase in health and self-care awareness.

As we stride forward, the Group is mindful of the challenging market conditions and economic uncertainties. Nonetheless, we remain resilient 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

Kotra's progress would not have materialised without the strong support and steadfast dedication of the management team and employees, who have contributed greatly to the Group's achievements in this challenging period. We express our heartfelt gratitude for their tireless efforts.

A special mention should be also given to the Board, and the Group would like to extend our appreciation for their excellent guidance and stewardship.

Last but not least, a big thank you to all our shareholders, suppliers, bankers, business partners and clientele for the continued trust and unwavering support towards the Group all these years.

PIONG TECK ONN
Managing Director

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Kotra Industries Berhad ("Company") recognises the importance of establishing and maintaining good corporate governance throughout the Company and its subsidiaries ("Group"). The Board further acknowledges that good governance is essential in upholding business integrity, transparency and professionalism to protect and enhance shareholder value. The Board has considered the 3 Principles and 36 Practices, including the 31 Guidance, set out in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") and, where deemed pragmatic and pertinent in relation to the Board's size and degree of complexity of Group's operations, has adopted the Practices in conducting the business and affairs of the Group.

This Corporate Governance Overview Statement ("CG Overview Statement") is issued pursuant to Paragraph 15.25 (1) of Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The CG Overview Statement provides an overview of the application of the 3 Principles set out in the MCCG 2017 and is to be read together with the Corporate Governance Report ("CG Report") which provides details of the Board's application of each Practice set out in the MCCG 2017 during the financial year ended 30 June 2021. The CG Report is available on the Group's website at www.kotrapharma.com

Meanwhile, the Board took note of the updates on the Malaysian Code on Corporate Governance 2021 ("MCCG 2021") issued by the Securities Commission Malaysia ("Securities Commission") which took effect from 28 April 2021. MCCG 2021 introduces new Practices and additional Guidance to strengthen the corporate governance culture of public listed companies. The reporting on the adoption and application of new Practices will begin for the companies with financial year ending 31 December 2021. The Board will assess and evaluate the relevance of those new Practices of MCCG 2021 for adoption and will make the necessary disclosures in the Group's Annual Report 2022.

Summary of Corporate Governance Practices

The Practices set out in the MCCG 2017 have been applied to the extent they are relevant for non-Large Companies, for which the Company is one, to achieve the intended outcomes for the financial year under review except for the following practices:

- Practice 4.1 which states that at least half of the Board should comprise Independent Non-Executive Directors; and
- Practice 7.2 which requires the Board to disclose on a named basis the top five (5) Senior Management's remuneration, including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

PRINCIPLE A: BOARD LEADERSHIP AND RESPONSIBILITIES

PART I: BOARD RESPONSIBILITIES

1.1 Strategic aims, values and standards

The Board is collectively responsible in providing effective leadership, overall strategy and direction throughout Group to achieve its corporate goals and long-term sustainable success. The Board oversees the implementation of plans and strategies by the Management, the Group's activities and performance, good governance, ethical practices as well as effective risk management and internal controls. The Board is guided by the Board Charter which outlines the roles and responsibilities of the Board, Board Committees and individual Directors. The Board Charter, which also sets out the matters reserved for the Board's decision, is available on the Group's website at www.kotrapharma.com

The Board has established four (4) Board Committees to assist in discharging its fiduciary and stewardship duties and responsibilities. The Board Committees constituted by the Board are Audit Committee ("AC"), Remuneration Committee ("RC"), Nomination Committee ("NC") and Employees' Share Option Scheme ("ESOS") Committee ("EC"). All Board Committees are entrusted with specific responsibilities and authority to act on behalf of the Board in accordance to their clearly defined Terms of Reference. The Chairman of each Board Committee reports to the Board on the key matters deliberated during Board Committee meetings and makes recommendations to the Board for their final approval.

1.2 Board Chairman ("Chairman")

The Chairman position of the Board is held by an Independent Non-Executive Director. The Chairman plays a pivotal role in leading the Board and is responsible for ensuring the Board's effectiveness. The Chairman is also responsible for the following key activities:

i) Chairs Board Meetings and Annual General Meeting ("AGM"), including Extraordinary General Meetings ("EGM");
ii) Promotes and oversees the adoption of corporate governance practices in the Board as well as the Group;
iii) Ensures there is effective communication by the Company with shareholders and stakeholders;
iv) Fosters open and inclusive discussion to ensure all Directors participate during the Board Meetings;
v) Ensures all key matters and emerging issues are discussed by the Board in a timely manner; and
vi) Ensures that the Board receives accurate, adequate and clear information on the Group's performance and other matters, such as challenges, issues and opportunities faced by the Group.

Corporate Governance Overview Statement (Cont'd)

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

PART I: BOARD RESPONSIBILITIES (CONT'D)

1.3 Separation of Positions between the Chairman and the Managing Director

The positions of Chairman and Managing Director are held by different individuals to ensure there is a balance of power and authority. Whilst the Chairman and Managing Director assume leadership positions in the Group, there is a clear and separate division of responsibility between them which are defined in the Board Charter. The Chairman is primarily responsible for matters pertaining to the Board and provides leadership in ensuring effective functioning of the Board as a whole. The Managing Director is responsible for the day-to-day leadership, management of the business and implementing the Board's decisions.

The Non-Executive Directors are persons of calibre, credibility and have the necessary skill and experience to bring an independent judgement to bear on the issues of strategy, performance and resources, including key appointments and standards of conduct. In particular, the Independent Directors provide independent oversight and have no relationship with the Group or related persons that could materially interfere in exercising their independent judgements to the Board's decisions. Together with the Non-Independent Non-Executive Directors, the Independent Directors provide the necessary checks and balances for the effective functioning of the Board, safeguarding the interests of shareholders and stakeholders and ensuring that high standards of corporate governance are applied throughout the Group.

1.4 Qualified and Competent Company Secretary

The Board is supported by Company Secretaries who are competent and experienced. The Company Secretaries are professionally qualified and are members of the Malaysian Institute of Chartered Secretaries and Administrators. In performing their duties, the tasks carried out by the Company Secretaries include the following:

i) Facilitating, attending and recording minutes of meetings of the Board, Board Committees and shareholders;
ii) Briefing the Board on letters and circulars issued by Bursa Securities;
iii) Providing advice and support to the Board, Board Committees and Management;
iv) Updating the Board and Board Committees regularly on any changes on statutory and regulatory requirements;
v) Assisting the Board by preparing announcements for release to Bursa Securities;
vi) Facilitating the assessments undertaken by the Board and Board Committees as well as compiling the results of the assessments; and
vii) Providing information requested by the Directors from time to time in a timely manner.

1.5 Access to Information and Advice

The Board meets on a quarterly basis with additional meetings convened as deemed necessary. An advanced schedule on meeting dates is circulated to the Board members to enable them to plan in attending these meetings. Meeting materials and agenda of Board meetings are circulated at least seven (7) days prior to meeting date to enable members of the Board and Board Committees to review and evaluate the matters detailed in the board papers for an effective discussion and decision making. The Board members attend and participate in Board Meetings in person or via online video conferencing. Meeting minutes are recorded and circulated by Company Secretaries to all Board members for comments, if any, before the minutes of Board meeting are confirmed at the next Board meeting.

To enable a proper discharge of duties, the Board has unrestricted access to information from the Company Secretaries and Management. Management may be invited to attend Board meetings to provide advice, clarification or detailed explanation on any aspect of the Group's operations or concerns from the Board. The Board may also seek independent professional advice, when necessary, at the Company's expense, to address issues in the meeting agenda.

2. Demarcation of Responsibilities

2.1 Board Charter

The Board has formalised a Board Charter that is aligned with MCCG 2017. The Board Charter encapsulates the respective roles, functions and responsibilities of the Board, Board Committees and individual Directors as well as matters specifically reserved for Board's decision. The Board Charter also documents the delegation of responsibilities to Board Committees via Terms of Reference adopted by the Board.

The Board reviews the Board Charter once in every two (2) years or more frequently to keep abreast of changes in regulations and practices as well as ensuring its relevance with the Board's objectives. The Board Charter was last updated on 17 May 2019. In view of the MCCG 2021, the Board will review the Board Charter to consider adopting the new Practices, including the updated existing Practices and Guidance introduced in the MCCG 2021.

Corporate Governance Overview Statement (Cont'd)

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

PART I: BOARD RESPONSIBILITIES (CONT'D)

3. Promoting Good Business Conduct and Corporate Culture

3.1 Code of Conduct and Ethics

The Board has in place a Code of Conduct and Ethics ("Code") for all Directors and employees of the Group. The Code sets out standard ethical behaviour and good conduct in performing duties and discharging responsibilities in the best interest of the Group. The Directors and employees are expected to uphold integrity and professionalism when dealing with various stakeholders. In addition, Board members are also required to adhere to the Directors' Code of Ethics and Conduct set out in the Board Charter.

3.2 Whistleblowing Policy and Procedures

The Board has established Whistleblowing Policy and Procedures ("Whistleblowing Policy") to provide a channel for all employees of the Group, public and external parties to report concerns on any actual or suspected improper conduct within the Group. Reports made in good faith are treated in a confidential manner with protection provided by the Group against any retaliation or reprisal to the whistle-blower if the reporting is done in good faith.

The Anti-Bribery and Corruption Policy

An Anti-Bribery and Corruption Policy ("ABC Policy") was implemented by the Board which reflects on the Group's zero tolerance against all forms of bribery and corruption. The ABC Policy provides mandatory guidance and procedures to prevent acts of bribery and corruption as well as to safeguard the reputation and maintain the integrity of the Group. The ABC Policy applies to all Directors, employees and third parties performing work or services on behalf of the Group.

The Code, Whistleblowing Policy and ABC Policy are published on the Group's website at www.kotrapharma.com

PART II: BOARD COMPOSITION

4. Board's Objectivity

4.1 Board Composition

The Board has 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 Independent Non-Executive Directors complies with Paragraph 15.02 of the MMLR and is sufficient to provide the necessary checks and balances on the decision-making process of the Board.

Although mindful of Practice 4.1 of the MCCG 2017 which requires at least half the Board to comprise Independent Directors, the Board is of the view that the existing Independent Non-Executive Directors who are professionals of high calibre with extensive knowledge and experience, are effective in exercising their independent views and judgement to the Board, whilst at the same time ensuring that the interests of all stakeholders are taken into account in decisions made by the Board. The Independent Non-Executive Directors do not have any business or other relationships that could interfere with their duties. They offer an adequate level of independence in the Board's composition as well as providing the assurance that there is 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.

4.2 & 4.3 Tenure of Independent Director and Policy on the tenure of Independent Non-Executive Director

The Board has implemented a nine (9)-year cumulative term for Independent Non-Executive Directors, in line with Step-Up Practice 4.3 of the MCCG 2017. An Independent Non-Executive Director who has served a cumulative term of 9 years from the date of appointment, shall step down from the Board upon the expiry of the said term. None of the Independent Non-Executive Directors has exceeded the cumulative term limit of 9 years in the Company as of 30 June 2021.

Corporate Governance Overview Statement (Cont'd)

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

PART II: BOARD COMPOSITION (CONT'D)

4. Board's Objectivity (Cont'd)

4.4 Board Diversity and Senior Management Team

The Board is satisfied with its current diversity and is of the view that current Board size and composition are sufficient to lead and manage the Group effectively. All the Directors are professionals, equipped with a diverse set of skills, experience and knowledge necessary to lead the Group. The Board is committed in providing fair and equal opportunities to all, without any discrimination against ethnicity, age, gender, nationality, marital status, education, physical ability or geographic region. To uphold its commitment towards diversity, the Board has established a Board Diversity Policy, which is available on the Group's website at www.kotrapharma.com

In identifying suitable candidates for directorship to the Board, the NC considers candidates on criteria like character, experience, competence, integrity and time availability for commitment. The selection of candidates for Senior Management team is conducted by the Managing Director. The Managing Director evaluates and selects suitable candidates to assist in managing day-to-day operations of the Group. The candidates are assessed on their competencies, capabilities, skills and relevant business experience to ensure that the Group continues to be a competitive industry player.

A brief background description is presented in the respective profiles of Directors and Key Senior Management in this Annual Report.

4.5 Gender Diversity

There is no specific target on gender diversity set by the Company, as the Board is committed to provide fair and equal opportunities to all candidates. The Board is of the opinion that appointment to the Board should be based on the candidate's merit, knowledge, skills, qualifications, experience and capacity. The Board is of the view that its current diversity, composition and size are adequate for the effective discharge of its functions and responsibilities. Currently, the Board is consists of five (5) male Directors and a female Director.

4.6 Directors' Appointment

The NC is delegated with the role of recommending new appointments of Directors 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 Directors to fill any casual vacancy in the Board.

The NC assesses the suitability of a candidate by considering, amongst others, the following criteria:

i) Experience and knowledge in related business of the Group, finance or other appropriate profession;
ii) Number of directorships in the companies outside the Group;
iii) Personality and character;
iv) Demonstrate high standards of ethics, integrity and professionalism;
v) Capable of exercising sound judgement; and
vi) Time commitment.

To conduct the initial selection, the NC has the authority to obtain the external services of independent professional institutions or recruitment firms to source for candidates for directorship, when necessary. Screening and selecting suitable candidate are conducted by the NC based on the prescribed criteria before recommending the most suitable candidate to the Board for approval and appointment.

4.7 The NC

The NC comprises three (3) members, all of whom are Non-Executive Directors, a majority of whom are Independent Directors. The NC has adopted a formal set of Terms of Reference approved by the Board which can be found on the Group's website at www.kotrapharma.com

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

Corporate Governance Overview Statement (Cont'd)

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

PART II: BOARD COMPOSITION (CONT'D)

4. Board's Objectivity (Cont'd)

4.7 The NC (Cont'd)

During the financial year ended 30 June 2021, the NC met once with full attendance by its members. A summary of activities carried out by the NC are:

i) Reviewed and assessed the performance and effectiveness of the Board as a whole;
ii) Conducted the annual assessment of the Board Committees as well as individual Directors;
iii) Reviewed the independence status of the Independent Non-Executive Directors;
iv) Reviewed the terms of office and performance of the AC members; and
v) Conducted an annual evaluation on the Chief Financial Officer.

5. Overall Effectiveness of the Board and its Individual Directors

5.1 Annual Evaluation

The Board, via the NC, has formalised an annual assessment to evaluate:

i) The structure, size and composition of the Board;
ii) The effectiveness of the Board as a whole and Board Committees;
iii) Contribution and performance of each Director;
iv) Independence of Independent Non-Executive Directors; and
v) Terms of office and performance of the AC and its members.

All assessments and evaluations carried out by the NC are properly documented and compiled by the Company Secretaries. Results of the assessments were disseminated to the Board, with the Chairman of the NC providing the relevant highlights and areas of strengths and weaknesses noted. Based on the results, the NC and the Board were satisfied with the well-balanced Board and the overall performance and effectiveness of the Board in discharging their responsibilities for the best interest of the Group. There were no major weaknesses noted from the assessment apart from the need to consider beefing up the number of Independent Directors in the Board.

Time Commitment

As set out in the MMLR, a Director must not hold directorships of more than five (5) public listed companies. This is to ensure the Director can commit sufficient time, focus and fulfil the responsibilities effectively. Directors are required to notify the Board of any acceptance of new directorship in public listed companies.

The Board meets at least five (5) times a year or more when circumstances require. For the financial year ended 30 June 2021, the Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities. This is evidenced by the attendance record of the Directors for Board and Board Committee meetings for the financial year ended 30 June 2021 as tabulated below:

Meeting attendance for the financial year ended 30 June 2021					
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)

5. Overall Effectiveness of the Board and its Individual Directors (Cont'd)

5.1 Annual Evaluation (Cont'd)

Directors' Training

The Directors are fully aware of keeping abreast with the latest developments in the industry and business environment as well as changes to the statutory requirements and regulatory guidelines. Directors are encouraged to attend trainings through seminars, courses, webinars, virtual conferences and workshops from time to time and as and when necessary to discharge their duties and responsibilities effectively. All Directors have attended and completed the Mandatory Accreditation Programme.

Details of trainings attended by the Directors are as follows:

Name of Directors	Trainings Attended
Datuk Jamaludin bin Nasir	• MARC 360 - Property Recharge 2020 • MARC's Cybersecurity Training • ADB's Initiatives Supporting Green Social & Sustainable Bond Market Development • Transformation in Customer Experience Management to Drive Business Growth • Malaysian Bond & Sukuk Conference • Emerging Market Summit – Unlocking Value as Recovery Takes Shape • Regulatory Climate Change Stress Testing Scenarios: Global Perspective • Implementing Amendments in the Malaysian Code on Corporate Governance • Update on Country Capital Markets Malaysia (RAM Ratings) and Thailand (TRIS) (2nd series) • Briefing on Guidelines on Conduct of Directors of Listed Corporation and Their Subsidiaries
Piong Teck Onn	• Training of Preceptors for Provisional Registered Pharmacist Liberalization Exercise • Webinar: Overview and Trends on Storage and Transportation of Drug Products • Webinar: Accelerating and De-Risking Your Product Development • Global Supply Chain Security of Medical Products: Track and Trace Good Distribution Practice • ISPE Vaccines Conference and Exhibition • New Approach to Scale up High Shear Granulation • Quality by Design for Single Use System in Biopharmaceuticals • Briefing on Guidelines on Conduct of Directors of Listed Corporation and Their Subsidiaries
Datuk Piong Teck Yen	• Briefing on Guidelines on Conduct of Directors of Listed Corporation and Their Subsidiaries
Chin Swee Chang	• Webinar: Contracting in a Digital Economy! • Fraud in the Time of COVID-19! • Fire Safety Talk • Renewable Engineering Products • Agent Training – Cyber and Data Security Insurance • Agent Training – QBE Public Liability, Product Liability and Combined General Liability Insurance • Agent Training – Director & Officer • Agent Training – The New Private Car Protector and Rexit • Agent Training – Engineering • Concept of Risk and Risk Survey • Contractor's All Risks Insurance and Extension of Time • Briefing on Guidelines on Conduct of Directors of Listed Corporation and Their Subsidiaries

Corporate Governance Overview Statement (Cont'd)

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

PART II: BOARD COMPOSITION (CONT'D)

5. Overall Effectiveness of the Board and its Individual Directors (Cont'd)

5.1 Annual Evaluation (Cont'd)

Directors' Training (Cont'd)

Details of trainings attended by the Directors are as follows: (Cont'd)

Name of Directors	Trainings Attended
Lee Min On	• How Governance, Risk & Controls are intertwined to provide assurance on business sustainability • Corporate Liability Provision under the MACC Act 2009 – Preparing the Organisation and its personnel for compliance • The Malaysian Code on Corporate Governance (updated 28 April 2021) - Overview of the updates (Practices & Guidance) & their implications to Listed Issuers & Directors • Cybersecurity Awareness Training • Risk Management Conference – Malaysian Institute of Accountants • Roles and Responsibilities of Directors on Governance, Risk and Controls/Compliance under the Companies Act 2016 • Effective Internal Audit – Institute of Internal Auditors Malaysia • Briefing on Guidelines on Conduct of Directors of Listed Corporation and Their Subsidiaries
Piong Chee Kien	• Basic Accounting Principles, Practices and Procedures • Briefing on Guidelines on Conduct of Directors of Listed Corporation and Their Subsidiaries

PART III: REMUNERATION

6. Level and Composition of Remuneration

6.1 Remuneration Policies and Procedures

The Board believes that competitive remuneration is important to attract, motivate and retain Directors and Senior Management to lead the Group to achieve its corporate objectives. Accordingly, the Board formalised Remuneration Policies and Procedures ("Policies and Procedures") setting out the criteria in determining the remuneration of Directors and Senior Management.

The RC reviews the remuneration of Executive Directors on an annual basis or when it is deemed appropriate before recommending to the Board for approval. The components of the remuneration package are linked to individual and the Group's performance, including the respective Executive Directors' qualifications, experiences and performances.

The remuneration for Non-Executive Directors is decided by the Board as a whole. For Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities. Their remuneration package includes Director's fees and meeting allowances for the Board and Board Committee meetings they attend.

6.2 Remuneration Committee

The RC plays a critical role in establishing, reviewing and recommending remuneration packages of all Directors, taking into consideration the Group's existing Policies and Procedures on remuneration. The RC has its Terms of Reference, specified by the Board, detailing its composition, duties and responsibilities. Directors abstain from discussing and deciding their own remuneration. All fees and benefits payable to Directors are subject to the approval of shareholders at the AGM.

Corporate Governance Overview Statement (Cont'd)

PART III: REMUNERATION (CONT'D)

6. Level and Composition of Remuneration (Cont'd)

6.2 Remuneration Committee (Cont'd)

The RC consists of the following members:

- **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

The remuneration of Senior Management is decided by the Managing Director. The remuneration package reflects on each Senior Management personnel's qualifications, experiences, market competitiveness, individual's and the Group's performance. The remuneration package of Senior Management includes basic salary, bonus, share options or profit-sharing schemes (if any) and other benefits.

7. Remuneration of Directors

The remuneration received by Directors from the Company and the Group amounted to RM301,000 and RM3,135,005 for the financial year ended 30 June 2021. Details of the remuneration received by each Director are set out under Practice 7.1 in the CG Report which is published on the Group's website at www.kotrapharma.com

The Board acknowledges that disclosure of remuneration of the Directors and Senior Management on a named basis provides transparency. However, the Board considers the remuneration of Senior Management to be sensitive and confidential in nature. Disclosing the remuneration of Senior Management on a named basis will not be in the best interest of the Group and may result in unfavourable outcome among the Group's employees. Therefore, the Board has not adopted Practice 7.2 of the MCCG 2017 on the disclosure of detailed remuneration of Senior Management in bands of RM50,000 on a named basis.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

PART I: AUDIT COMMITTEE

8. Effective and Independent Audit Committee

The AC is entrusted with the responsibility of assisting the Board to provide robust oversight on the Group's financial reporting, internal and external audit, risk management and effectiveness of the internal controls of the Group. Before recommending to the Board for approval, the AC reviews the information to be disclosed in the quarterly financial results and the annual audited financial statements to ensure accuracy, completeness of information and compliance with applicable financial reporting standards. The AC has unrestricted access to both the External Auditors and Internal Auditors, the latter of whom report directly to the AC. The composition, including a summary of activities of the AC is set out in the Report of the Audit Committee included in this Annual Report.

8.1 & 8.2 Chairman of the AC and Former Key Audit Partner

The AC is chaired by an Independent Non-Executive Director, Mr. Lee Min On, who is not the Chairman of the Board, complying with Practice 8.1 of the MCCG 2017.

The AC has a policy that requires a former key audit partner of the External Auditors to observe a cooling-off period of at least two (2) years before the person is contemplated for appointment by the Board as a member of the AC.

Corporate Governance Overview Statement (Cont'd)

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

PART I: AUDIT COMMITTEE (CONT'D)

8. Effective and Independent Audit Committee (Cont'd)

8.3 Assessment of suitability and independence of External Auditors

The Board, through the AC, has a formal, professional and transparent relationship with the Group's External Auditors. The External Auditors report to the AC on all audit matters of the Group. The AC has established an annual assessment to evaluate the suitability, objectivity and independence of the External Auditors. The AC has 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. The External Auditors are invited to attend AC meetings as and when necessary. The AC reviews and recommends the re-appointment of the External Auditors, for the Board's consideration with the resolution tabled for approval of shareholders at the AGM.

8.4 Necessary Skills by the AC to Discharge Duties

The AC members are financially literate and possess the appropriate level of expertise and experience to discharge their duties and responsibilities. The AC members also attended and will continue to attend professional development programmes to keep themselves apprised of relevant developments in accounting and auditing standards, practices and guidelines.

PART II: RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

9. Risk Management and Internal Control Framework

The Board has established a sound risk management framework and internal control system to safeguard shareholders' investments, stakeholders' interests and assets of the Group. The Board fulfils its oversight function of risk management and internal control system via the AC. With the implementation of a risk management framework, the Board ensures that the principal risks in the Group are identified, evaluated and managed with the implementation of internal controls to mitigate the exposure to acceptable levels.

The adequacy and effectiveness of the system of internal control of the Group are reviewed and evaluated by the AC. Risk management and internal control are an on-going process, with continuous monitoring undertaken by risk owners of each department in the Group. As the business environment changes from time to time, the Group continuously enhances its existing risk management and internal control system to address emerging concerns.

Details on the Group's internal control and risk management framework are disclosed in the Statement on Risk Management and Internal Control included in this Annual Report.

10. Effective Governance, Risk Management and Internal Control

The Group's Internal Audit Function was outsourced to an independent audit firm, namely KPMG Management & Risk Consulting Sdn Bhd ("KPMG") which reported directly to the AC during the financial year under review. None of the personnel deployed by KPMG had any relationships or conflicts of interest, which could impair their objectivity and independence during their course of work. The standards and practices adopted by KPMG are aligned to the International Professional Practices Framework of the Institute of Internal Auditors.

KPMG provides independent assessments on the adequacy, and operating effectiveness of the Group's risk management and internal control system. During the financial year under review, KPMG presented its internal audit report encompassing audit findings and recommendations to the AC. The AC evaluated and monitored the risks faced by the Group and significant risks were brought to the attention of the Board.

The summary of work undertaken by KPMG during the financial year under review is provided in the Statement on Risk Management and Internal Control included in this Annual Report.

Corporate Governance Overview Statement (Cont'd)

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

PART I: COMMUNICATION WITH STAKEHOLDERS

11. Continuous Communication Between The Company and Stakeholders

The Board acknowledges the importance of transparency and accountability to its stakeholders and maintains communication with them by utilising various channels. The Group endeavours to provide quality, accurate and timely disclosure of information, namely, financial statements, press releases, annual reports as well as corporate announcements. Such modes of communication adhere to the Group's Corporate Disclosure Policy & Procedures ("CDPP"), which apply to all Directors, Management, employees and authorised spokesperson of the Group in disseminating information to stakeholders. The Group, however, is mindful of upholding strict confidentiality on certain undisclosed material information.

The Group maintains a corporate website www.kotrapharma.com which incorporates an Investor Relations Section. It provides easy access to information such as Annual Reports, Board Charter, Terms of Reference, financial statements, announcements, news releases, corporate governance matters and policies. Alternatively, the Group's latest announcements can be found in Bursa Securities' website. The shareholders or public can direct any enquiries through a dedicated e-mail contact provided in the website. The Group, in its best efforts, will reply to these enquiries within reasonable time.

PART II: CONDUCT OF GENERAL MEETINGS

The AGM serves as a principal forum for the Board to engage with shareholders. In line with good corporate governance practice, the notice of the Twenty-First (21st) AGM was sent to shareholders twenty-eight (28) days prior to the AGM to enable shareholders to have sufficient time to consider the resolutions that would be discussed and decided during the AGM. The notice of 21st AGM was also published in the daily newspaper within the mandatory period, announcement via Bursa Securities as well as the Group's website.

Shareholders are encouraged to attend and participate in the AGM. During the AGM, shareholders are given the opportunity to raise questions or concerns regarding the resolutions proposed at the AGM and other matters related to the Group's business activities. A summary of key matters discussed at the AGM is published on the Group's website.

The Company has conducted its first fully virtual AGM during the 21st AGM held on 20 November 2020. Due to the restrictions imposed by the Malaysian Government and as advised by the Securities Commission, only essential individuals were physically present at the broadcast venue while the Senior Management, External Auditors and shareholders participated the meeting remotely. The voting at the AGM was conducted through remote participation online voting facilities. The results of the 21st AGM were announced to Bursa Securities immediately and were subsequently uploaded on the Group's website at www.kotrapharma.com

KEY FOCUS AREAS AND FUTURE PRIORITIES

The Board will continue to oversee and monitor regulatory compliance and ensure that proper policies and procedures are maintained by the Group, particularly focusing on anti-bribery and corruption compliance. In addition to that, the Group will continue to prioritise on risk management. Guided by the Enterprise Risk Management framework, the Group will work towards identifying and addressing risks that may threaten its corporate objectives as well as minimising key risks that include business, operational and cyber-security related risks.

This CG Overview Statement has been presented to and approved by the Board on 12 October 2021.

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. Moreover, the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") requires the Board to establish an effective risk management and internal control framework, wherein the Board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

In view of that, the Board is pleased to provide the following Statement which outlines the nature and scope of risk management and internal controls of the Group during the financial year ended 30 June 2021.

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 covers business risks that the Group is exposed to and the implementation of financial controls, operational and compliance controls and risk management policies and procedures to mitigate those exposures to acceptable levels. However, due to its inherent limitations, the system can only manage and reduce, rather than completely eliminating, risks such as fraud, error or failure to achieve the Group's 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 a periodic 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 Board fully supports the contents of Practices 9.1 and 9.2 of the MCCG 2017 which call for the establishment of an effective risk management and internal control framework and the disclosure thereof.

The Group's enterprise risk management framework, which was formalised in writing with the assistance of an independent professional firm of consultants, entailed 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 risk management framework accords with the promulgations of ISO31000:2018, an internationally recognised risk management methodology.

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 risk management framework:

- A formalised Risk Management Policy and Procedures document to streamline the Group's risk management activities;
- A risk management structure which outlines 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; 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.

Apart from other perennial operations and financial exposures, key risks identified during the year under review were regulatory compliance, cyber security, COVID-19 pandemic and corporate liability on corruption. The Group is mindful of the risks and has put in place pertinent policies and procedures to mitigate the risks, including enhancement made to the internal control system.

Statement On Risk Management And Internal Control (Cont'd)

INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function to an independent professional firm, namely KPMG Management & Risk Consulting Sdn Bhd ("KPMG"), which assisted both the Board and Audit Committee 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 independence from Management, the internal audit 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 the commencement of work. The internal audit work was conducted based on KPMG Internal Audit Methodology, which was closely aligned with the International Professional Practices Framework ("IPPF") of the Institute of Internal Auditors.

The Internal Audit Plan, which articulated the methodology of internal audit adopted by the professional firm and took into consideration the Group's Risk Profile, set out the areas of coverage and rationale for their selection and was presented to the AC for comments and subsequent approval before actual internal audit work was carried out. At the AC meeting during the financial year under review where the Audit Plan was deliberated, members of the AC inquired from the Internal Auditors 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 Internal Auditors 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. At the relevant AC meetings, representatives from KPMG tabled its report and deliberated with the AC the salient issues noted, recommendations by KPMG 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 Internal Audit function.

The internal audit engagement by KPMG was helmed by an Executive Director, namely Dato' Ooi Kok Seng, of the Internal Audit, Risk and Compliance Services ("IARCS") practice of KPMG. A member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants, Dato' Ooi has over 32 years of experience with extensive audit, accounting and consulting experience both in Malaysia and Washington, United States of America. During the internal audit engagements conducted, he was assisted by an Associate Director, Ms. Wong Ai-Leen, a Certified Internal Auditor and a professional member of the Institute of Internal Auditors Malaysia with over 16 years of working experience in consulting and public listed company. The AC was briefed by representatives of KPMG that all personnel deployed by KPMG 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 Procure to Pay and Management Information System were evaluated by the outsourced Internal Audit function for their adequacy and operating effectiveness to achieve intended outcomes, i.e., how the controls mitigated the risk exposures in the processes evaluated. The observations from the internal audit, which covered areas of enhancement to be addressed by Management, were reported in February 2021 and August 2021.

The Internal Audit function also conducted follow-up reviews on the status of Management action plans to address issues highlighted in preceding cycles of internal audit before reporting to the AC. The costs incurred for the Internal Audit function for the financial year ended 30 June 2021 amounted to approximately RM72,000.

Additionally, ongoing reviews and deliberation of financial reports during Board and AC meetings were conducted to ensure the adequacy and operating effectiveness of the Group's internal control system in safeguarding shareholders' investment and the Group's assets.

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, 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, where required;

Statement On Risk Management And Internal Control (Cont'd)

INTERNAL CONTROL FRAMEWORK (CONT'D)

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

- Documentation and communication to staff members on operating procedures that set out the policies, procedures and practices adopted in 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, Audit Committee 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; and
- 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 Whistleblowing 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 Internal Audit 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 2021 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 12 October 2021.

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 Report") for the financial year ended 30 June 2021, prepared in compliance with Paragraph 15.15 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

1. COMPOSITION AND MEETING ATTENDANCE

The Audit Committee ("AC") consists of three (3) members who are Non-Executive Directors, a majority of whom are Independent Non-Executive Directors. This fulfills the requirements of Paragraph 15.09(1)(a) and (b) of MMLR. None of the AC members appointed are alternate Directors.

The members of the AC during the financial year ended 30 June 2021 are as follows:

Chairman

Lee Min On
Independent Non-Executive Director

Members

Datuk Jamaludin bin Nasir
Independent Non-Executive Director

Piong Chee Kien
Non-Independent Non-Executive Director

The Chairman of the AC, Mr. Lee Min On is a member of the Malaysian Institute of Accountants, meeting the requirement of Paragraph 15.09(1)(c) of the MMLR. Furthermore, in compliance with Practice 8.1 of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017"), the Chairman of the AC is not the Chairman of the Board.

All members of the AC are financially literate and can analyse and interpret financial statements to effectively discharge their duties and responsibilities as members of the AC.

A total of five (5) AC meetings were convened during financial year under review. Details of the attendance of the members at the meetings are as follows:

Members	No. of Meetings Attended
Lee Min On	5/5
Datuk Jamaludin bin Nasir	5/5
Piong Chee Kien	5/5

In a financial year, the AC meets at least five (5) times or at more frequency as deemed necessary. To form a quorum, two (2) AC members who are Independent Directors must be present for the AC meeting. The Managing Director, Chief Financial Officer and Senior Finance Manager are invited to attend all AC meetings to facilitate direct communications and to provide clarifications on matters related to the financial reports to the AC.

The AC has the discretion to invite the Internal and/or External Auditors or other relevant personnel, as and when required, to assist in deliberations of the audit reports or any other matters or specific issues that call for the AC's attention. The Company Secretary is the Secretary of the AC. The Company Secretary prepares and circulates the meeting agenda in a timely manner prior to each AC meeting. Minutes of the AC meetings are recorded by the Company Secretary and are circulated among the AC members for comments and corrections, before tabling the same for confirmation at every succeeding AC meeting.

2. TERMS OF REFERENCE

The AC is governed by its Terms of Reference which set out the authority, duties and responsibilities of the AC. The Terms of Reference, which are in line with the requirements of the MMLR and MCCG 2017, are available for viewing at the Group's website, www.kotrapharma.com

Report Of The Audit Committee (Cont'd)

3. REVIEW OF THE AC

The Board, via the Nomination Committee ("NC"), reviews the terms of office and performance of the AC and its members through an assessment that is conducted annually in accordance with Paragraph 15.20 of the MMLR. For the financial year under review, the NC is satisfied that the AC and its members were able to discharge their functions, duties and responsibilities in line with the Terms of Reference of the AC.

4. SUMMARY OF WORK FOR THE FINANCIAL YEAR

During the reporting financial year, the AC carried out the following work in discharging its duties and responsibilities:

A) Financial Reporting

- Reviewed the quarterly unaudited financial reports on consolidated results for the financial year ended 30 June 2021 before presenting the same to the Board for approval;

- Reviewed the draft Directors' Report and the annual audited financial statements of the Company and the Group as well as the related notes to financial statements before recommending the same to the Board for approval; and

- Ensured the Group's financial disclosures complied with applicable accounting standards such as Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and requirements of the Companies Act 2016.

B) Internal Audit

- Reviewed and approved the internal audit plan for the financial year ended 30 June 2021, proposed by the outsourced Internal Auditors, namely KPMG Management & Risk Consulting Sdn Bhd ("KPMG") to ensure adequate scope and comprehensive coverage of the activities of the Group based on identified key risk areas;

- Reviewed the internal audit reports which highlighted on the observations, recommendations and Management's responses, to ensure the issues were promptly addressed and appropriate actions were or would be taken on the recommendations;

- Monitored the status on implementation of Management's action plans or corrective actions on the audit findings arising from preceding cycles of internal audit via the Internal Auditors' follow-up report to ascertain that the issues were being properly addressed;

- Reviewed and assessed the Internal Auditors' adequacy, function, competency and performance as well as ensured they had the necessary authority to carry out their audit work;

- Reviewed and approved the fees for the Internal Auditors to effectively carry out their audit plan for the financial year under review; and

- Undertook assessment to evaluate the performance, competencies, professionalism and effectiveness of the internal audit function.

C) External Audit

- Reviewed Audit Planning Memorandum tabled by the External Auditors, namely Crowe Malaysia PLT, that outlined the audit scope, methodology and plan prior to commencement of their audit work for the financial year under review;

- Discussed and reviewed with the External Auditors, the audit results and their report, including any significant issues or findings arising from the audit and their opinion on the financial statements of the Company and the Group;

- Held one (1) private meeting with the External Auditors, in the absence of the Management. This session enabled the External Auditors to express and discuss with candour to the AC on any audit concern or reservations that they might have noted during their audit and to ensure there were no restrictions to the scope of their audit;

Report Of The Audit Committee (Cont'd)

4. SUMMARY OF WORK FOR THE FINANCIAL YEAR (CONT'D)

C) External Audit (Cont'd)

- Reviewed and approved the nature of, and fees for, non-audit services provided by the External Auditors and/or their affiliates in accordance 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 2021 are stated in the Corporate Governance Overview Statement ("CG Overview Statement") under Additional Compliance Information; and

- Assessed the suitability, objectivity and independence of the External Auditors by evaluating, among others, the adequacy of their experience, skills, communication, independence, objectivity, their audit engagement and competency of the engagement team. The External Auditors also provided written assurance that they had been independent throughout the duration of their audit engagement in accordance with terms of the relevant professional and regulatory requirements, including 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.

D) Related Party Transactions

- Reviewed recurrent related party transactions ("RRPTs") of the Group on a quarterly basis to ensure any transactions entered into by the Group 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 that transpired within the Group to ensure that these transactions were undertaken at arm's length basis, on normal commercial terms and not prejudicial to the interest of minority shareholders.

E) Risk Management and Internal Control

- Assessed any audit findings or areas of deficiencies highlighted in the reports of the Internal and External Auditors to ensure the Group's internal control systems were enhanced to be adequate and effective;

- Ensured the Group has established relevant and appropriate processes in identifying, managing and responding to risks in accordance with the Board's risk appetite and reviewed the current and additional controls implemented by the Management at mitigating the risks; and

- Deliberated on the updates of the Group's risk profiles, including key risks identified by Management and the remedial measures undertaken to address, reduce and manage the risks to acceptable levels.

F) Other Matters

- Monitored the implementation of the Group's Anti-Bribery and Corruption Policy;

- Reviewed the CG Overview Statement, AC Report, and Statement on Risk Management and Internal Control to be included in the Annual Report 2021 before recommending to the Board for approval;

- 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.

5. TRAINING OF AC MEMBERS

During the financial year, the AC members had attended various training programmes, including seminars, conferences and workshops to keep themselves abreast with industry developments and regulatory changes as well as for their professional development. These programmes also enabled the AC members to discharge their duties and responsibilities effectively. Details of such continuing education programmes attended by the AC members are set out in the CG Overview Statement.

The AC Report was approved by the Board for inclusion in the Annual Report 2021 on 12 October 2021.

SUSTAINABILITY STATEMENT

INTRODUCTION

This Sustainability Statement ("Statement") encompasses our sustainability practices and efforts undertaken during the financial year ended 30 June 2021. The Statement highlights the commitment of Kotra Industries Berhad and its subsidiaries ("Group") in ensuring that the business operations are carried out responsibly and sustainably by taking into account the aspects of economic, environmental and social ("EES"). The Group is mindful of the importance of applying sustainability practices within the Group and will continue our efforts to identify, adopt, manage as well strengthen our initiatives on EES in our daily operations. As we go through this sustainability journey, we are committed to meet the expectations of our stakeholders by delivering a sustainable long-term value whilst promoting and encouraging a culture of sustainable practices and activities across the Group.

SCOPE OF REPORTING

This annual Sustainability Statement ("Statement") is prepared in accordance with Practice Note 9 of Main Market Listing Requirements on Sustainability Reporting by Bursa Securities Berhad. This Statement covers our sustainability approach, initiatives and data from 1 July 2020 to 30 June 2021 which focuses on EES, the key material aspects of sustainability. Where available and relevant, we have included data of preceding financial years for comparison purposes.

GOVERNANCE STRUCTURE

The Group has established a robust risk management and internal control system in assisting the Board of Directors ("Board") to monitor operations and to ensure these operations are conducted effectively, efficiently as well as in compliance with relevant regulations. The ultimate responsibility in setting the direction and driving the Group's sustainability practices is helmed by the Board. The Audit Committee ("AC") is delegated by Board to oversee the implementation of a sound risk management framework and internal control system in the Group. As the Group integrates sustainability into the components of its risk management system, such matters are discussed during the AC meetings, particularly when risk profile updates are deliberated under risk management matters. The Managing Director is responsible in managing day-to-day operations of the Group and in implementing sustainability strategies. The Managing Director is supported by the Senior Management Team and Heads of Department or Managers who are the driving forces in assisting to implement these strategies and plans which are then cascaded to all employees to embed a sustainability culture in the Group.

The diagram below represents the Group's governance structure on sustainability:

Sustainability Statement (Cont'd)

STAKEHOLDER ENGAGEMENT

The Group understands that every stakeholder has a direct or indirect involvement with the Group's business activities. Our key stakeholders are made up of several groups of people with different interests, needs and priorities. Therefore, we engage with them via various channels to understand their expectations and concerns to grow our business sustainably.

Our key stakeholders are outlined in the table below, along with their areas of concern and our modes of engagement:

STAKEHOLDER GROUP	AREAS OF CONCERN	FORMS OF ENGAGEMENT
Shareholders and Investors	• Group Financial Performance • Share Price Performance • Dividend • Corporate Governance • Investor Relationship Management	• Annual Reports • Group Website • Annual General Meetings • Bursa Announcements • Press Releases or Interviews
Regulatory Agencies and Statutory Bodies	• Regulatory Compliance • Occupational Safety and Health • Adherence to Laws and Regulations • Permits and Licenses	• Compliance Audits • Inspections, Visits and Meetings by and with Local Authorities • Annual Regulatory Reports • Dialogues, Seminars and Meetings • Membership in Pharmaceutical Related Organisations
Customers	• Product Quality • Price Points • Customer Satisfaction • New Product Development	• Advertisements • Promotional Campaigns and other Marketing Events • Meeting with Sales Personnel • Social Media • Corporate Website • Field Visit by Senior Management
Employees	• Training and Development • Career Development Opportunities • Succession Planning • Performance Management • Workplace Health and Safety • Company Policies and Procedures	• Induction Training • Staff Appraisal • Circulation of Internal Policies • Learning and Development Programme • Engagement with Senior Management • Company Social Events
Vendors / Suppliers	• Selection of Suppliers • Credit Terms • Sourcing of Quality Raw Materials • Business Relationships and Continuity	• Vendor Registration • Vendor Appointment • Contract Negotiation • Face-to-face, Telephone or E-mail Interaction • Supplier Audit • Supplier Performance Evaluation
Local Community	• Job Creation • Environmental Impact of Operations • Social Contributions	• Social Media and Corporate Website • Community Engagement Programme • Sponsorships • Events and Roadshows

Sustainability Statement (Cont'd)

MATERIAL SUSTAINABILITY MATTER

For the financial year ended 30 June 2021, the Group focused on addressing material issues to sustain our business growth in a responsible and balanced approach. We deployed an internal review to identify and prioritise key material issues or topics that are both relevant to our business and stakeholders. As we progress on our sustainability journey, we aim to reassess our sustainability matters to ensure they remain relevant to the Group's business operations and our stakeholders.

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 sustainability journey – in short, we strived 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 sustainability matters, we identified the following sustainability risk and opportunities, which encompassed the elements of economic, environmental and social to be material from the perspectives of the Group and our prioritised stakeholders:

ECONOMY

- Product Innovation
- Customer Growth
- Ethical Conduct
- Local Talent
- Procurement Practices

ENVIRONMENT

- Waste Management
- Energy Management
- Water Management

SOCIAL

- Workforce Diversity
- Training and Development
- Safety and Healthy Working Environment
- Our Response to COVID-19
- Local Community

ECONOMY

Product Innovation

Research and development ("R&D") activities are imperative for any pharmaceutical companies to achieve sustainable growth and to avoid becoming obsolete in the highly competitive market. Innovation to develop new products and improvement on the efficacy of existing products contributes to the growth of our economy. Furthermore, it helps to reduce reliance on imported drugs, decrease the expenditure of public health, improve the quality of life and increase competitiveness internationally.

The Group's continued investment in our expanding and evolving R&D activities has been a key aspect of our growth strategy. Girded by our belief that everyone deserves a healthier tomorrow, the Group strives to contribute to society by creating accessibility and offering affordable pharmaceutical and health supplements products. Through our dedicated R&D department supported by a strong team, we focus on delivering innovative and affordable products to cater to customers' needs as well as market demands.

Although the COVID-19 pandemic ("pandemic") has disrupted our product development projects, it did not deviate our focus to develop new products and enhance the quality of our existing products. We launched six (6) products during the financial year ended 30 June 2021 in comparison to three (3) products in the preceding financial year. This reaffirms our ability and resilience to expand our portfolio and offer diversified products to our valued customers despite the current challenging environment. The generic drugs and over-the-counter ("OTC") products launched in the market during the financial year under review are as follows:

1. Axcel Glimepiride;
2. Axcel Bromhexine (Children) Syrup;
3. Arite Beclometasone 50mcg (Metered Dose Inhaler Product);
4. Vaxcel Granisetron Injection;
5. Axcel Atenolol; and
6. Appeton Multivitamin Pastilles.

As a member of the Organisation of Islamic Committee and Pharmaceutical Inspection Cooperation/Scheme ("PIC/s"), Malaysia aims to position itself as a leading Halal hub globally. In response to the growing demand for Halal products, the Group developed and manufactured products in compliance with Halal requirements and Good Manufacturing Practise ("GMP"). We received Halal certifications by Jabatan Kemajuan Islam Malaysia ("JAKIM") for 84 products as of the financial year ended 30 June 2021. Moving forward, we will continue to fortify our R&D capabilities with focused investments to develop our product pipeline, improve the health of our customers while ensuring a long-term success of the Group.

Sustainability Statement (Cont'd)

ECONOMY (CONT'D)

Customer Growth

A growing customer base ensures the sustainability of the Group's business while keeping us on a growth trajectory. We are committed to provide quality and reliable products as well as to meet the needs of our customers. With our ISO accreditations such as ISO 9001:2015, ISO/IEC 17025 and ISO 13485:2016, we strive to provide products in accordance with stringent safety, quality and regulatory standards. The Group is aware of the importance of having a well-established customer relationship to sustain and grow our customer base. The Group's sales force proactively engages and interacts with customers (physicians included) to encourage sales and understand their needs which are crucial to navigate in this highly competitive and rapidly changing pharmaceutical landscape.

Our routine training programmes include product knowledge which help our sales force to strengthen their communication skills in educating and influencing our existing and potential customers on the benefits of our products. Our sales force is also an effective channel to promote our new products and to address any barriers that may be impeding customers from purchasing or prescribing our products. Our Marketing team has been leveraging on digital media to enhance our presence in online platforms to expand our customer base. Advertisement campaigns are conducted from time to time by utilising social media to reach our new and existing customers.

BigLink, our smartphone based cardless loyalty programme, has gained a strong base of users from all walks of life. BigLink enables users who download the application through Google Play Store and Apple App Store to collect points digitally (also known as eRM) to redeem Appeton products, rewards and win prizes. Our in-house Digital Media team has been the backbone of BigLink, constantly engaging users with interactive posts and attractive promotions. During the financial year under review, our customer base grew by 16% as compared to the previous financial year.

Ethical Conduct

With increasingly complex nature of pharmaceutical industry and heighten regulatory scrutiny locally and worldwide, it is necessary for the Group to embed transparency, accountability, integrity and compliance as part of the Group's culture. Instilling good corporate governance practices within the Group creates trust and confidence among our stakeholders. In line with this, we constantly ensure regulatory compliance and adherence to relevant laws and regulations.

The Group has a long-standing commitment to ensure its business operations are conducted responsibly and in accordance with the highest ethical principles. As such, our ethical responsibilities are exemplified with the formalisation of relevant policies within the Group. All policies can be viewed on the Group's website at www.kotrapharma.com. These policies include:

CODE OF CONDUCT AND ETHICS

The Group's Code of Conduct and Ethics ("Code") serves as a mandatory guide to enhance the standards of corporate governance and to promote corporate culture. The Code sets forth standards and ethics that are expected from all employees, including the Board of Directors, to ensure compliance with applicable laws, rules and regulations.

WHISTLEBLOWING POLICY AND PROCEDURES

The Whistleblowing Policy and Procedures ("Whistleblowing Policy") are in place to provide an avenue for a whistle-blower to disclose actual or suspected misconduct. Any concerns or complaints made by whistle-blowers will be kept confidential. The Whistleblowing Policy assures protection for a whistle-blower against retaliation or reprisal for disclosure of misconduct made in good faith.

ANTI-FRAUD POLICY

The Anti-Fraud Policy ("Policy") provides guidance for prevention and detection of fraud in the Group. The Policy aims to promote the highest standards of transparency and integrity as well as to safeguard the Group from legal and reputational consequences arising from fraudulent activities.

ANTI-BRIBERY AND CORRUPTION POLICY

The Group has adopted a zero-tolerance approach towards any forms of bribery or corruption. The Anti-Bribery and Corruption Policy ("ABC Policy") is established to provide a clear statement of the conduct expected from the Group's employees. The ABC Policy is also applied to all third parties performing work or services for and on behalf of the Group.

Sustainability Statement (Cont'd)

ECONOMY (CONT'D)

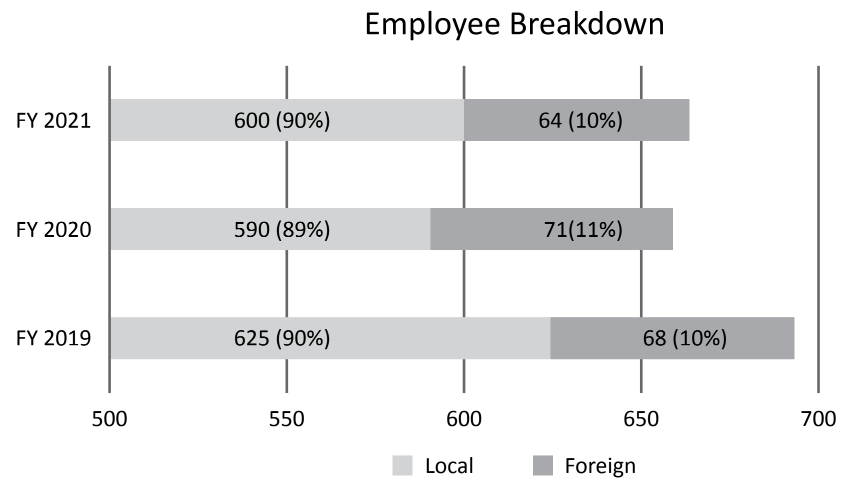
Ethical Conduct (Cont'd)

During the financial year ended 30 June 2021, the Group did not receive any report or complaint on any misconduct or bribery cases involving employees or third parties associated with the Group.

Local Talent

The Group continues to promote and attract talents from the local community by creating employment opportunities and contributing to the local economy. Hiring local candidates brings in new skills and social advantages. New employment opportunities in the Group provide job access for individuals who may be previously unemployed to be able to take home returns and meet their financial obligations. This further improves local economic conditions and benefit the Group's business by identifying and hiring reliable employees.

Our job openings are advertised using several methods, including referrals by existing employees. In tandem and to encourage young talents, we have been providing internship programmes, creating an on-going pipeline for future employees. The Group is also a training premise for Provisionally Registered Pharmacist ("PRP") Programme. Through PRP, we provide opportunities for graduates of pharmacy degree programme an in-depth clarity in the understanding of manufacturing requirements and equip them with relevant knowledge and skills required in the industry. Suitable remuneration packages are created, maintained and evaluated regularly to attract talents and retain our best employees. We strive to achieve diversity in our workforce, even focusing on foreign talents to provide diverse insights and perspectives to our work processes. Our employee breakdown of local and foreign workers for three (3) financial years are shown below:



Procurement Practices

The Group upholds the value of integrity, transparency and good ethics in our supply chain. We expect our suppliers to share our values and meet our standards of conducting business. The Group believes in fostering and maintaining long-term good relationship with our suppliers to meet achieve our business objectives. The Group procures from two (2) types of suppliers; suppliers that provide manufacturing related materials and suppliers that provide services or non-manufacturing related materials.

We place importance to ensure that our suppliers who conduct business with us do not only provide quality materials or services but also align with our Group culture and core values. We understand the value of consistency, therefore, rigorous process control is an integral part of our operations to ensure our products meet quality standards and regulatory compliance. In order to reduce or avoid any potential risks during procurement, we assess our potential and existing suppliers in terms of the following criteria:

- COMPETITIVE PRICING
- BUSINESS REPUTATION / COMPANY HISTORY
- QUALITY OF SUPPLY OR SERVICES
- PRESENCE OF RELEVANT DOCUMENTS
- COMPLIANCE TO ALL RELEVANT LAWS & REGULATIONS
- REASONABLE TERMS & CONDITIONS
- FINANCIAL STABILITY

Sustainability Statement (Cont'd)

ECONOMY (CONT'D)

Procurement Practices (Cont'd)

In our efforts to support the local community supply chain and to minimise our environmental footprint, we place emphasis to engage with local suppliers to source our materials, equipment, machinery or services, whenever possible. An approved supplier list is managed and maintained to ensure the placement of purchase orders are limited to these identified suppliers that meet the Group's criteria. Annually, suppliers' performance is evaluated in terms of quality of goods or materials, price and delivery timeliness. Suppliers are selected based on the approved supplier list with pre-determined criteria such as:

i) Purchase transactions within the financial year;
ii) Suppliers who were not evaluated in the past five (5) years;
iii) Suppliers of medical devices; and/or
iv) Whether there were any Corrective Action Preventive Actions ("CAPA") derived from complaint raised by the Group's Quality Assurance team during the financial year.

In the financial year ended 30 June 2020, 53 suppliers were evaluated whereas during the financial year ended 30 June 2021, 37 suppliers were evaluated. We are pleased to present the score for both financial years as below:

Financial Year	Rating Scale for Suppliers	
	Good	Meets Expectation
2020	72%	28%
2021	89%	11%

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

The pandemic has certainly disrupted the supply chain globally. Nevertheless, our suppliers were cooperative and supportive in supplying the materials based on our purchase orders, despite limitation of resources and logistics availability. To strengthen and diversify our supply chain, we are also exploring alternative suppliers who can provide competitive prices without compromising on the safety and quality of their materials.

ENVIRONMENT

Waste Management

The Group understands the importance of playing a part in conserving and protecting the environment. As reported by the World Bank, 2.01 billion tonnes of municipal solid wastes are generated annually and the global waste is expected to grow to 3.40 billion tonnes by 2050, more than double the population growth over the same growth. With population growth, rapid development and significant environmental concerns, including pollution, climate change and resource depletion, we are determined to conduct our business in a sustainable manner. Our aim is to generate less waste from our manufacturing operations and undertake measures to ensure adherence to pertinent environmental laws and regulations.

Pharmaceutical waste, irrespective of hazardous or non-hazardous waste, can result through a variety of activities in our manufacturing plant. Generally, this waste includes expired or unused pharmaceutical and OTC products, used gloves, masks as well as empty receptacles such as bottles, blister packs or ointment tubes. Failure to store and dispose of pharmaceutical waste safely can be detrimental to the environment. The Group partners with a professional waste disposal contractor who is registered with the Department of Environment ("DOE") to ensure these wastes are collected, handled and disposed of responsibly.

Several initiatives have been in place to promote 3R (Reduce, Reuse, Recycle) among our employees. Recycle bins are located conveniently at canteens in our premises to encourage waste recycling. Solid wastes such as plastic, aluminium cans and papers are segregated and recycled as part of the Group's contribution to reduce the impact on the environment. Bins are also installed in the office for employees to segregate recyclable and non-recyclable office wastes.

Among the on-going initiatives to reduce paper usage executed by the Group are:

i) Encouraging employees to share documents electronically and store documents in electronic archives;
ii) Encouraging duplex printing when printing or photocopying is necessary;
iii) Printing drafts using outdated letterheads or blank sides of unneeded single-sided copies;
iv) Using lower grammage of papers for printing and photocopying;
v) Reusing envelopes; and
vi) Receiving faxes as digital documents.

Sustainability Statement (Cont'd)

ENVIRONMENT (CONT'D)

Waste Management (Cont'd)

The work-from-home ("WFH") arrangement among our employees due to the pandemic had also prompted us to introduce online working method that reduced paper usage. Other materials such as office furniture and fixtures are reused or recycled whenever possible. In addition, packaging materials such as wooden pallets, carton boxes, bubble wraps, PE foam sheets and loose poly chip foams that are still in good condition are reused. We also advocate the paperless initiative among our stakeholders by encouraging shareholders to view Annual Reports on the Group's website to reduce our carbon footprint.

Energy Management

Energy is used for a wide variety of applications within the Group and electricity is the major source of energy consumed to keep our operations and facilities running at all times. The Group is mindful of its energy consumption to reduce wastage, operational costs and overall carbon footprint. Thus, promoting and boosting energy efficiency is important to minimise this non-renewable energy utilisation. The table below highlights the efforts undertaken by the Group to minimise energy consumption.

THE GROUP'S INITIATIVES TO REDUCE ENERGY CONSUMPTION
• Regularly schedule preventive maintenance to ensure optimisation of machines and equipment reliability.
• Computer and printer / photocopy machines are set to sleeping mode or switched off when not in use.
• Ensure lights and air-conditioners are switched off when not in use or during lunch time.
• Install energy-efficient bulbs and Light-Emitting Diodes ("LED") lightings.
• Energy consumption tracking and monitoring by Engineering Management Department.

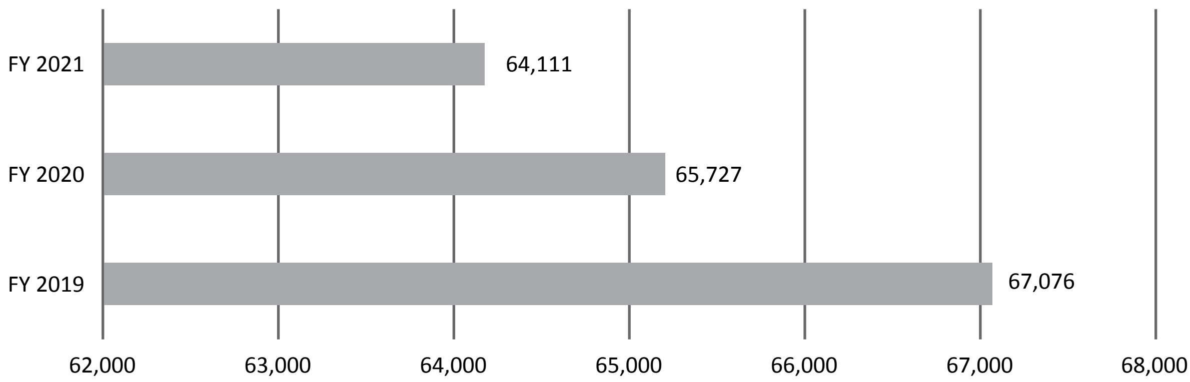
Based on our monitoring of energy usage, we noted a decrease in energy consumption during the financial year under review, i.e., 64,111 kWh per RM million revenue compared to 65,727 kWh per RM million revenue during the financial year ended 30 June 2020. This reduction was a result of our initiatives to reduce energy consumption and fewer headcount during Movement Control Order ("MCO") and WFH arrangements.

TOTAL ENERGY CONSUMPTION FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

10,233,561 kWh

The average amount of energy consumption in kWh per RM million revenue for three (3) consecutive financial years is as follows:

Energy Consumption
(Average kWh Per RM Million Revenue)



Sustainability Statement (Cont'd)

ENVIRONMENT (CONT'D)

Energy Management (Cont'd)

Although it can be a challenge maintaining high quality of products while reducing operational costs simultaneously, energy efficiency practices or technologies are able to offer benefits to an organisation. The Group has taken on renewable form of energy by installing a solar photovoltaic (PV) system in partnership with Cleantech Solar, a leading provider of renewable energy in Asia. This power resource helps the Group to become a more environmental conscious organisation and reduces any pollutant emissions. Also, installing the solar panels is more cost efficient and resource efficient in the long-run.

Image courtesy of Cleantech Solar

Water Management

Water is primarily used for our manufacturing activities and domestic use in the Group. The pharmaceutical industry requires consistent and good quality water which we source from Syarikat Air Melaka Berhad. We adopted water management initiatives to reduce wasteful consumption in the Group. We noted that water wastages occur often in the washrooms. To mitigate this issue, we have installed faucet aerators and low flow toilets to conserve water in our premises. Other measures in the Group include regular checks on plumbing fixtures for any leakages, inspections around our premises to prevent wastages, monitoring and reviewing water consumption to detect any unusual water consumption.

Our act of consuming water and the quality of water discharged from our manufacturing activities has an impact towards the environment and our surrounding community. Wastewater effluents produced in pharmaceutical manufacturing often contain high levels of contaminants. To enhance our sustainability practices, the Group has an on-site wastewater treatment plant ("WWTP"). WWTP is used for the treatment of wastewater from our manufacturing activities to final discharge into public drain. Wastewater is treated and tested daily by our designated employee to ensure compliance to Stipulated Quality (Standard B) under Environmental Quality (Industrial Effluent) Regulations 2009. The wastewater testing is also done on a weekly basis by external wastewater treatment consultant from an accredited laboratory by Skim Akreditasi Makmal Malaysia.

TOTAL WATER CONSUMPTION FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

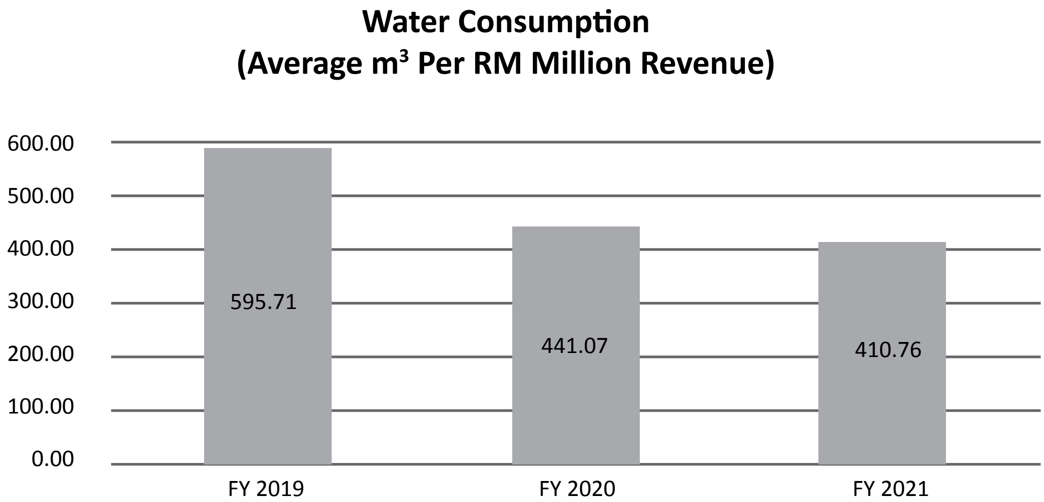
65,567 m³

Sustainability Statement (Cont'd)

ENVIRONMENT (CONT'D)

Water Management (Cont'd)

The graph below shows the average amount of water consumption in m³ per RM million revenue for three (3) consecutive financial years:



For the financial year ended 30 June 2021, we noted that water consumption stood at 410.76 average m³ per RM million revenue in comparison to 441.07 average m³ per RM million revenue in the previous year. The reduction of water consumption was attributed to water conservation practises, in addition to the transition of WFH for our employees.

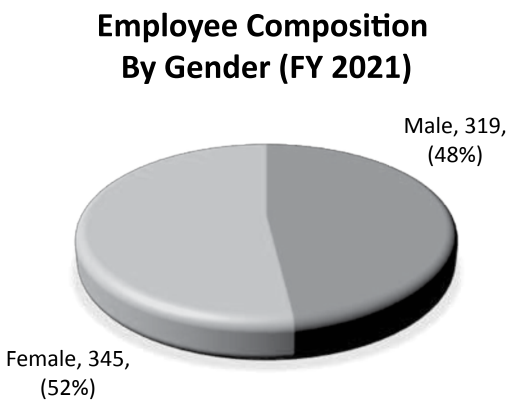
SOCIAL

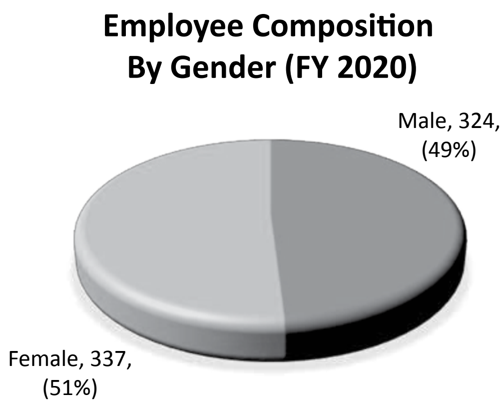
Workforce Diversity

Workforce diversity shapes and helps to build the Group's company culture. Eligible individuals are part of the Group irrespective of diversities such as race, religion, gender and more. By promoting equality and fairness in employment, the Group provides a wide range of opportunities for any and all individuals with full potential and ability. By bringing individuals together from diverse backgrounds and providing an opportunity to contribute their experience, knowledge, skills and perspective, the Group is able to tap the talent pool available to deliver solutions to challenges and add value to our stakeholders.

Our recruitment processes, appraisals and promotion exercises are conducted without any bias. The Group adheres to statutory contributions, such as contributions to Employees' Provident Fund ("EPF") as well as Social Security Organisation ("SOCSO") and Employment Insurance System ("EIS"). Our employees are also accorded various benefits, comprising medical/personal accident insurance and coverage, dental benefit, several types of paid and unpaid leave, maternal and paternal leave, annual bonuses based on individual and Group performances, amongst others.

During the financial year ended 30 June 2021, our employee composition by gender, ethnicity and nationality are as follows:

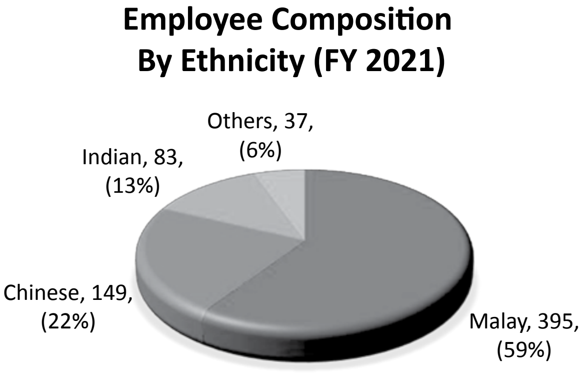


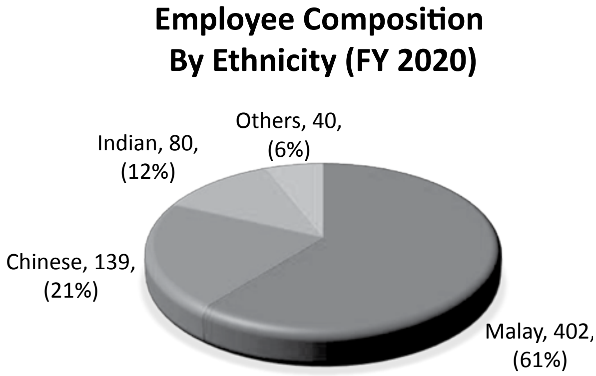


Sustainability Statement (Cont'd)

SOCIAL (CONT'D)

Workforce Diversity (Cont'd)





Training and Development

The Group's ability to remain competitive amongst industry players pivots on the continuous development of our employees' skills, knowledge and experience. We promote open and regular communication with our employees to identify any challenges or detect any performance gaps to ensure they work in their best capacity. During appraisal, employees are assessed on their performances annually based on the standards and expectations established with a reward and recognition system in place.

Since the pharmaceutical industry is heavily regulated, guidelines are to be adhered to at all times to realise the highest standards and best practices for the quality and safety of our products. Due to the fast and rapid changes, including improvements related to regulation and procedures by National Pharmaceutical Regulatory Agency ("NPRA"), guidelines such as GMP, Good Documentation Practices ("GDP") and Good Laboratory Practices ("GLP"), it is crucial for our employees to be trained, equipped and updated on the current knowledge to increase awareness and efficiency to ensure business sustainability and profitability.

Besides that, we encourage our employees across different departments to attend other various relevant training programmes, either internally or externally, ranging from organisational, professional or personal development, environmental, safety and health for their career growth and to nurture our talent pool to reach its full potential. We also utilise on-the-job training to teach skills and knowledge needed for employees, especially new joiners to perform a specific job.

As physical trainings were temporary halted to avoid mass contact and potential COVID-19 infection, the Group's investment in training was reduced by 69% during the financial year under review. We spent a total of RM64,000 in training costs, compared to RM206,000 in the previous financial year. We gradually shifted towards online training sessions to overcome the impediments brought by the pandemic.

INVESTMENT IN EMPLOYEES' TRAINING (RM'000)

2021 : 64.0 **2020 : 206.0** **2019: 220.0**

Safe and Healthy Working Environment

The Group places high emphasis on establishing and fostering a safe and healthy working environment for our employees. Occupational hazards cause accidents, injuries, diseases and in some cases, fatalities with profound adverse consequences. A business organisation's costs, productivity, competitiveness and reputation may be significantly impacted while employees may suffer from temporary or permanent injuries resulting in absence at work or early retirement.

Our commitment is to instil safety awareness among our employees and ensure that they are protected from occupational hazards. We continuously monitor risks, engage in planning and proactive prevention and in so doing minimise accidents and losses. The Group's Safety and Health Committee ("SHC") identifies and evaluates occupational hazards, safe work practices as well as introducing and implementing corrective actions or recommendations to prevent any workplace incidents. SHC convenes meetings on quarterly basis to facilitate the management of occupational safety and health related matters.

Sustainability Statement (Cont'd)

SOCIAL (CONT'D)

Safe and Healthy Working Environment (Cont'd)

The following measures, amongst others, have been established by SHC and the Group:

- Monitoring the use of personal protective equipment ("PPE") provided for employees working in environments that are exposed to hazards and risks;
- Conducting workplace inspections or audits by SHC to ensure safe working culture and compliance with requirements enforced by authorities;
- Conducting regular safety training programmes for employees to understand the work procedures and requirements of the Occupational Safety and Health Act ("OSHA");
- Hazard Identification Risk Assessment and Risk Controls ("HIRARC") are in place to eliminate and reduce hazards; and
- Medical and physical check-ups (pre-employment check-up) are regularly conducted for new employees and employees exposed to high noise and chemical exposure.

In compliance with the OSHA and other relevant regulations, we have Safety and Health Standard Operating Procedures ("SOP") in place. It is mandatory for all our employees to comply with the work practices stated in these SOP to pursue a safe working environment. External controls are implemented through cooperation with contractors and vendors performing their services at our premises. The Emergency Response Team ("ERT") in our Group is trained to prepare for and respond to any various emergencies or disasters. ERT members are well trained to deal with emergency situations and on safety awareness, including the use of first aid and fire extinguishers.

Workplace accidents are taken seriously. These accidents are investigated to determine the root causes and appropriate actions taken where necessary to prevent future occurrences. During the financial year ended 30 June 2021, four (4) accidents were reported, and we are pleased to report that there were no fatalities. We are committed to maintain a zero-fatality record at all times.

Description	FY 2019	FY 2020	FY 2021
Number of accidents reported	5	7	4
Number of fatalities	0	0	0

Our Response to COVID-19

The world witnessed significant changes in local and global business environment due to the emergence of COVID-19 pandemic since March 2020. Being classified as essential services by Ministry of International Trade and Industry ("MITI"), the Group continued its operations amidst disruptions caused by the pandemic with strict adherence to the SOP imposed by MITI and the National Security Council.

In our efforts to prioritise the safety and health of all employees, the Group continued to be vigilant by implementing and enforcing a set of preventive measures and SOP to curtail the transmission of COVID-19. In combatting the pandemic threat, the following measures were undertaken by the Group:

- Wearing of face masks at all times;
- Check-in with MySejahtera application at entry points for all employees and visitors (i.e., contractors and vendors);
- Regular disinfections around the premises;
- Hand sanitisers provided at main areas and multiple locations;
- Periodic e-mail reminders by HR department on safety precautions;
- Enforcing social distancing at workplace; and
- WFH arrangements for the administrative and support teams.

Local Community

Every year, the Group actively engages with our local community. As annual contributions to schools, we have provided sponsorship to thirty-six (36) schools for Children's Day by sponsoring multivitamin supplements to boost these children's immune system. Our collaboration with higher learning institutions continued with the sponsoring of Book Prize Award to deserving pharmacy student. The objectives of this sponsorship are to recognise their excellent achievement and encourage these students to continuously strive and develop themselves to be outstanding pharmacists in the future.

Sustainability Statement (Cont'd)

SOCIAL (CONT'D)

Local Community (Cont'd)

We are committed to support those in need, particularly to orphanages as well as homes for the elderly, disabled and unprivileged. These homes have been hit hard by the current pandemic with supplies and funds depleting. To address this, we have been contributing our nutrition products on a regular basis to these homes. Our efforts also include providing contributions in kind to B40 families, in partnership with food banks. In Myanmar, we have organised a CSR campaign called "Food for Children".

Sponsorship of Appeton Weight Gain – Feeder Program by Bacang Charity

Food for Children - CSR Campaign in Myanmar

MOVING FORWARD

Due to the pandemic, the financial year ended 30 June 2021 has certainly been a challenging year for the Group with uncertainties, disruptions and predicaments, including multiple MCO imposed by the Government of Malaysia. The pandemic has triggered business organisations across the globe to undertake new approaches to operate businesses by adopting the 'new normal' and implementations of SOP. The Group remains resilient despite the ongoing challenges and persisting volatility. We have been closely monitoring our operational efficiency across the Group to reduce waste in materials, time and effort without affecting the quality of our products.

The Group believes sustainable returns play a big part in enhancing stakeholders' value. We are aware that striding the sustainability journey is a long and arduous one. At present, we are focusing on our priority to build the brand name, contribute towards sustainable business growth and bring value to all the stakeholders through various strategic efforts such as utilising our resources optimally, driving innovation and discovering new opportunities.

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 21st AGM held on 20 November 2020, details of RRPT of a revenue or trading nature conducted during the financial year ended 30 June 2021 are as follows:

The Mandated Related Parties	Nature of Transactions	Nature of Relationship	Aggregate Value of transactions from 1 July 2020 till 30 June 2021 (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.	217,127
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.	NIL
Datuk Piong Teck Yen	Rental of premises paid/payable	Director of the Company	31,825
Piong Teck Onn	Rental of premises paid/payable	Director of the Company	31,500
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.	99,639
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

During the financial year ended 30 June 2021, the amount of audit and non-audit fees paid or payable to the External Auditors were as follows:

Type of Fees	Group (RM)	Company (RM)
Audit	82,000	25,000
Non-audit		
Tax Filing	37,300	3,800
Review of the Statement on Risk Management and Internal Control	3,000	3,000
Total Non-audit fees	40,300	6,800

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 or its subsidiaries involving interests of the Directors, Senior Management who is not a director, major shareholders or connected persons, either still subsisting as of 30 June 2021 or entered into since the end of the previous financial year except as disclosed in the financial statements.

Employees' Share Scheme

During the financial year ended 30 June 2021, the Company did not grant any options under the Employees' Share Option Scheme ("ESOS"). Details on the ESOS are available in the Director's Report and Note 24 to the Annual Audited Financial Statements for the financial year ended 30 June 2021.

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 2021:

ESOS	Total	Directors	Senior Management	Other Entitled Employees
FOR THE PERIOD FROM 29 JULY 2013 TO 30 JUNE 2020				
Number of Options granted	16,969,120	7,920,000	3,780,000	5,269,120
Number of Options exercised	13,363,720	5,940,000	3,780,000	3,643,720
Number of Options lapsed	1,011,600	-	-	1,011,600
Number of Options outstanding as at 30 June 2020	**2,593,800**	**1,980,000**	**-**	**613,800**

ESOS	Total	Directors	Senior Management	Other Entitled Employees
FOR THE PERIOD FROM 1 JULY 2020 TO 30 JUNE 2021				
Number of Options outstanding as at 1 July 2020	2,593,800	1,980,000	-	613,800
Number of Options exercised	2,474,200	1,980,000	-	494,200
Number of Options lapsed	-	-	-	-
Number of Options outstanding as at 30 June 2021	**119,600**	**-**	**-**	**119,600**

No option shares were granted to the Non-Executive Directors during the financial year ended 30 June 2021.

Additional Compliance Information (Cont'd)

Maximum Allowable Allocation of the ESOS

Pursuant to ESOS By-Laws, the aggerate 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 2021, there were no options granted to the Executive Directors and Senior Management. The Executive Directors and Senior Management were granted a total of sixty-nine per cent (69%) 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 ensure that the financial statements prepared for each financial year have been made in accordance with applicable accounting standards, including Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of Companies Act 2016 and the Main Market Listing Requirements. This is to give a true and fair view of the financial position, financial performance and cash flows of the Company and the Group for the financial year ended 30 June 2021.

In preparing the financial statements, the Directors have:

i) adopted appropriate accounting policies and applied them consistently;
ii) made judgments 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 the assumption that the Company and the Group will be operated as going concern.

The Directors are responsible to ensure the Company and its subsidiaries keep proper accounting records which are disclosed with reasonable accuracy of the Group's and Company's financial positions at any time. The Directors have also taken reasonable steps to safeguard the assets of the Group as well as to prevent and detect other irregularities.

FINANCIAL STATEMENTS

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 2021.

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	24,390	7,769

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

DIVIDENDS

The Company paid the following dividends:

- A final single tier dividend of 4.5 sen per ordinary share amounting to RM6,657,052 for the financial year ended 30 June 2020 on 10 December 2020; and

- An interim single tier dividend of 2 sen per ordinary share amounting to RM2,958,690 for the financial year ended 30 June 2021 on 18 March 2021.

At the forthcoming Annual General Meeting, a final single tier dividend of 7 sen per ordinary share in respect of the current financial year 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 2022.

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:-

	Number of ordinary shares			
	1.7.2020	Acquired	Sold	30.6.2021
Holding company				
Direct interest				
Piong Teck Onn	59,920	-	-	59,920
Datuk Piong Teck Yen	10,346	-	-	10,346

	Number of ordinary shares			
	1.7.2020	Acquired	Sold	30.6.2021
The Company				
Direct interest				
Chin Swee Chang	1,800,000	-	-	1,800,000
Piong Teck Onn	10,161,224	-	-	10,161,224
Datuk Piong Teck Yen	6,316,564	1,980,000	-	8,296,564
Indirect interest				
Chin Swee Chang[1]	5,564,060	-	-	5,564,060
Piong Teck Onn[2]	76,313,824	2,799,140	-	79,112,964

[1] 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.

[2] Indirect interest by virtue of the director's interests in Piong Nam Kim Holdings Sdn. Bhd., Medisch Specialist Centre Sdn. Bhd., Galleon Asset Limited 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.

	Number of options over ordinary shares			
	1.7.2020	Granted	Exercised	30.6.2021
The Company				
Datuk Piong Teck Yen	1,980,000	-	(1,980,000)	-

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 holding 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.

Directors' Report (Cont'd)

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 new ESOS are disclosed in Note 24 to the financial statements.

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 a benefit included in the aggregate amount of remuneration received or due and receivable by the directors shown in the financial statements, or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he 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 disclosed in Note 34(d) to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors of the Company were RM12,000,000 and RM17,511 respectively.

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up share capital from RM81,822,599 to RM84,714,573 by way of issuance of 2,474,200 new ordinary shares pursuant to the Company's employees' share option scheme at the exercise prices as disclosed in Note 24 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 there were no known bad debts 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.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENT

The significant event during the financial year and subsequent event is disclosed in Note 38 to the financial statements.

AUDITORS

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

The auditors' remuneration are disclosed in Note 9 to the financial statements.

Signed in accordance with a resolution of the directors dated 12 October 2021.

Piong Teck Onn **Chin Swee Chang**

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 56 to 103 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 2021 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 12 October 2021.

Piong Teck Onn

Chin Swee Chang

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 56 to 103 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 12 October 2021

Daniel Chua Chong Liang

Before me,
Shahrizah Binti Yahya
M 084
Pesuruhjaya 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 2021 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 56 to 103.

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 2021, 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 Matter Revenue Recognition (Refer to Page 73, Note 4 to the financial statements)	**How our audit addressed the key audit matter**
Consolidated revenue recorded by the Group during the year amounted to approximately RM160 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: • testing the operating effectiveness of internal control over the completeness, accuracy, and timing of revenue recognised in the financial statements; • reviewing the terms of customer agreements to determine the point of control transfer to the customers on sampling basis; • testing the recording of sales transactions, revenue cut-off and review of credit notes after year end; and • 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.

Independent Auditors’ Report (Cont’d)

To The Members Of Kotra Industries Berhad
(Incorporated In Malaysia) Registration No: 199901022732 (497632-P)

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.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of the 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 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 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 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 and 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.

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 financial statements (Cont'd)

- 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.

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 and 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
01793/09/2022 J
Chartered Accountant

Melaka
12 October 2021

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Revenue	4	159,622	171,727	8,403	12,241
Other operating income	5	2,194	3,468	19	24
Raw materials and consumables used		(34,961)	(47,163)	-	-
Changes in inventories of finished goods and work in progress		(5,556)	4,967	-	-
Employee benefits expenses	6	(41,821)	(43,591)	(384)	(369)
Selling and distribution expenses		(22,676)	(30,408)	-	-
Depreciation and amortisation		(15,908)	(15,982)	-	-
Other operating expenses		(13,497)	(14,782)	(248)	(285)
Finance costs	7	(877)	(1,615)	-	-
Net impairment losses on financial assets	8	(247)	(695)	-	-
Profit before taxation	9	26,273	25,926	7,790	11,611
Income tax (expense)/credit	10	(1,883)	3,631	(21)	(14)
Profit after taxation		24,390	29,557	7,769	11,597
Other comprehensive income		-	-	-	-
Total comprehensive income for the financial year		24,390	29,557	7,769	11,597
Earnings per share attributable to equity holders of the Company (sen):					
- Basic	11	16.53	20.42		
- Diluted	11	16.52	20.20		

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

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Assets					
Non-current assets					
Property, plant and equipment	12	108,919	120,120	-	-
Investment properties	13	1,364	1,389	-	-
Investment in subsidiaries	14	-	-	121,276	121,276
Right-of-use assets	15	11,248	11,433	-	-
Deferred tax assets	16	2,955	4,797	-	-
		124,486	137,739	121,276	121,276
Current assets					
Inventories	17	34,304	39,043	-	-
Trade receivables	18	22,622	25,164	-	-
Other receivables	19	2,347	1,952	2	2
Amounts owing by subsidiaries	20	-	-	129	118
Current tax assets		82	-	26	21
Derivative assets	21	-	9	-	-
Short-term investments	22	52,800	24,700	-	-
Fixed deposits with licensed banks	23	8,350	17,300	500	500
Cash and bank balances		7,552	7,326	109	194
		128,057	115,494	766	835
Total assets		252,543	253,233	122,042	122,111
Equity and liabilities					
Equity attributable to equity holder of the Company					
Share capital	24	84,715	81,823	84,715	81,823
Retained earnings	25	121,596	106,822	37,167	39,014
Other reserves	26	108	1,201	108	1,201
Total equity		206,419	189,846	121,990	122,038
Non-current liabilities					
Term loans	27	6,672	18,031	-	-
Deferred income	28	1,413	1,708	-	-
Lease liabilities	29	82	82	-	-
		8,167	19,821	-	-
Current liabilities					
Term loans	27	11,228	13,178	-	-
Trade payables	30	14,705	17,900	-	-
Other payables	31	11,048	11,479	52	73
Derivative liabilities	21	3	-	-	-
Current tax liabilities		-	1	-	-
Lease liabilities	29	973	1,008	-	-
		37,957	43,566	52	73
Total liabilities		46,124	63,387	52	73
Total equity and liabilities		252,543	253,233	122,042	122,111

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

		Non-distributable		Distributable	
Group	Note	Share capital RM'000	Share option reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 July 2019		80,115	1,870	90,175	172,160
Profit after taxation, representing total comprehensive income for the financial year		-	-	29,557	29,557
Contributions by and distributions to owners of the Company					
- Dividends	32	-	-	(12,910)	(12,910)
- Employees' share options exercised		1,708	(669)	-	1,039
Total transactions with owners		1,708	(669)	(12,910)	(11,871)
At 30 June 2020 / 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		84,715	108	121,596	206,419
Company					
At 1 July 2019		80,115	1,870	40,327	122,312
Profit after taxation, representing total comprehensive income for the financial year		-	-	11,597	11,597
Contributions by and distributions to owners of the Company					
- Dividends	32	-	-	(12,910)	(12,910)
- Employees’ share options exercised		1,708	(669)	-	1,039
Total transactions with owners		1,708	(669)	(12,910)	(11,871)
At 30 June 2020 / 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		84,715	108	37,167	121,990

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash flows from operating activities					
Profit before taxation		26,273	25,926	7,790	11,611
Adjustments for:					
Amortisation of deferred income	28	(295)	(294)	-	-
Depreciation:					
- investment properties	13	25	26	-	-
- property, plant and equipment	12	14,733	14,807	-	-
- right-of-use assets	15	1,150	1,148	-	-
Fair value loss on derivative financial instrument		12	3	-	-
Gain on disposal of property, plant and equipment		(37)	(13)	-	-
Impairment losses on trade receivables	18	247	695	-	-
Interest expense on lease liabilities		28	28	-	-
Interest income		(119)	(547)	(19)	(24)
Interest income from short-term investments		(729)	(270)	-	-
Inventories written down	17	1,229	-	-	-
Other interest expense		849	1,587	-	-
Property, plant and equipment written off	12	1	47	-	-
Rental income from investment properties		-	(24)	-	-
Share-based payment under ESOS		-	10	-	-
Unrealised loss/(gain) on foreign exchange		31	(55)	-	-
Operating profit before working capital changes		43,398	43,074	7,771	11,587
Decrease/(Increase) in inventories		3,510	(720)	-	-
Decrease/(Increase) in receivables		1,889	6,114	(11)	17
(Decrease)/Increase in payables		(3,643)	1,662	(21)	20
Cash from operations		45,154	50,130	7,739	11,624
Tax paid		(129)	(220)	(31)	(33)
Tax refunded		5	-	5	-
Net cash from operating activities		45,030	49,910	7,713	11,591

Statements Of Cash Flows (Cont'd)

For The Financial Year Ended 30 June 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash flows (for)/from investing activities					
Interest received		848	817	19	24
Proceeds from disposal of property, plant and equipment		37	22	-	-
Purchase of property, plant and equipment		(3,533)	(2,557)	-	-
Rental received from investment properties		-	24	-	-
Withdrawal of fixed deposits with tenure more than 3 months		-	14,000	-	-
Net cash (for)/from investing activities		(2,648)	12,306	19	24
Cash flows for financing activities					
Dividend paid		(9,616)	(12,910)	(9,616)	(12,910)
Interest paid	33(a)	(877)	(1,615)	-	-
Proceeds from issuance of shares		1,799	1,029	1,799	1,029
Repayment of term loans	33(a)	(13,309)	(13,092)	-	-
Repayment on lease liabilities	33(a)	(1,000)	(1,062)	-	-
Net cash for financing activities		(23,003)	(27,650)	(7,817)	(11,881)
Net increase/(decrease) in cash and cash equivalents		19,379	34,566	(85)	(266)
Effects of exchange rate changes on cash and cash equivalents		(3)	5	-	-
Cash and cash equivalents at beginning of the financial year		49,326	14,755	694	960
Cash and cash equivalents at end of the financial year	33(b)	68,702	49,326	609	694

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

Notes To The Financial Statements

30 June 2021

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 12 October 2021.

2. Basis of preparation

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with 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 has 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 3: Definition of a Business
Amendments to MFRS 4: Extension of the Temporary Exemption from Applying MFRS 9
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108: Definition of Material
Amendments to References to the Conceptual Framework in MFRS Standards

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 has 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 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform - Phase 2	1 January 2021
• 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 2021

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.

As changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, 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 and deferred tax balance in the period in which such determination is made.

(iii) Deferred tax assets

Deferred tax assets are recognised for unutilised capital allowances to the extent that it is probable that future taxable profits will be available against which the unutilised capital allowances can be recognised. Management 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 (including changes in customers' payment profile in response to the COVID-19 pandemic) 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 respectively in Note 18 and Note 19 to the financial statements.

(vi) Lease term

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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 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 2021

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 2021

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 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 2021

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 2021

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 expenditures 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 2021

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 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 or at fair value through other comprehensive income 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, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statements of financial position.

Notes To The Financial Statements (Cont'd)

30 June 2021

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

Notes To The Financial Statements (Cont'd)

30 June 2021

3. Significant accounting policies (Cont'd)

(j) Leases (Cont'd)

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 made to the carrying amount of the right-of-use asset or recognised in profit or loss if the carrying amount has been reduced to zero.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis, and comprises the purchase price, 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 and 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.

Notes To The Financial Statements (Cont'd)

30 June 2021

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

(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.

(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 2021

3. Significant accounting policies (Cont'd)

(q) Earning 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 over time 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 todate.

<u>Sale of goods</u>

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.

3. Significant accounting policies (Cont'd)

(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) Rental income

Rental income is accounted for on a straight-line method over the lease term.

(iv) Dividend income

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

(v) 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 costs 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.

4. Revenue

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Revenue from contract with customers				
Recognised at a point in time				
Sale of goods	159,622	171,727	-	-
Revenue from other sources				
Dividend income	-	-	7,863	11,701
Management fees received	-	-	540	540
	159,622	171,727	8,403	12,241

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

Notes To The Financial Statements (Cont'd)

30 June 2021

5. Other operating income

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Amortisation of deferred income	295	294	-	-
Gain on disposal of property, plant and equipment	37	13	-	-
Gain on foreign currency exchange - realised	614	1,889	-	-
Gain on foreign currency exchange - unrealised	-	55	-	-
Interest income from short-term investment	729	270	-	-
Interest income on financial assets measured at amortised cost	119	547	19	24
Miscellaneous	400	376	-	-
Rental income from investment properties	-	24	-	-
	2,194	3,468	19	24

6. Employee benefits expenses

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short-term employee benefits	37,040	38,743	375	358
Contributions to defined contribution plan	3,896	3,697	9	9
Share options expenses	-	9	-	-
Other personnel expenses	885	1,142	-	2
	41,821	43,591	384	369

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

7. Finance costs

	Group	
	2021	**2020**
	RM'000	**RM'000**
Interest expense on financial liabilities that are not at fair value through profit or loss:-		
- Bank overdrafts	53	41
- Term loans	796	1,546
Interest expense on lease liabilities (Note 29)	28	28
	877	1,615

8. Net impairment losses on financial assets

	Group	
	2021	**2020**
	RM'000	**RM'000**
Impairment losses on trade receivables (Note 18)	247	695

Notes To The Financial Statements (Cont'd)

30 June 2021

9. Profit before taxation

Profit before taxation is arrived at after charging:-

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Auditors' remuneration:				
- audit fees				
- current financial year	82	82	25	25
- underprovision in the previous financial year	-	8	-	-
- non-audit fees				
- current financial year	3	3	3	3
- overprovision in the previous financial year	-	(1)	-	(1)
Depreciation:				
- investment properties (Note 13)	25	26	-	-
- property, plant and equipment (Note 12)	14,733	14,807	-	-
- right-of-use assets (Note 15)	1,150	1,148	-	-
Direct operating expenses arising from investment properties:				
- non-rental generating properties	19	5	-	-
- rental generating properties	-	14	-	-
Directors' remuneration (Note 34(d))	3,477	3,198	301	286
Fair value loss on derivative financial instrument	12	3	-	-
Inventories written down	1,229	-	-	-
Loss on foreign exchange - unrealised	31	-	-	-
Property, plant and equipment written off	1	47	-	-
Lease expense on:				
- short-term leases	172	270	-	-
- low-value assets	155	222	-	-
Research and development expenses	224	237	-	-

10. Income tax expense/(credit)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Income tax:-				
- Current year	46	141	22	15
- Over provision in previous financial years	(5)	(9)	(1)	(1)
	41	132	21	14
Deferred tax (Note 16):-				
- Recognition of previously unrecognised deferred tax assets	-	(3,763)	-	-
- Origination and reversal of temporary differences	809	-	-	-
-Write-down of deferred tax assets	1,033	-	-	-
	1,842	(3,763)	-	-
Income tax expense/(credit)	1,883	(3,631)	21	14

The write-down of deferred tax assets arose from an assessment by management on the asset's realisability, considering the impact of uncertainty posed by ongoing Covid-19 pandemic upon the Group's future taxable income.

Notes To The Financial Statements (Cont'd)

30 June 2021

10. Income tax expense/(credit) (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:-

	2021 RM'000	2020 RM'000
Group		
Profit before taxation	26,273	25,926
Taxation at Malaysian statutory tax rate of 24% (2020: 24%)	6,306	6,222
Non taxable income	(246)	(136)
Effect of expenses not deductible for tax purposes	352	347
Effect of income tax incentives	(2,427)	(3,714)
Deferred tax assets recognised during the year	-	(3,416)
Utilisation of deferred tax assets previously not recognised	(3,130)	(2,925)
Write-down of deferred tax assets	1,033	-
Over provision of income tax expense in previous financial year	(5)	(9)
Income tax expense/(credit)	1,883	(3,631)
Company		
Profit before taxation	7,790	11,611
Taxation at Malaysian statutory tax rate of 24% (2020: 24%)	1,870	2,787
Non-taxable income	(1,887)	(2,808)
Effect of expenses not deductible for tax purposes	39	36
Over provision of income tax expense in previous financial year	(1)	(1)
Income tax expense	21	14

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

	Group	
	2021 RM'000	2020 RM'000
Unutilised industrial building allowances	-	2,289
Unabsorbed business losses		
- expired by 30 June 2025	22,850	24,755
Unutilised reinvestment allowances		
- expired by 30 June 2025	82,568	82,568
	105,418	109,612

The unabsorbed business losses and unutilised reinvestment allowances are allowed to be utilised for 7 consecutive years of assessment while the unutilised industrial building allowances are allowed to be carried forward indefinitely.

Notes To The Financial Statements (Cont'd)
30 June 2021

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.

	Group	
	2021	**2020**
Profit after taxation (RM'000)	24,390	29,557
Weighted average number of ordinary shares in issue ('000)	147,549	144,723
Basic earnings per ordinary share (sen)	16.53	20.42

(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.

	Group	
	2021	**2020**
Profit after taxation (RM'000)	24,390	29,557
Weighted average number of ordinary shares in issue ('000)	147,549	144,723
Shares deemed to be issued for no consideration - ESOS ('000)	76	1,602
Weighted average number of ordinary shares for diluted earnings per share computation	147,625	146,325
Diluted earnings per ordinary share (sen)	16.52	20.20

Notes To The Financial Statements (Cont'd)

30 June 2021

12. Property, plant and equipment

	As at 1.7.2020 RM'000	Additions RM'000	Reclassification RM'000	Written Off RM'000	Depreciation Charges (Note 9) RM'000	As at 30.6.2021 RM'000
Group						
Net carrying amount						
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
Total	120,120	3,533	-	(1)	(14,733)	108,919

Notes To The Financial Statements (Cont'd)

30 June 2021

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

	As at 1.7.2019 RM'000	Additions RM'000	Reclassification RM'000	Adjustment RM'000	Disposal RM'000	Written Off RM'000	Depreciation Charges (Note 9) RM'000	As at 30.6.2020 RM'000
Group								
Net carrying amount								
Industrial buildings and installations	44,697	37	-	-	-	-	(1,241)	43,493
Machinery and equipment	81,852	1,444	174	-	(8)	(47)	(12,289)	71,126
Motor vehicles	513	392	-	-	-	-	(98)	807
Office equipment	135	5	-	-	-	-	(31)	109
Computer equipment	812	690	266	-	(1)	-	(443)	1,324
Furniture and fittings	1,787	38	-	-	-	-	(442)	1,383
Renovation	1,770	-	-	-	-	-	(263)	1,507
Capital expenditure-in-progress	860	-	(440)	(49)	-	-	-	371
Total	132,426	2,606	-	(49)	(9)	(47)	(14,807)	120,120

Notes To The Financial Statements (Cont'd)

30 June 2021

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

Group	**Cost RM'000**	**Accumulated depreciation RM'000**	**Carrying amount RM'000**
At 30 June 2021			
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
At 30 June 2020			
Industrial buildings and installations	58,726	(15,233)	43,493
Machinery and equipment	177,808	(106,682)	71,126
Motor vehicles	2,161	(1,354)	807
Office equipment	565	(456)	109
Computer equipment	5,739	(4,415)	1,324
Furniture and fittings	4,793	(3,410)	1,383
Renovation	2,655	(1,148)	1,507
Capital expenditure-in-progress	371	-	371
Balance at 30 June 2020	252,818	(132,698)	120,120

The carrying amount of property, plant and equipment pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 27(i) are as follows:-

	Group	
	2021 RM'000	**2020 RM'000**
Industrial buildings and installations	42,251	43,493
Machinery and equipment	34,175	40,871
Furniture and fittings	-	52
	76,426	84,416

Notes To The Financial Statements (Cont'd)

30 June 2021

13. Investment properties

	Group 2021 RM'000	2020 RM'000
Cost		
At 1 July/30 June	2,105	2,105
Accumulated depreciation		
At 1 July	716	690
Depreciation during the financial year (Note 9)	25	26
At 30 June	741	716
Net carrying amount	1,364	1,389

The investment properties comprise of 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 (2020: RM2,807,000).

In the previous financial year, the investment properties had been pledged to a licensed bank as security for banking facilities granted to the Group.

14. Investment in subsidiaries

	Company 2021 RM'000	2020 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 2021 %	2020 %	Principal activities
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 2021

15. Right-of-use assets

Group Net carrying amount	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
Leasehold land	9,985	-	(132)	9,853
Motor vehicle	404	-	(55)	349
Office premise	1,044	965	(963)	1,046
Total	11,433	965	(1,150)	11,248

	As at 1.7.2019 RM'000	Modification of lease liabilities RM'000	Depreciation Charges (Note 9) RM'000	As at 30.6.2020 RM'000
Leasehold land	10,115	-	(130)	9,985
Motor vehicle	460	-	(56)	404
Office premise	1,042	964	(962)	1,044
Total	11,617	964	(1,148)	11,433

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

	2021	2020
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 RM3,826,345 (2020: RM3,878,294) has been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 27(i) to the financial statements.

Notes To The Financial Statements (Cont'd)

30 June 2021

16. Deferred tax assets

Group	As at 1.7.2020 RM'000	Recognised in Profit or Loss (Note 10) RM'000	As at 30.6.2021 RM'000
2021			
Deferred tax liabilities			
Property, plant and equipment	17,058	(1,698)	15,360
Right-of-use assets	257	1	258
	17,315	(1,697)	15,618
Deferred tax assets			
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)

	As at 1.7.2019 RM'000	Recognised in Profit or Loss (Note 10) RM'000	As at 30.6.2020 RM'000
2020			
Deferred tax liabilities			
Property, plant and equipment	18,699	(1,641)	17,058
Right-of-use assets	255	2	257
	18,954	(1,639)	17,315
Deferred tax assets			
Other temporary differences	(3,780)	175	(3,605)
Lease liabilities	(250)	(1)	(251)
Unutilised capital allowances	(15,958)	1,933	(14,025)
Unutilised industrial building allowances	-	(4,231)	(4,231)
	(19,988)	(2,124)	(22,112)
	(1,034)	(3,763)	(4,797)

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. The evidence used to support this recognition is the financial projections of the Group prepared by management, which shows that it is probable that the Group will generate sufficient taxable profits to recognise deferred tax assets amounting to RM2,954,799 resulting in a write-down of RM1,032,968.

Notes To The Financial Statements (Cont'd)

30 June 2021

17. Inventories

	Group	
	2021	**2020**
	RM'000	**RM'000**
Raw materials	15,290	15,220
Work-in-progress	1,799	1,294
Finished goods	16,239	22,300
Goods in transit	976	229
	34,304	39,043
Recognised in profit or loss:-		
Inventories recognised as cost of sales	39,288	42,195
Amount written down	1,229	-

18. Trade receivables

	Group	
	2021	**2020**
	RM'000	**RM'000**
Trade receivables	25,621	27,938
Less: Allowance for impairment losses	(2,999)	(2,774)
	22,622	25,164
Allowance for impairment losses:-		
At 1 July	2,774	2,207
Addition during the financial year (Note 8)	247	695
Written off during the financial year	(22)	(128)
At 30 June	2,999	2,774

The Group's normal trade credit terms range from 60 to 120 days (2020: 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	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other receivables:-				
Third parties	62	56	-	-
Interest receivables	82	55	-	-
Advanced payment to suppliers	1,672	1,181	-	-
	1,816	1,292	-	-
Deposits	347	412	2	2
Prepayments	184	248	-	-
	2,347	1,952	2	2

The advances to suppliers are unsecured and interest-free. The amount owing will be offset against future billing from suppliers.

Notes To The Financial Statements (Cont'd)

30 June 2021

20. Amounts owing by subsidiaries

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

21. Derivative assets/(liabilities)

	Group			
	Contract/Notional amount			
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<u>Derivative assets</u>				
Forward foreign currency contracts	-	875	-	9
<u>Derivative liabilites</u>				
Forward foreign currency contracts	1,672	-	(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 range between 1 to 4 months (2020 - 1 to 3 months) after the end of the reporting period.

22. Short-term investments

	Group	
	2021 Carrying Amount RM'000	2020 Carrying Amount RM'000
Money market funds, at fair value (Note 33(b))	52,800	24,700

The weighted average interest rate of money market funds at the end of the reporting period was 1.85% (2020 - 2.69%) per annum.

There is no maturity period for money market funds as these funds are callable on demand.

23. 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 1.03% to 1.94% and 1.55% (2020: 1.35% to 2.40% and 2.00%) per annum, respectively. The fixed deposits have maturity periods ranging from 6 days to 92 days (2020: 7 days to 92 days) for the Group and 92 days (2020: 92 days) for the Company.

Notes To The Financial Statements (Cont'd)

30 June 2021

24. Share capital

	Group/Company			
	Number of shares		Amount	
	2021 '000	2020 '000	2021 RM'000	2020 RM'000
Issued and fully paid-up:				
Ordinary shares				
At 1 July	145,470	143,962	81,823	80,115
New shares issued under the employees' share option scheme for cash	2,474	1,508	2,892	1,708
At 30 June	147,944	145,470	84,715	81,823

(i) 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.

(ii) 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 2021

24. 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 1.7.2020	Exercised	Balance at 30.6.2021
31.7.2013	31.7.2014	0.65	534,648	(530,248)	4,400
31.7.2013	31.7.2016	0.65	907,176	(898,376)	8,800
31.7.2013	31.7.2018	0.65	816,976	(790,576)	26,400
22.5.2017	31.7.2018	1.40	40,000	(30,000)	10,000
22.5.2017	31.7.2019	1.40	135,000	(115,000)	20,000
22.5.2017	31.7.2020	1.40	160,000	(110,000)	50,000
			2,593,800	(2,474,200)	119,600

Date of offer	Exercise period	Exercise price per ordinary share RM	Number of Options over Ordinary Shares Balance at 1.7.2019	Exercised	Balance at 30.6.2020
31.7.2013	31.7.2014	0.65	735,272	(200,624)	534,648
31.7.2013	31.7.2016	0.65	1,303,824	(396,648)	907,176
31.7.2013	31.7.2018	0.65	1,663,024	(846,048)	816,976
22.5.2017	31.7.2018	1.40	80,000	(40,000)	40,000
22.5.2017	31.7.2019	1.40	160,000	(25,000)	135,000
22.5.2017	31.7.2020	1.40	160,000	-	160,000
			4,102,120	(1,508,320)	2,593,800

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.

The number of option exercisable as at 30 June 2021 was 119,600 (2020: 2,593,800) and have an exercise price in the range of RM0.65 to RM1.40 (2020: RM0.65 to RM1.40) and a weighted average contractual life of 2 years (2020: 3 years).

25. 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.

26. Other reserves

	Group and Company	
	2021	**2020**
	RM'000	**RM'000**
Share options under ESOS:		
At 1 July	1,201	1,870
Movement during the year	(1,093)	(669)
At 30 June	108	1,201

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.

27. Term Loans (Secured)

	Group	
	2021	**2020**
	RM'000	**RM'000**
Current liabilities	11,228	13,178
Non-current liabilities	6,672	18,031
	17,900	31,209

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:

		Group	
	Effective Interest Rate	**2021**	**2020**
	%	**RM'000**	**RM'000**
Floating rate term loans	3.22 to 4.78	17,900	31,209

Notes To The Financial Statements (Cont'd)

30 June 2021

28. Deferred income

	Group 2021 RM'000	Group 2020 RM'000
Non-current		
Government grant	1,413	1,708

During the financial year, RM294,796 has been amortised and recognised as other income in the statement of profit or loss.

29. Lease liabilities

	Group 2021 RM'000	Group 2020 RM'000
At 1 July	1,090	1,188
Changes due to lease modification (Note 33(a))	965	964
Interest expense recognised in profit or loss (Note 7)	28	28
Repayment of principal	(1,000)	(1,062)
Repayment of interest expense	(28)	(28)
At 30 June	1,055	1,090

	Group 2021 RM'000	Group 2020 RM'000
Analysed by:		
Current liabilities	973	1,008
Non-current liabilities	82	82
	1,055	1,090

30. Trade payables

The normal trade credit terms granted to the Group range from 60 to 90 days (2020: 60 to 90 days).

31. Other payables

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Accruals	790	1,072	52	69
Payroll liabilities	6,339	6,808	-	-
Due to suppliers of property, plant and equipment	1,114	1,093	-	-
Other payables	2,805	2,506	-	4
	11,048	11,479	52	73

Notes To The Financial Statements (Cont'd)

30 June 2021

32. Dividends

	Company 2021 RM'000	Company 2020 RM'000
Final single tier dividend of 4.5 (2020: 4.4) sen per ordinary shares in respect of the previous financial year	6,657	6,376
Interim single tier dividend of 2 (2020: 4.5) sen per ordinary shares in respect of the current financial year	2,959	6,534
	9,616	12,910

At the forthcoming Annual General Meeting, a final single tier dividend of 7 sen per ordinary share in respect of the current financial year 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 2022.

33. Cash flow information

(a) 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**
2021				
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>Non-cash changes</u>				
Modification of lease (Note 29)	-	-	965	965
Finance charges recognised in profit or loss	53	796	28	877
At 30 June	-	17,900	1,055	18,955

	Bank Overdrafts RM'000	**Term Loans RM'000**	**Lease liabilities RM'000**	**Total RM'000**
2020				
At 1 July	-	44,301	1,188	45,489
<u>Changes in financing cash flow</u>				
Repayment of borrowing principal	*	(13,092)	(1,062)	(14,154)
Repayment of borrowing interests	(41)	(1,546)	(28)	(1,615)
<u>Non-cash changes</u>				
Modification of lease (Note 29)	-	-	964	964
Finance charges recognised in profit or loss	41	1,546	28	1,615
At 30 June	-	31,209	1,090	32,299

* Bank overdrafts form part of the cash and cash equivalents, therefore, no movement is presented.

Notes To The Financial Statements (Cont'd)

30 June 2021

33. Cash flow information (Cont'd)

(b) The cash and cash equivalents comprise the following:-

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Money market funds (Note 22)	52,800	24,700	-	-
Cash and bank balances	7,552	7,326	109	194
Fixed deposits with licensed banks	8,350	17,300	500	500
	68,702	49,326	609	694

(c) The total cash outflows for leases as a lessee are as follows:-

	Group	
	2021	**2020**
	RM'000	**RM'000**
Payment of short-term lease	172	270
Payment of low-value assets	155	222
Interest paid on lease liabilities	28	28
Payment of lease liabilities	1,000	1,062
	1,355	1,582

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 and entities within the same group of companies.

Notes To The Financial Statements (Cont'd)

30 June 2021

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:-

	2021 RM'000	2020 RM'000
Group		
Companies in which certain directors have significant financial interests:		
- lease expense on short-term leases	71	74
- lease expense	984	984
Companies in which close family members of certain directors have significant financial interests:		
- lease expense on short-term lease	-	3
- sales of goods	(317)	(680)
Company		
A subsidiary:		
- management fee received/receivable	(540)	(540)
- dividend received	(7,863)	(11,701)

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 outstanding balances at the end of the reporting period are as follows:-

	Group 2021 RM'000	Group 2020 RM'000
Companies in which close family members of certain directors have significant financial interests:-		
- trade receivables	34	178

Notes To The Financial Statements (Cont'd)

30 June 2021

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:-

		Group		Company	
		2021	**2020**	**2021**	**2020**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Directors of the Company					
Short-term employee benefits:-					
- fees		285	274	285	274
- emoluments		2,524	2,315	16	12
Defined contribution plan		301	276	-	-
		3,110	2,865	301	286
Directors of the Subsidiaries					
Short-term employee benefits:-					
- emoluments		328	297	-	-
Defined contribution plan		39	36	-	-
		367	333	-	-
	9	3,477	3,198	301	286

The estimated monetary value of benefits-in-kind provided by the Group to the directors of the Company was RM25,000 (2020: RM26,780).

35. Capital commitments

	Group	
	2021	**2020**
	RM'000	**RM'000**
Approved and contracted for:-		
Purchase of plant and equipment	710	790

Notes To The Financial Statements (Cont'd)
30 June 2021

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Malaysia	105,023	97,447	121,531	132,942
Asia	53,226	72,332	-	-
Africa	1,373	1,948	-	-
	159,622	171,727	121,531	132,942

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 (2020 : one major customer), with revenue equal to or more than 10% of Group revenue, amounts to RM23,627,901 (2020: RM37,805,592) 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 2021

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
30.6.2021					
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)
Net exposure	6,099	(1,020)	2,215	405	7,699

The Group	USD RM'000	EUR RM'000	SGD RM'000	BND RM'000	Total RM'000
30.6.2020					
Trade receivables	5,525	2	459	448	6,434
Other receivables	785	317	4	-	1,106
Cash and bank balances	4,597	43	508	-	5,148
Trade payables	(1,081)	(844)	-	-	(1,925)
Other payables	(43)	(60)	-	-	(103)
Net exposure	9,783	(542)	971	448	10,660

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currency rates as at the end of the reporting period, with all other variables held constant:-

		Group 2021 RM'000	Group 2020 RM'000
Effects on profit after taxation			
USD/RM	- strengthened by 5% (2020: 5%)	232	369
	- weakened by 5% (2020: 5%)	(232)	(369)
EUR/RM	- strengthened by 5% (2020: 5%)	(39)	(21)
	- weakened by 5% (2020: 5%)	39	21
SGD/RM	- strengthened by 5% (2020: 5%)	85	37
	- weakened by 5% (2020: 5%)	(85)	(37)
BND/RM	- strengthened by 5% (2020: 5%)	15	17
	- weakened by 5% (2020: 5%)	(15)	(17)

Notes To The Financial Statements (Cont'd)

30 June 2021

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 27 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 RM136,038 lower/higher (2020: RM237,192 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.

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 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	
	2021	**2020**
	RM'000	**RM'000**
Local	19,226	18,729
Export	3,396	6,435
	22,622	25,164

Notes To The Financial Statements (Cont'd)

30 June 2021

37. Financial instruments (Cont'd)

(a) Financial risk management policies (Cont'd)

(iv) Credit risk (Cont'd)

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

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 when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

Trade receivables

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group considers any receivables having financial difficulty or with significant balances outstanding for more than 1 year, are deemed credit impaired.

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 customers to settle their debts.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables are summarised below:-

Group	**Gross amount RM'000**	**Individual impairment RM'000**	**Collective impairment RM'000**	**Carrying amount RM'000**
30.6.2021				
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
91 to 360 days past due	1,026	-	(327)	699
Credit impaired	94	(94)	-	-
	25,621	(94)	(2,905)	22,622

37. Financial instruments (Cont'd)

(a) Financial risk management policies (Cont'd)

(iv) Credit risk (Cont'd)

Assessment of impairment losses (Cont'd)

Trade receivables (Cont'd)

Group	**Gross amount RM'000**	**Individual impairment RM'000**	**Collective impairment RM'000**	**Carrying amount RM'000**
30.6.2020				
Current (not past due)	17,075	-	(1,126)	15,949
1 to 30 days past due	5,406	-	(305)	5,101
31 to 60 days past due	3,737	-	(355)	3,382
61 to 90 days past due	667	-	(359)	308
91 to 360 days past due	754	(86)	(244)	424
Credit impaired	299	(299)	-	-
	27,938	(385)	(2,389)	25,164

The movements in the loss allowances in respect of trade receivables are disclosed in Note 18 to the financial statements.

Other receivables

Other receivables are also subject to the impairment requirements of MFRS 9. As the identified impairment loss is immaterial, it is not provided for.

Fixed deposits with licensed banks, cash and bank balances

The Group considers these banks and financial institutions 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 considers 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. As the Company is able to determine the timing of payments of the subsidiaries' advances when they are payable, the Company considers the advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's advance to be credit impaired when the subsidiary is unlikely to repay its advance in full or the subsidiary is continuously loss making or the subsidiary is having a deficit in its total equity.

The Company determines the probability of default for these advances individually using internal information available.

Notes To The Financial Statements (Cont'd)
30 June 2021

37. Financial instruments (Cont'd)

(a) Financial risk management policies (Cont'd)

(iv) Credit risk (Cont'd)

Assessment of impairment losses (Cont'd)

Amount owing by subsidiaries (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated for the amount owing by subsidiaries are summarised below:-

The Company	Gross amount RM'000	Lifetime loss allowance RM'000	Carrying amount RM'000
2021			
Low credit risk	129	-	129
2020			
Low credit risk	118	-	118

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.

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):-

	Weighted average effective interest rate (%)	Contractual undiscounted cash flows RM'000	Within 1 year RM'000	1 to 5 years RM'000
2021				
Group				
Non-derivative Financial Liabilities				
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	-
Derivative Financial Liabilities				
Forward currency contracts (gross settled)				
- gross payments	-	3	3	-
		44,864	38,061	6,803

Notes To The Financial Statements (Cont'd)

30 June 2021

37. Financial instruments (Cont'd)

(a) Financial risk management policies (Cont'd)

(v) Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

	Weighted average effective interest rate (%)	Contractual undiscounted cash flows RM'000	Within 1 year RM'000	1 to 5 years RM'000
2021				
Company				
Non-derivative financial liabilities				
Other payables	-	52	52	-
Financial guarantee contracts in relation to corporate guarantee given to a subsidiary	-	17,900	17,900	-
		17,952	17,952	-

	Weighted average effective interest rate (%)	Contractual undiscounted cash flows RM'000	Within 1 year RM'000	1 to 5 years RM'000
2020				
Group				
Non-derivative financial liabilities				
Term loans	3.88	31,709	13,530	18,179
Lease liabilities	4.57	1,110	1,028	82
Trade payables	-	17,900	17,900	-
Other payables	-	11,479	11,479	-
		62,198	43,937	18,261
Company				
Non-derivative financial liabilities				
Other payables	-	73	73	-
Financial guarantee contracts in relation to corporate guarantee given to a subsidiary	-	31,209	31,209	-
		31,282	31,282	-

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.

Notes To The Financial Statements (Cont'd)

30 June 2021

37. Financial instruments (Cont'd)

(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 shareholder 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. The debt-to-equity ratio is calculated as total net debts divided by total equity. The Group includes within total net debts, loans and borrowings from financial institutions net of cash and cash equivalents.

The debt-to-equity ratio of the Group as at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total external borrowings.

(c) Classification of financial instruments

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Financial assets				
Fair Value Through Profit or Loss				
Derivative assets	-	9	-	-
Short-term investments	52,800	24,700	-	-
	52,800	24,709	-	-
Amortised cost				
Trade receivables	22,622	25,164	-	-
Other receivables	144	111	-	-
Amounts owing by subsidiaries	-	-	129	118
Fixed deposits with licensed banks	8,350	17,300	500	500
Cash and bank balances	7,552	7,326	109	194
	38,668	49,901	738	812
Financial liabilities				
Fair Value Through Profit or Loss				
Derivative liabilities	3	-	-	-
Amortised cost				
Lease liabilities	1,055	1,090	-	-
Term loans	17,900	31,209	-	-
Trade payables	14,705	17,900	-	-
Other payables	11,048	11,479	52	73
	44,708	61,678	52	73

Notes To The Financial Statements (Cont'd)

30 June 2021

37. Financial instruments (Cont'd)

(d) Gains or losses arising from financial instruments

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Financial assets				
Fair Value Through Profit or Loss				
Net losses recognised in profit or loss	(12)	(3)	-	-
Amortised cost				
Net gains recognised in profit or loss	874	1,676	19	24
Financial liabilities				
Amortised cost				
Net losses recognised in profit or loss	(567)	(1,225)	-	-

(e) Fair value information

The fair values of the financial assets and financial liabilties 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**
2021				
Group				
Financial asset				
Short-term investments:				
- Money market funds	52,800	-	52,800	52,800
Financial liabilities				
Derivative liabilities:				
- Forward currency contract	3	-	3	3
Term loans	-	17,900	17,900	17,900

Notes To The Financial Statements (Cont'd)

30 June 2021

37. Financial instruments (Cont'd)

(e) Fair value information (Cont'd)

	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
2020				
Group				
Financial assets				
Derivative assets:				
- Forward currency contract	9	-	9	9
Short-term investments:				
- Money market funds	24,700	-	24,700	24,700
Financial liability				
Term loans	-	31,209	31,209	31,209

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 bases:-

(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.

38. Significant event during the financial year and subsequent event

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a global pandemic. Following the declaration, the Government of Malaysia has on 18 March 2020 imposed the Movement Control Order ("MCO") and subsequently entered into various phases of the MCO prior to entering into four different phases of National Recovery Plan ("NRP") to curb the spread of the COVID-19 pandemic in Malaysia.

As the Group is principally involved in the manufacture of pharmaceutical and health supplement products, the activities of which are classified as "essential services", the Group was able to continue operations during the MCO and NRP and remained profitable with positive operating cash flows for the year ended 30 June 2021.

Nevertheless, the Group remains cautious over the supply chain disruption and other challenges resulting from the deteriorated global and local economy arising from COVID-19 and has taken measures to tighten the internal controls in respect of the Group's trade receivables and inventories due to the higher credit and impairment risk exposures.

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 2021 (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	24 years	9,140,971
	Warehouse and production area	Warehouse and production area		6,613.00	21 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 - 29 years Warehouse -25 years	1,056,146
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	46 to 50 years	308,000
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	11 years	36,935,653
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	-	2 years	6,026,448
						53,467,218

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Second Annual General Meeting ("**22nd AGM**") of **KOTRA INDUSTRIES BERHAD** ("**Company**") will be conducted on a fully virtual basis through live streaming with an online remote participation and voting provided by V-Cube Malaysia Sdn. Bhd. from the Broadcast Venue at BO1-A-09, Menara 2, KL Eco City, No. 3, Jalan Bangsar, 59200 Kuala Lumpur, Malaysia on Friday, 26 November 2021 at 10.00 a.m. for the following purposes: -

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2021 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Note 7)**

2. To approve the payment of a final single-tier dividend of 7 sen per ordinary share for the financial year ended 30 June 2021. **(Ordinary Resolution 1)**

3. To approve the payment of Directors' fees amounting to RM380,000.00 from 27 November 2021 until the next AGM of the Company in year 2022. **(Ordinary Resolution 2)**

4. To approve the payment of Directors' benefits payable up to an amount of RM26,000.00 from 27 November 2021 until the next AGM of the Company in year 2022. **(Ordinary Resolution 3)**

5. 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: -

   (a) Chin Swee Chang **(Ordinary Resolution 4)**

   (b) Datuk Jamaludin bin Nasir **(Ordinary Resolution 5)**

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. **(Ordinary Resolution 6)**

AS SPECIAL BUSINESS

To consider and if thought fit, with or without any modification, to pass the following Ordinary Resolutions:

7. **Ordinary Resolution** **(Ordinary Resolution 7)**
   Authority to Issue Shares pursuant to the Companies Act 2016

   "**THAT**, subject always to the Companies Act 2016, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to the Companies Act 2016, to issue and allot shares in the capital of the Company from time to time at such price and to such persons, upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided always that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being.

   AND THAT the Directors be and are empowered to obtain the approval for the listing of and quotation for the additional shares to be issued on Bursa Malaysia Securities Berhad;

   AND FURTHER THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

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 2021, 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. 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 7 sen per ordinary share in respect of the financial year ended 30 June 2021, if approved by the shareholders at the 22nd AGM of the Company, will be paid on 9 December 2021 to depositors who are registered in the Record of Depositors at the close of business on 30 November 2021.

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 30 November 2021 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 (MAICSA 0777689) (SSM PC NO. 201908002648)
TAN LEY THENG (MAICSA 7030358) (SSM PC NO. 201908001685)
Company Secretaries

Kuala Lumpur
28 October 2021

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

Notes:

Fully Virtual 22nd AGM

1. *The Meeting will be conducted on a fully virtual basis at the Broadcast Venue. Members are advised to refer to the Administrative Guide for the 22nd 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 22nd AGM.*

Proxy

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 November 2021 ("**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 54B, Damai Complex, Jalan Lumut, 50400 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 2021***

   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 22nd AGM in two (2) separate resolutions as below: -

   - *Ordinary Resolution 2 on payment of Directors' fees to the Directors of the Company amounting to RM380,000.00 for the period from 27 November 2021 until the next AGM of the Company in year 2022.*

   - *Ordinary Resolution 3 of Directors' benefits up to an amount of RM26,000.00 for the period from 27 November 2021 until the next AGM of the Company in year 2022. 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 27 November 2021 until the next AGM of the Company in year 2022.*

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 22nd 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 Chin Swee Chang and Datuk Jamaludin bin Nasir, 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 22nd 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 2021 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-First AGM of the Company held on 20 November 2020 ("**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 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 2021 for further information.

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 22nd AGM of the Company.

ANALYSIS OF SHAREHOLDINGS

AS AT 30 SEPTEMBER 2021

Total number of issued shares	:	147,974,483
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 SHARES HELD
LESS THAN 100 SHARES	123	7.31	2,889	0.00
100 TO 1,000 SHARES	457	27.17	287,731	0.19
1,001 TO 10,000 SHARES	802	47.68	3,348,440	2.26
10,001 TO 100,000 SHARES	216	12.84	6,839,581	4.62
100,001 TO LESS THAN 5% OF ISSUED SHARES	83	4.93	72,871,480	49.25
5% AND ABOVE OF ISSUED SHARES	1	0.06	64,624,362	43.67
TOTAL	**1,682**	**100.00**	**147,974,483**	**100.00**

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 30 SEPTEMBER 2021

		No. of Shares Held			
No.	**Name**	**Direct**	**%**	**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#	49.32
3.	Datuk Piong Teck Yen	8,296,564	5.61	-	-

DIRECTORS' SHAREHOLDINGS

		No. of Shares Held			
No.	**Name**	**Direct**	**%**	**Indirect**	**%**
1.	Piong Teck Onn	16,286,626	11.01	72,987,562*	49.32
2.	Datuk Piong Teck Yen	8,296,564	5.61	-	-
3.	Chin Swee Chang	1,800,000	1.22	5,564,060^	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 2021

TOP 30 DEPOSITORS AS AT 30 SEPTEMBER 2021

NO	SHAREHOLDER	SHARES	%
1	PIONG NAM KIM HOLDINGS SDN BHD	64,624,362	43.6726
2	PIONG TECK ONN	6,125,402	4.1395
3	PIONG TECK MIN	5,006,220	3.3832
4	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR PIONG TECK ONN*	4,401,224	2.9743
5	PLATINUM ESSENCE SDN. BHD.	2,799,140	1.8916
6	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR PIONG TECK YEN*	2,500,000	1.6895
7	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR PIONG TECK YEN*	2,500,000	1.6895
8	KOK HON SENG	2,405,460	1.6256
9	JI YEH MING	2,000,000	1.3516
10	PIONG TECK ONN	1,980,000	1.3381
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR PIONG TECK ONN*	1,980,000	1.3381
12	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR PIONG CHEE WEI*	1,980,000	1.3381
13	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR PIONG TECK YEN*	1,980,000	1.3381
14	SEAH TIN KIM	1,844,440	1.2465
15	CHEAH CHANG HAN	1,820,000	1.2299
16	CHIN SWEE CHANG	1,800,000	1.2164
17	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR PIONG TECK ONN (7002831)*	1,800,000	1.2164
18	MEDISCH SPECIALIST CENTRE SDN BHD	1,664,060	1.1246
19	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM KIAN TIAK (8039574)*	1,500,000	1.0137
20	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)*	1,350,000	0.9123
21	PIONG TECK YEN	1,316,564	0.8897
22	HO JONATHAN LEP KEE	1,210,000	0.8177
23	CHEAH MING LOONG	1,142,900	0.7724
24	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR PIONG CHEE WEI (7002905)*	1,000,000	0.6758
25	OOI LEE PENG	952,500	0.6437
26	TRIPLE BOUTIQUE SDN BHD	830,000	0.5609
27	PIONG CHEE WEI	800,000	0.5406
28	PIONG TECK FONG	788,560	0.5329
29	PIONG TECK WAH	770,220	0.5205
30	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR OOI LEE PENG (MLK/SS)*	650,400	0.4395
	TOTAL	**121,521,452**	**82.1232**

FORM OF PROXY

CDS ACCOUNT NO.
NUMBER OF SHARES HELD

KOTRA INDUSTRIES BERHAD

[Registration No. 199901022732 (497632-P)]
(Incorporated in Malaysia)

*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-Second Annual General Meeting ("**22nd AGM**") of the Company to be conducted on a **fully virtual** basis through live streaming with an online remote participation and voting provided by V-Cube Malaysia Sdn. Bhd. from the Broadcast Venue at **BO1-A-09, Menara 2, KL Eco City, No. 3, Jalan Bangsar, 59200 Kuala Lumpur, Malaysia** on **Friday, 26 November 2021** 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 7 sen per ordinary share for the financial year ended 30 June 2021.		
2.	To approve the payment of Directors' fees amounting to RM380,000.00 from 27 November 2021 until the next AGM of the Company in year 2022.		
3.	To approve the payment of Directors' benefits up to an amount of RM26,000.00 from 27 November 2021 until the next AGM of the Company in year 2022.		
4.	To re-elect Madam Chin Swee Chang, who is retiring pursuant to Clause 118 of the Company's Constitution, have offered herself for re-election.		
5.	To re-elect Datuk Jamaludin bin Nasir, who is retiring pursuant to Clause 118 of the Company's Constitution, have 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.		

** 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 ___________________ 2021.

____
Signature of Member/Common Seal

Notes:

Fully Virtual 22nd AGM

1. The Meeting will be conducted on a fully virtual basis at the Broadcast Venue. Members are advised to refer to the Administrative Guide for the 22nd 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 22nd AGM.

Proxy

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 November 2021 ("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 54B, Damai Complex, Jalan Lumut, 50400 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.

1st Fold Here

AFFIX
STAMP

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

c/o Poll Administrator
54B, Damai Complex,
Jalan Lumut,
50400 Kuala Lumpur.

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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