



KOTRa

KOTRA INDUSTRIES BERHAD

[Registration No. 199901022732 (497632-P)]

**ANNUAL
REPORT**

HEALTH FOR LIFE

2023



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	02
Directors' Profile	03
Key Senior Management's Profile	06
Financial Highlights	08
Chairman's Statement	09
Management Discussion and Analysis	11
Corporate Governance Overview Statement	17
Statement on Risk Management and Internal Control	27
Report of the Audit Committee	30
Sustainability Statement	33
Additional Compliance Information	57
Directors' Responsibility Statement	60
Financial Statements	61
List of Properties	119
Analysis of Shareholdings	120
Notice of Annual General Meeting	122
Administrative Guide	126
Form of Proxy	

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

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

(Dissolved on 29 July 2023)

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

COMPANY SECRETARIES

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

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

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
Email : info@sshsb.com.my

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
Email : mega-info@megacorp.com.my

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
62, Malaysian, Male
Date appointed: 2 January 2017

Board Committee memberships:

- Chairman, Employee Share Option Scheme Committee (*Dissolved on 29 July 2023*)
- Chairman, Remuneration Committee
- Chairman, Nomination Committee
- Audit Committee

Academic qualification:

- Masters of Business Administration (MBA) from Texas A&M International University (formerly known as Laredo State University)
- Bachelor of Science in Finance & Business Economics, Southern Illinois University
- Bachelor of Arts in 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 from July 2005 till June 2010.
- Dresdner Kleinwort Wasserstein, an investment bank as its Chief Operating Officer, Malaysia and Director, Capital Markets and Syndicate, Asia Pacific ex Japan based in Singapore from June 1999 till June 2005.
- Dresdner Bank AG, a commercial and institutional bank as General Manager, Labuan and the Group Principal Officer in Malaysia from February 1997 to June 2005.
- Kwong Yik Bank (presently known as RHB Bank) from February 1986 to January 1997. Head and Assistant General Manager, Corporate and Capital Market.

Other Boards, associations or affiliations:

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

Relationships with other Directors/Substantial Shareholders:

- No relationship

Board Meeting attendance during the financial year ended 30 June 2023:

- Has attended all five (5) Board meetings



PIONG TECK ONN

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

Board Committee memberships:

- Remuneration Committee
- Employee Share Option Scheme Committee (*Dissolved on 29 July 2023*)

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 39 years and through his protracted efforts, he has also introduced a number of conventional dosage forms ranging from tablets, capsules, creams, ointments, wet and dry syrups as well as injectables, both aseptically and terminally sterilised.
- Under his leadership, KPM has grown from a locally established pharmaceutical company to an internationally recognised company, producing well-known brands such as Appeton, Axcel and Vaxcel as well as introducing the latest brand, Arite, that caters to metered dose inhaler products.
- Responsible for the Group's overall operations, business strategic directions and driving the Group's initiatives towards achieving its various set of goals.

Committee served:

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

Associations or affiliations:

- Past President of the Malaysian Organisation of Pharmaceutical Industries ("MOPI")
- Past Branch Committee Member of Federation of Malaysian Manufacturers ("FMM"), Malacca Branch
- Past Committee Member of FMM Belt & Road Initiative and China Affairs
- Current Member of Sectorial Training Committees ("STCs") for Chemicals & Chemical-Based Products under HRDCorp
- Current Executive Council Member of 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 2023:

- Has attended all five (5) Board meetings

DIRECTORS' PROFILE (CONT'D)



CHIN SWEE CHANG

Executive Director
66, 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 2023:

- Has attended all five (5) Board meetings



LEE MIN ON

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

Board Committee memberships:

- Chairman, Audit Committee
- Employee Share Option Scheme Committee (*Dissolved on 29 July 2023*)
- Remuneration Committee
- Nomination Committee

Professional qualification:

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

Experience and career path:

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

Directorship in public listed companies:

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

Relationships with other Directors/Substantial Shareholders:

- No relationship

Board Meeting attendance during the financial year ended 30 June 2023:

- Has attended all five (5) Board meetings

DIRECTORS' PROFILE (CONT'D)

**DATUK PIONG TECK YEN**

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

Academic qualification:

- Lewisham College, United Kingdom

Experience and career path:

- Responsible for marketing and sales activities of Kwong Onn Tong Sdn. Bhd. ("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 2023:

- Has attended all five (5) Board meetings

**PIONG CHEE KIEN**

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

Board Committee memberships:

- Audit Committee
- Remuneration Committee
- Nomination Committee

Academic qualification:

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

Experience and career path:

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

Relationships with other Directors/Substantial Shareholders:

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

Board Meeting attendance during the financial year ended 30 June 2023:

- Has attended all five (5) Board meetings

Save as disclosed above, none of the Directors has:

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

Other than traffic offences, none of the Directors has any conviction for offences within the past five (5) years and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 30 June 2023.

KEY SENIOR MANAGEMENT'S PROFILE

CHEAH MING LOONG

Chief Operating Officer

52, 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 26 years of pharmaceutical experience in both the patent and generic drugs industry.
- Currently, responsible for the daily operation and the strategic development of Kotra Pharma (M) Sdn. Bhd. ("KPM") for Malaysia and international market.
- Has keen involvement and consultation with the Ministry of Health, Malaysia on matters relating to the development of local generic industry, guidelines & policies.
- Committee member for FMM Branding & Intellectual Property (IPR) 2021-22.

Associations and affiliations:

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

DANIEL CHUA CHONG LIANG

Chief Financial Officer

49, Malaysian, Male

Date appointed: 1 July 2003

Academic qualification:

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

Experience and career path:

- More than 26 years of working experience and 20 years of experience in the pharmaceutical industry.
- Worked in the big six (6) international accounting firm with experience in the areas of audit and taxation.
- Currently, responsible for the financial management of Kotra Industries Berhad ("KIB") and KPM.

Associations and affiliations:

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

KEY SENIOR MANAGEMENT'S PROFILE (CONT'D)

PIONG CHEE WEI

Executive Director of KPM, a subsidiary of KIB
 38, Malaysian, Male
 Date appointed: 1 July 2021

Academic qualification:

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

Experience and career path:

- More than 11 years of experience in pharmaceutical industry.
- Responsible for overseeing the daily operations and strategic development of KPM's over-the-counter ("OTC") sales and 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 Management has:

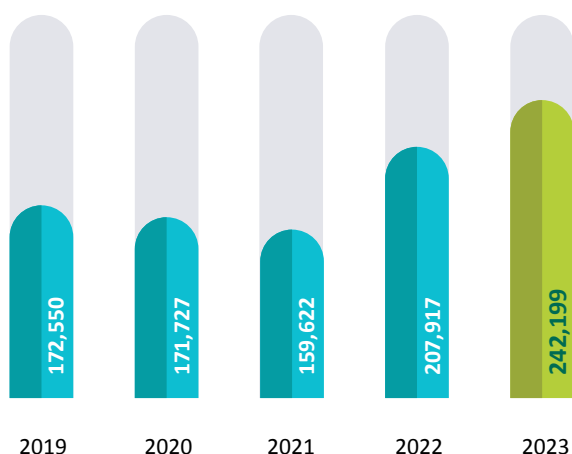
- family relationships with any Directors/Substantial Shareholders of the Company;
- directorships in other public companies and listed issuers; and
- any conflict of interest with Kotra Industries Berhad.

Other than traffic offences, none of the Key Management has any conviction for offences within the past five (5) years and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 30 June 2023.

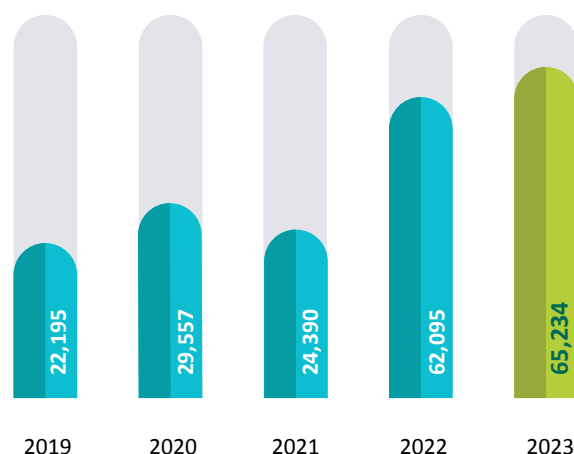
FINANCIAL HIGHLIGHTS

	2019 ('000)	2020 ('000)	2021 ('000)	2022 ('000)	2023 ('000)
Revenue	172,550	171,727	159,622	207,917	242,199
Profit after tax	22,195	29,557	24,390	62,095	65,234
Profit before tax	21,364	25,926	26,273	58,279	66,076
Shareholders' equity	172,160	189,846	206,419	244,140	271,079
Net assets per share	1.20	1.31	1.40	1.65	1.83
Gearing ratio	0.26	0.17	0.09	0.03	0.00
Return on assets (%)	9.01	11.67	9.66	20.76	19.75
Return on equity (%)	12.89	15.57	11.82	25.43	24.06

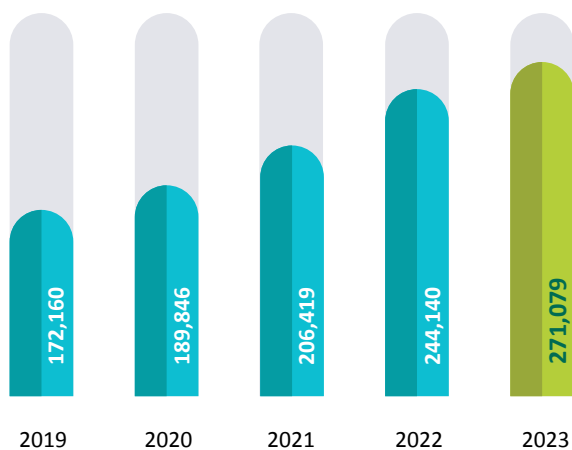
REVENUE (RM'000)



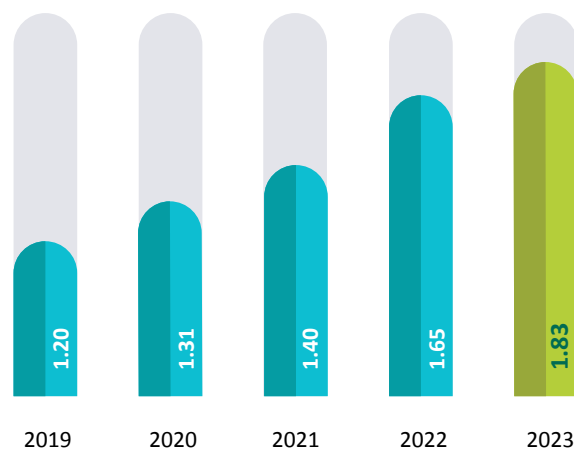
PROFIT AFTER TAX (RM'000)



SHAREHOLDERS' EQUITY (RM'000)



NET ASSETS PER SHARE (RM)



CHAIRMAN'S STATEMENT



Dear Esteemed Shareholders,

On behalf of the Board of Directors ("Board"), I am honoured to present the Annual Report of Kotra Industries Berhad ("Company") for the financial year ended 30 June 2023.

Reflecting on the past years of living under the shadow of COVID-19, the devastation endured worldwide was immense, both to people and businesses. As we transitioned and returned to normalcy, the reporting financial year was nothing short of its own challenges. The world continues to face the lingering effects of the pandemic, geopolitical tensions, the Russo-Ukrainian war, supply disruptions, hikes in interest rates by central banks globally and inflation. Fortunately, the Group managed to steer through and strengthen its operational capability and productivity amidst the backdrop of significant macroeconomic challenges.

I am pleased with the progress the Group has made so far, as evidenced by its financial performance, demonstrating the Group's resilience and collective drive to deliver long-term sustainable results through the execution of our business action plans and strategies. As the new financial year unfolds, I believe the Group will be in good stead to weather the current storms, continue to navigate successfully and work towards our common goals to maintain business continuity whilst driving efficiencies.

I also take pride in sharing that during the reporting financial year, the Company has been recognised for the second time and emerged as one of the winners of the Edge Malaysia Centurion Club Corporate Awards. Under the healthcare sector, the Company was awarded for "Highest Return on Equity", "Highest Growth in Profit After Tax" and "Highest Return to Shareholders" over three years. This is a testament to the unwavering determination of the Group, and it was only possible because all members in the Group were aligned to meet our business goals and deliver on our commitments.

Our Financial Performance

The Group's revenue grew by 16.5% to RM242.2 million for the financial year ended 30 June 2023 as compared to the previous year's revenue of RM207.9 million. The growth was mainly due to an increase in sales of pharmaceutical products in both local and overseas. The significantly higher sales achieved were due to increase in demand, culminating from higher sales orders from customers who replenished their stocks when the economies reopened.

For the reporting financial year, the Group's profit before tax ("PBT") was recorded at RM66.1 million, with an increase of 13.4% as compared to the PBT of RM58.3 million in the previous financial year. The higher sales during the financial year drove the increase, although somewhat offset by higher advertisement and promotional expenses incurred to enhance brand awareness as well as other operating expenses. Meanwhile, profit after tax ("PAT") saw a growth of 5.0% at RM65.2 million or a PAT margin of 26.9% in the financial year under review as compared to RM62.1 million or PAT margin of 29.9% achieved in the preceding financial year respectively. The higher PAT margin in the previous financial year was due to recognition of deferred tax credit arising from probable utilisation of unutilised tax credit and unused tax losses.

The Group's healthy financial position is mirrored by its total assets of RM330.3 million as of 30 June 2023 in comparison to RM299.2 million in the preceding year, in particular our cash and bank balances position. Shareholders' fund was recorded at RM271.1 million while net assets attributable to ordinary equity holders of the Company stood at RM1.83 per share in comparison to RM244.1 million and RM1.65 per share respectively in the preceding financial year. Following the increase in profit after tax, earnings per share stood at 44.08 sen as compared to 41.96 sen in the previous financial year.

The current income tax expense of RM0.8 million for the financial year under review is mainly for the tax on interest income of the Group. Profit from business income was largely sheltered by the availability of tax incentives on double deduction for eligible expenses provided under the Promotion of Investments Act 1986 and availability of unutilised capital allowances and unabsorbed tax losses.

Dividend

The Board has declared a second interim single tier dividend of 15.5 sen per share. Together with the first interim single tier dividend of 10 sen per share, this brings the total dividend for the financial year under review to 25.5 sen. This further aligns with our commitment to deliver sustainable returns to our shareholders.

CHAIRMAN'S STATEMENT (CONT'D)

Our Product Pipeline

In an essential industry, research and development ("R&D") is invariably a key component towards exploring the unmet needs and in improving the people's health quality and well-being. Introducing new products, including improving our existing products, is important to us for a sustained performance. New product development is a lengthy process, which often can be costly and entail risks. It involves rigorous testing to develop new products or enhancing existing products while ensuring all guidelines and/or any statutory requirements are met.

In line with our vision "Everyone deserves a healthier tomorrow", we are dedicated to offer and provide affordable high-quality products as we strive to remain relevant in the market. During the financial year ended 30 June 2023, the Group launched the following new products to the market:-

- 1) Axcel Etoricoxib 90mg tablet;
- 2) Axcel Etoricoxib 120mg tablet; and
- 3) Axcel Clopidogrel 75mg.

Axcel Etoricoxib is used to ease pain and swelling (inflammation) for patients with conditions such as osteoarthritis, rheumatoid arthritis and ankylosing spondylitis and it may also be applied for short period of time for gout treatment. Axcel Clopidogrel is an antiplatelet medication that prevents blood clot from forming. It reduces the risk of heart attack or stroke which may occur when a blood vessel is blocked by a blood clot.

Our Commitment Towards Corporate Governance and Sustainability

The Board is committed and focused on upholding, implementing and instilling high standards of corporate governance, business conduct, compliance with rules and regulations, all of which are important to the Group's performance and business sustainability. An important element is for us to foster a workforce that consistently upholds integrity with zero tolerance to bribery and corruption. During the financial year ended 30 June 2023, the Board revised and reviewed the Board Charter as well as the Terms of Reference of Board Committees to reflect practices as recommended by the Malaysian Code on Corporate Governance 2021.

We recognise the growing importance of sustainability as well as the global objective on building sustainable growth and combat climate change. Our environmental initiatives, corporate social responsibility activities and corporate governance practices are focused on delivering our environmental, social and governance ("ESG") responsibilities. Solar photovoltaic panels installed at our manufacturing facility further support renewable energy initiative in line with Malaysia's target towards net-zero emission by 2050. The net zero commitments made by companies and governments around the world will undoubtedly drive demand for clean and renewable energy as well as decarbonisation solutions.

We aim to lead by example in our operations, doing business the right way by embedding sustainability at the heart of our strategic plans. We have a long journey ahead to ensure a better and brighter future for our next generations. To further strengthen ESG efforts, we are in midst of working on developing strategies and measurable performance indicators, including materiality assessment, to ensure a structured long-term viability of the Group. I look forward to sharing the progress with you in the next Annual Report of the Company.

Outlook

Whilst the business environment of pharmaceutical industry is evolving rapidly, creating a fog of uncertainty that is further compounded by the prevailing global economic pressures, the Board will tread with caution in the Group's quest to create shareholder value on a sustained basis. Managing the unprecedented pandemic and emerging relatively unscathed has certainly taught us to adapt with business agility and resilience, enabling us to have a deeper understanding of our capability and capacity to overcome the challenges in the business environment.

Although the economic outlook appears disconcerting, the Group is confident that our new automatic warehousing facilities which are under construction (scheduled to be completed in end of 2024) and installation of new manufacturing lines will enable us to significantly enhance our future business efficiency and deliver better results to our various stakeholders, particularly our customers.

Nevertheless, the Group is also mindful of the operational risks and the intense competition that exists in this industry which may impact our financial results. Recognising prevailing market sentiments and continuous demand for the Group's products, we are of the view that the Group's operations will remain on an upward trajectory for the next financial year. Under the strategic direction of the Board and by leveraging our Management's capabilities, the Group will continue to practise prudent spending, evaluate our business plans and take proactive measures necessary to remain well-positioned, strong and resilient in the years ahead.

Acknowledgement

On behalf of the Board, I would like to take this opportunity to express my appreciation towards the Group's Management and employees. Their dedication, contribution and perseverance during the financial year under review was indeed instrumental to the Group in achieving another year of growth. I also wish to express my gratitude to our shareholders, business partners, bankers, suppliers and customers for their unwavering support and confidence throughout the years. Last but not least, my sincere appreciation to my fellow members of the Board for their contribution, guidance and counsel in driving the Group to strengthen the business growth and enhance long-term value for our stakeholders.

DATUK JAMALUDIN BIN NASIR

Independent Non-Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Dear Valued Shareholders,

I am pleased to present the Management Discussion and Analysis (“MD&A”) of Kotra Industries Berhad (“Company”) and its subsidiaries (“Group”) for the financial year ended 30 June 2023. This MD&A provides an overview of the financial and operational performance of the Group as well as the anticipated risks and outlook for the financial year 2024.



OVERVIEW

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

The Group has been offering a wide range of healthcare products of over-the-counter (“OTC”) supplements, nutritional products as well as pharmaceutical products in various dosage forms. We carve our market niche via our three (3) main brands, namely, Appeton, Axcel and Vaxcel. The Appeton brand offers high quality OTC products that cater to all stages of life, from prenatal development needs to geriatric health supplements. Axcel specialises in paediatric care, anti-infective medicine and dermatological care while Vaxcel products focus on sterile injectables that feature a range of antibiotics to treat an extensive range of health conditions. Our metered dose inhalers are branded as Arite. As of financial year ended 30 June 2023, our 62 OTC products and 145 pharmaceutical products are registered in Malaysia as well as in the international markets that we operate in.

Guided by our vision “Humanising health where we believe everyone deserves a healthier tomorrow” and our strong workforce of close to 740 employees, we strive to bring a variety of safe and cost-efficient products accessible by everyone.

FINANCIAL REVIEW

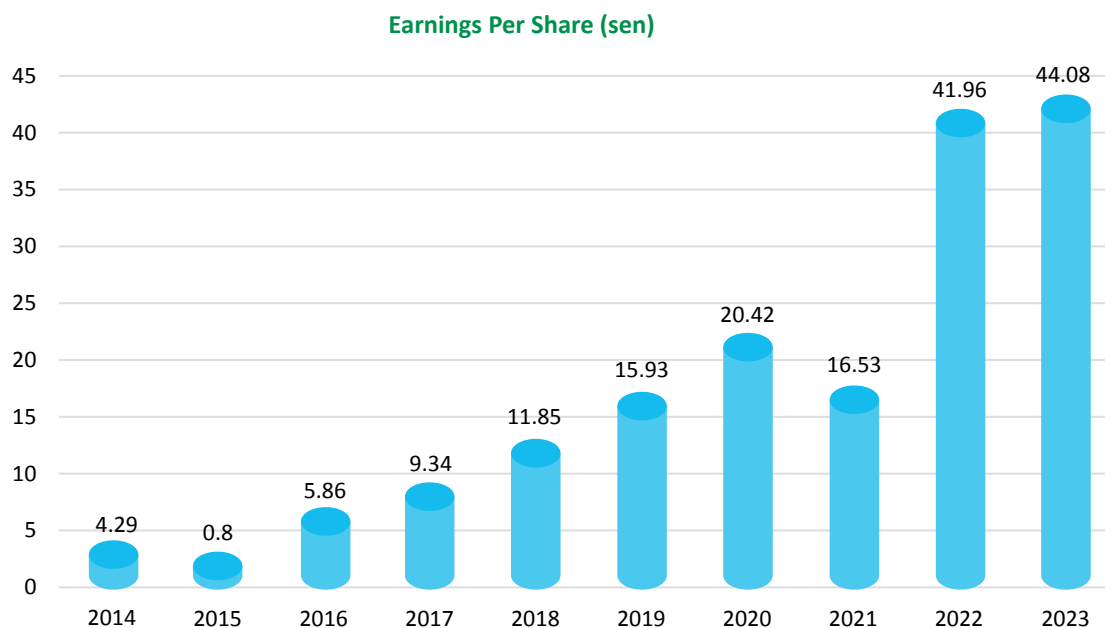
The Group has always shown unwavering determination and resilience in pursuing its objectives. This year, we have scaled new heights in terms of financial results achieved for the financial year ended 30 June 2023. The Group registered a commendable revenue growth of 16.5%, from RM207.9 million in the preceding financial year to RM242.2 million, resulting from the high demand of pharmaceutical products in both the local and overseas markets. The higher revenue was primarily attributed to higher sales orders from customers who replenished their stocks when the economies reopened. The sustained economic recovery and increasing customer demand created sales opportunities for us, and we capitalised by responding quickly to satisfy the needs of our customers. As such, our pharmaceutical product sales contributed 56% of the revenue and continue to maintain a strong market presence for now while the remaining 44% of revenue consists of sales of OTC products.

Demonstrating our positive operational performance, the Group closed the year with profit before tax, which improved by 13.4% over the last financial year, resulting from higher sales achieve which was somewhat offset by higher advertisement and promotional expenditure incurred for brand awareness as well as other operating expenditure. While managing the budget and expenditure is important to maintain margins, our aim has always been to optimise the quality of our expenses which bring in more value to the Group.

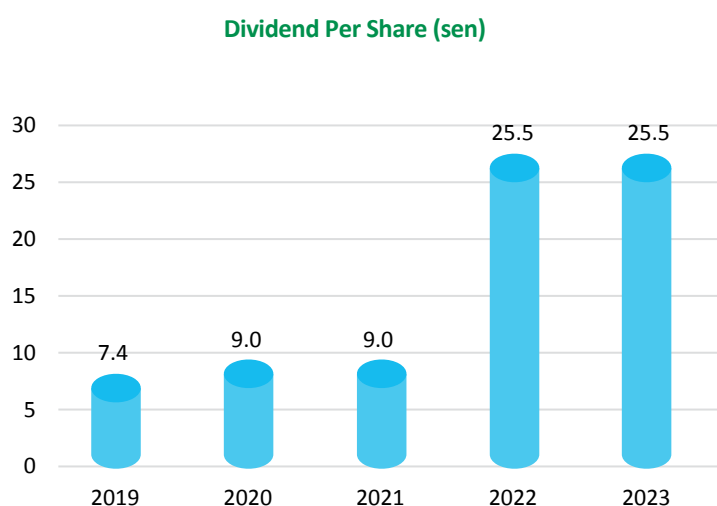
MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL REVIEW (CONT'D)

Earnings per share ("EPS") rose to the highest level ever at 44.08 sen from 41.96 sen per share in financial year ended 30 June 2022. The following chart illustrates the Group's EPS since 2014:-



Dividend per share ("DPS") was maintained at the same level as the previous financial year, illustrated as follows for the last 5 years:-



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

OPERATIONS REVIEW

A. Manufacturing (Manufacturing Excellence)

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

During the previous financial year, the global supply chain disruption caused several delays in supply which led to shortages of raw materials. However, with careful planning we have improved in our supply chain resilience, ensuring we will not be impacted negatively by any interruptions.

Currently, our manufacturing capacity utilisation is approximately 35% to 40%. We believe with the healthy excess capacity, along with the state-of-art infrastructure and resources we have, our manufacturing facility has the capability to produce large orders of our products and meet market demands. This was proven during the year when the market was in short supply of pharmaceutical products. We managed to capitalise on the situation and increase our production to cope with market needs.

As we look towards financial year 2024, the Group has begun works on the construction of the new automatic warehousing facilities and the set up of three (3) new manufacturing lines. The total cost of these projects is estimated to be RM160 million. The on-going construction of the 202,492 sq. ft. warehouse is expected to be completed in the end of year 2024 to cater for storage and warehousing needs and replace the current warehouse which has reached more than 90% of its capacity since its establishment in 1997. The set up of 3 new manufacturing lines will be for the manufacturing of products with different dosage forms, which the Group currently does not have. We believe the new lines will help to reduce Malaysia's reliance on the imports and propel our local pharmaceutical industry, at the same time sustain the nation's medicine supply as well as the Group's opportunities for growth.

Playing our part in creating a more sustainable system in manufacturing has been one of our top agenda. This is evident from our investment in the solar photovoltaic ("PV") system installed in our manufacturing facility. As regulators, investors and customers have been increasingly nudging us to step up efforts to embrace sustainability practices, we will continue to find innovative ways to make this possible.

B. New Product Development (Research and Development Excellence)

The pharmaceutical industry we are operating in is intensely competitive, amidst a rapidly changing environment. New product development is a common and crucial strategy to stay relevant in this industry as well as providing a competitive advantage. To deliver quality and affordable products that are trusted by our customers and patients, we have been consistently investing in our research and development ("R&D") capabilities with the support of an experienced team of 47 dedicated employees.

The Group believes the local generic drug sales will continue to rise in the coming years as generic drugs are significantly more affordable than innovators' products generally. Therefore, we see room for the local generic drug market to grow and we intend to capitalise on it.

During the financial year ended 30 June 2023, we launched three (3) prescription products, namely, Axcel Etoricoxib 90mg and 120mg tablet and Axcel Clopidogrel 75mg. Through our increasing portfolio of products registered, we are confident of sustaining our competitive advantage in this industry. To complement our existing product portfolio, we intend to expand our portfolio in new therapeutic areas.

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

C. International Market (Global Pharmaceutical Excellence)

The reopening of international borders and economic activities has helped the Group's export sales, which resulted in our international division contributing RM74.4 million to the Group's overall revenue for the financial year ended 30 June 2023, a growth of 22.6% compared to the previous financial year where export revenue was hampered during the COVID-19 pandemic.

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

OPERATIONS REVIEW (CONT'D)

C. International Market (Global Pharmaceutical Excellence) (Cont'd)

In addition, the weakening of Malaysian ringgit has been favourable to the Group as an exporter as most of the export revenue are in US Dollar. During the financial year under review, revenue from export sales contributed 31% to the overall revenue.

D. Brand and Marketing (Brand and Marketing Excellence)

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

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

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

We continued with outdoor advertising through billboards across Malaysia and a few countries in Asia which we operate. Besides, we have also taken efforts to increase brand visibility by placing our products strategically at customers' outlets to communicate product and display product information to existing and potential customers. We have also collaborated with Chef Wan in promoting Appeton Wellness 60+ during the financial year. With a huge following and popularity, we believe he can help us to reach out to Malaysians from all walks of life.

To build and strengthen our brand presence for prescribed products which are not allowed to be advertised, 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. We will continue to put more effort on driving effective and high impact marketing activities that create value and awareness among our customers.

E. Human Capital (People Excellence)

We take pride in our human capital being one of our biggest assets to spur continuous growth. We are committed to foster a culture that enables our people to realise their potential by building the capabilities of our leaders and leveraging the power of a diverse workforce. 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, exposing them to different experiences and garnering wider skills to enhance 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 training internally through Kotra Institute of Talent Excellence ("KITE"), notably the National Sales Conference and Compass Meetings. We believe by continuously training and retaining our valued employees, we will be able to improve on their overall productivity and performance to continuously contribute to the Group.

To build upon the good response from the Group's Clinic Assistant Program ("CAP"), which seeks to bridge the unmet needs of our customers, we have now launched the Pharmacy Assistant Program ("PAP") which includes selling and promoting skills for the participants. This program aims to enhance untrained assistants with the knowledge and skills to be more competent. We have plans to upgrade and expand the program to include a wider scope of customers in the near future. Whilst the immediate goal for this program is to increase our credibility among our customers and foster a long-term relationship, ultimately we aim to be the pioneer in transforming traditional learning and training and contribute towards elevating the Malaysian workforce.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

ANTICIPATED RISKS

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

A. Financial and Operational Risk

As a manufacturer of pharmaceutical products, the Group is exposed to risks related to, amongst others, escalating costs of raw materials, especially Active Pharmaceutical Ingredients ("API"), shortage of raw materials, liquidity, credit risk, 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 on a global scale, fluctuations in foreign currency exchange, economic instability and inventory obsolescence that will have a material impact on the Group's financial position and business performance. In addition, any prolonged downturn in general economic conditions presents risks to the Group's business such as a potential decrease in healthcare spending by the government and dampened consumer sentiments.

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

B. Regulatory and Compliance Risk in Pharmaceutical Industry

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

To mitigate this, the Group engages with relevant regulatory and government authorities as well as participates in pharmaceutical related associations, such as Malaysian Organisation of Pharmaceutical Industries ("MOPHI"), which enables the Group to anticipate and respond to changes swiftly. We have been implementing effective compliance management internally by embedding controls and compliance process in the Group via periodic reviews, continuous training and establishing effective compliance management team, consisting of 142 members, who enable us to sustain our commitment towards regulatory compliance.

C. Competitive Environment

The pharmaceutical industry plays an important role in improving health care. The Group faces stiff and heavy competition from a myriad of local and foreign players which have more resources than the Group. This competitive environment may threaten our revenue and profit margin if not properly managed. Moreover, we may experience a rise in protectionism from overseas countries, where governments in these countries prescribe policies such as tariffs, import quotas and subsidies to assist their local companies to manage and sustain their businesses against foreign competition. This will definitely put exporters like us at a disadvantage.

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

OUTLOOK

After two record-breaking years, the challenge now is to maintain at the level we have achieved and strive even further. 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 creating long-term sustainable value for our shareholders.

The Malaysia's Gross Domestic Product growth hit its lowest in nearly two years in the second quarter (2.9%) due to sliding exports and a global slowdown. With the gathering global economic headwinds in the form of persistent inflation and high interest rate, the outlook for the Group is therefore one that is filled with cautious optimism.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

OUTLOOK (CONT'D)

This being said, the demand for medicine is generally non-cyclical and out-of-pocket spending on private pharmacies in Malaysia is expected to rise further based on MOH National Health Accounts Health Expenditure Reports, driven by several factors that we believe such as improving affluence and health awareness and increase prevalence of non-communicable disease ("NCDs"). The rising incidence of NCDs, which include hypertension, cardiovascular diseases, diabetes and cancers, may be stemming from Malaysia's ageing population and lifestyle factors, such as diet, smoking, excessive exposure to ultraviolet light and sedentary habits. In tabling the revised Budget 2023, Prime Minister Datuk Seri Anwar Ibrahim said the Ministry of Health would be given an allocation of RM36.3 billion, the second highest allocation for a ministry, as published in The Star Online dated 24 February 2023. The goal is to make healthcare services more accessible to the lower-income segments of the population. It is therefore important for the Group to be dynamic in making changes whenever needed and seizing new opportunities should they arise.

In addition, we can indirectly enhance the Social (S) pillar in ESG as our products play an important role in helping communities treat or relieve various diseases and improve general health and immunity as well as enhance the population's access to affordable healthcare products. We recognise our responsibility to address the challenges of global sustainability, especially that challenges posed by climate changes and their associated impacts. A more comprehensive coverage of all our ESG initiatives has been included in the Sustainability Statement of this Annual Report.

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

ACKNOWLEDGEMENT

To get to where we are currently is possible because of the commitment of our employees and other stakeholders' support. The Group's progress would not be possible without the unwavering dedication of the Management team and employees who have contributed greatly to the Group's achievements in another record-breaking year. I would like to express my heartfelt gratitude for their tireless efforts.

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

The challenge now is to maintain our trajectory and continue to keep improving in terms of efficiency and shareholders' return. Looking at the uncertainties and challenges ahead, we will continue to exercise caution and prudence in our day-to-day operations. With determination and focus, I am confident that we will be able to sail through the challenges to emerge stronger and deliver our commitments to our stakeholders.

PIONG TECK ONN

Managing Director

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") is committed to uphold high standards of corporate governance in the Company and its subsidiaries ("Group") to enhance long-term shareholder value and safeguard stakeholders' interests. This Corporate Governance Overview Statement ("Statement") is prepared in compliance with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and is guided by the provisions set out in the Malaysian Code on Corporate Governance 2021 ("MCCG 2021") in the implementation of corporate governance practices by the Group.

This Statement provides a summary of the Group's corporate governance practices, with reference to the following principles as set out in the MCCG 2021:-

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

Details of application of corporate governance practices vis-à-vis the MCCG 2021 and explanations on the departures are disclosed in the Corporate Governance Report ("CG Report"). The Principles and Practices prescribed in the MCCG 2021 were applied, save for the following, certain ones of which, for example practices relating to sustainability governance and management, are in the process of being adopted by the Company for the financial year ending 30 June 2024:

- Practice 1.4 - The Chairman of the Board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee;
- Practices 4.1, 4.2 and 4.4 – Covering sustainability governance and management in relation to the Group's sustainability strategies, priorities and targets; performance against such targets; and evaluation of the Board and Senior Management in addressing the Group's material sustainability risks and opportunities;
- Practice 5.2 - At least half of the Board comprises Independent Directors;
- Practice 5.9 – The Board comprises at least 30% women Directors;
- Practice 5.10 – Disclosure in the Company's annual report the policy on the gender diversity for the Board and Senior Management; and
- Practice 8.2 – Disclosure on a named basis the top five (5) Senior Management's remuneration components, including salary, bonus, benefits-in-kind and other emoluments in bands of RM50,000.

This Statement is to be read together with the CG Report of the Company which is available on the Group's website at www.kotrapharma.com as well as on Bursa Securities' website at www.bursamalaysia.com.

PRINCIPLE A: BOARD LEADERSHIP AND RESPONSIBILITIES

PART I - BOARD RESPONSIBILITIES

1.0 Board's Leadership

The Board assumes the leadership role in directing the Group towards achieving its corporate objectives, delivering sustainable value and enhancing long-term shareholders value. The Board has the responsibility to oversee the overall conduct of business, governance, management and direction of the Group as well as ensuring that the Group's internal control system and risk management processes are implemented to minimise the downside risks for the Group.

In discharging its fiduciary duties and leadership functions, the Board acts in good faith and in the best interest of the Company with due diligence and care. The Board is guided by its Board Charter which outlines the duties and responsibilities of the Board, including a schedule of matters specifically reserved for the Board's deliberation and decision.

The Board has delegated certain functions to each of the following Board Committees to assist in the execution of its responsibilities for the financial year under review:-

- a) Audit Committee ("AC");
- b) Nomination Committee ("NC");
- c) Remuneration Committee ("RC"); and
- d) Employee Share Option Scheme ("ESOS") Committee ("EC") (*Dissolved on 29 July 2023*).

The Board Committees are entrusted with specific tasks to oversee the Company's affairs in accordance with their respective Terms of Reference. While the Board Committees have their own functions and delegated roles, the ultimate responsibility and decisions on all matters lies with the Board.

The Board Charter and the Terms of Reference of the Board Committees are available on the Group's website at www.kotrapharma.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

PART I - BOARD RESPONSIBILITIES (CONT'D)

1.0 Board's Leadership (Cont'd)

Chairman and Managing Director

The roles of the Chairman and Managing Director are held by different individuals. The division of their responsibilities is clearly defined in the Board Charter, with each having distinct and separate roles to ensure an appropriate balance of authority, power and accountability.

The Board is led by Datuk Jamaludin bin Nasir who was appointed as the Independent Non-Executive Chairman and who is supported by other Board members with a wide range of experience and expertise. The Chairman is responsible for leading and ensuring the effectiveness and governance of the Board. Mr. Piong Teck Onn, the Managing Director of the Group is entrusted with the responsibility of managing day-to-day operations of the Group, including the implementation of Board's decisions, business plans, strategies and policies.

To engender a balance of power and authority within the Board, majority of the Board members are Non-Executive Directors, comprising individuals with vast experience, skills, calibre and integrity. The Independent Directors bring to the Board a detached impartiality, providing the necessary checks and balances so that no one has unfettered powers in the decision-making process.

Company Secretary

The Board, in performing its duties, has unrestricted access to the two (2) named qualified Company Secretaries who are members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") on all matters relating to the Company. They play a pivotal compliance and advisory role to the Board concerning the requirements encapsulated in the Company's Constitution, MMLR, MCG 2021, Companies Act 2016 and other relevant laws and regulations.

Apart from playing an active role in advising the Board on governance and regulatory matters, either one of the Company Secretaries attends all the Board and Board Committee meetings. The Company Secretary in attendance ensures that meetings are properly convened, and the proceedings and any resolutions passed are properly recorded and maintained.

Access to Information and Advice

The Company Secretary prepares the annual meeting calendar in advance which provides the Directors with scheduled dates for meetings of the Board and Board Committees as well as the annual general meeting ("AGM"). The Board meets on a quarterly basis with additional meetings held whenever necessary. The meeting agenda, including the minutes of preceding meetings and relevant meeting materials, is circulated at least seven (7) days prior to the meeting to the Board members. This enables all Directors to have sufficient time to obtain further explanation, if required, to better participate at the meetings.

The Board and Board Committees have access to all information within the Group. Members of the Board and Board Committees may obtain independent professional advice, where necessary, at the Company's expenses on the specific issues to enable them to make well-informed decisions in discharging their duties on the matters tabled. The Board is also regularly updated and advised by the Company Secretary on new statutory and regulatory requirements that may affect the Directors and/or Group.

2.0 Demarcation of Responsibilities

The Board has adopted a Board Charter that sets out the roles, functions, responsibilities and authority of the Board and Board Committees as well as individual Directors. To discharge its fiduciary duties and responsibilities, the Board is guided by the Board Charter which can be accessed on the Group's website at www.kotrapharma.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

PART I - BOARD RESPONSIBILITIES (CONT'D)

3.0 Promoting Good Business Conduct and Corporate Culture

Code of Conduct and Ethics

The Board has established a Code of Conduct and Ethics ("Code"), which sets out the standards of conduct expected from all Directors and employees to promote an ethical culture across the Group. The Directors are also required to comply with the Directors' Code of Ethics and Conduct, which has been included in the Board Charter.

Whistleblowing Policy and Procedures

The Whistleblowing Policy and Procedures ("Whistleblowing Policy") outline the avenues for employees of the Group, public and external parties to raise concerns or disclose in good faith any actual or suspected improper conduct without fear of retaliation or reprisal when reporting such concerns. Whistleblowers are encouraged to submit their reports via dedicated reporting channels, and reports made are attended to by the Board Chairman or the AC Chairman, as the case may be.

Anti-Bribery and Corruption Policy

The Group is committed to conducting its business with integrity and in an ethical, responsible and transparent manner. The Group has zero tolerance against all forms of bribery, corruption and similar unethical acts to safeguard the Group's reputation. To promote integrity across the Group, the Board has established an Anti-Bribery and Corruption Policy ("ABC Policy") in accordance with Section 17A(5) of the Malaysian Anti-Corruption Commission Act 2009.

Directors' Fit and Proper Policy

The Board has adopted the Directors' Fit and Proper Policy in a compliance with the new Paragraph 15.01A of the MMLR. This Policy defines the fit and proper criteria and serves as a guide for the appointment of prospective Director and re-election of retiring Directors on the Board of the Company and its subsidiaries.

The Code, Whistleblowing Policy, ABC Policy and Directors' Fit and Proper Policy are available on the Group's website at www.kotrapharma.com.

4.0 Sustainability

The responsibility for overseeing the Group's sustainability, including the pillars of environmental, social, and governance ("ESG") matters, lies with the Board. The Managing Director, with the support of Heads of Department and Managers, leads in integrating and implementing sustainability strategies in the day-to-day operations of the Group.

The Group engages with its stakeholders through various means of communication to enable them to better understand the Group's business operations and seek their feedback and input on matters relevant to them. A list of identified key stakeholders, engagement channels and their areas of interest/concern during the financial year ended 30 June 2023 is disclosed in the Sustainability Statement of the Annual Report.

The Board recognises the importance of staying informed and updated on sustainability issues that are relevant to the Group. The Board, assisted by the NC, assesses the training programmes attended by each Director to ensure the Directors stay abreast with the latest developments in the industry, including emerging sustainability issues. The list of training programmes attended by each Director are disclosed in this Statement.

The NC did not specifically assess the Board's performance in addressing sustainability risks and opportunities during the performance evaluation conducted for the financial year ended 30 June 2023. However, the Board is determined to adhere to the practices recommended by the MCCG 2021 to include the adoption of specific targets for the various sustainability matters, as well as a review of the performance concerning the Group's sustainability risks and opportunities vis-à-vis the targets sets in next year's performance evaluation of the Board and Senior Management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

PART II - BOARD COMPOSITION

5.0 Composition and Independence of the Board

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

While the Board composition does not accord with MCCG 2021 in relation to the Practice which stipulates that at least half of the Board comprises Independent Directors, the Board is of the view that the current size and composition of the Board is well balanced in relation to the Company's needs. The Independent Directors remain free from any business or other relationship that may compromise their unbiased and independent judgement or their ability to act in the best interests of the Company. They provide assurance of a balance of power and authority in the Board, especially when they are supported by the Non-Independent Non-Executive Directors, thereby making the Non-Executive Directors a majority composition in the Board.

The Board has adopted a Policy that stipulates the tenure of an Independent Non-Executive Director shall be limited to a cumulative term of nine (9) years without further extension, in line with Step-Up Practice 5.4 of the MCCG 2021 – and this Policy has been adhered to for the financial year under review.

Appointment of Board and Senior Management

The Board has a formal and transparent process on the appointment of new Directors. The NC is tasked by the Board to identify suitable candidates and make recommendations to the Board on the appointments of Directors. In evaluating the suitability of candidates for recommendation to the Board, the Directors' Fit and Proper Policy is used by the NC. Certain criteria included in the Policy comprise character, knowledge, experience, competence, professionalism, time commitment, integrity and other relevant qualities suitable for the needs of the Company. The Managing Director is responsible for the selection and appointment of candidates for Senior Management positions based on selection criteria which include competencies, capabilities, skills and relevant experiences that meet the job requirements of the positions to be filled.

As the Board is supportive of diversity in the Board's composition and Senior Management team, it provides fair opportunities to all and does not support any practice of discrimination in relation to ethnicity, cultural background, age or gender. The Board has formalised a Board Diversity Policy, which is available on the Group's website at www.kotrapharma.com.

Appointment and Re-election of a Director

For the reporting financial year, there were no new Directors appointed. The Company's Constitution provides that Directors shall retire at least once in every three (3) years but are eligible for re-election at each AGM. In addition to the annual Board evaluation exercise, the Directors who are standing for re-election at the forthcoming AGM have also declared in writing to the Board their compliance with, and fulfilment of, the criteria set out in the Directors' Fit and Proper Policy.

Following the fit and proper assessment, both the NC and the Board were satisfied that the Directors seeking re-election were fit and proper to be re-elected as Directors of the Company and have recommended that re-election of the said Directors be tabled for the shareholders' approval.

A statement by the Board and NC being satisfied with the performance and effectiveness of the retiring Directors who offered themselves for re-election at the forthcoming AGM is set out in the explanatory notes of the Notice of AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

PART II - BOARD COMPOSITION (CONT'D)

5.0 Composition and Independence of the Board (Cont'd)

The NC

The NC comprises wholly Non-Executive Directors, with a majority of Independent Directors. The NC is primarily responsible for identifying and recommending suitable candidates to the Board and for assessing the performance of the Board, Board Committees and individual Directors on an annual basis.

The members of the NC are 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*

The following activities were carried out by the NC during the financial year under review:-

- a) Conducted the annual assessment on the effectiveness of the Board as a whole, the Board Committees and each individual Director;
- b) Assessed retiring Directors' continued eligibility for re-election before recommending to the Board;
- c) Reviewed the terms of office and overall performance of the AC members;
- d) Reviewed the independence of Independent Directors; and
- e) Conducted the annual evaluation of the Key Officers and Directors of Subsidiary of the Company.

Gender Diversity

Although it is cognisant of the MCG 2021 recommendation on gender diversity and the need to have policy on this with a prescribed target for female Directors, the Board is of the view that it is more appropriate to adopt a stance of meritocracy where fair and equal opportunities are accorded to candidates for directorship and Senior Management positions, with a focus on their mix of skills, experience, knowledge and independence, and in meeting the Group's needs and operating environment.

6.0 Overall Effectiveness of the Board and its Individual Directors

The Board has, through the NC, undertaken a formal annual evaluation to assess the Board as a whole, Board Committees and individual Directors during the financial year ended 30 June 2023, based on a self and peer assessment approach. The annual evaluation involved the Directors completing pre-set questionnaires covering the assessment of the Board's and Board Committee's effectiveness, assessment of individual Directors that included self and peer evaluation, assessment on structure, size and composition of the Board.

The NC also assessed the independence of Independent Directors based on the criteria stipulated in the MMLR. The NC was satisfied with the level of independence demonstrated by the two (2) Independent Directors and their ability in exercising independent and objective judgement during deliberations in Board and Board Committee meetings.

The Directors' responses from the evaluation were collated by the Company Secretary, the results of which were then tabled to the NC for deliberation before making recommendations to the Board. Based on the evaluation conducted, the NC was satisfied with the existing Board composition and concluded that each Director has demonstrated effectiveness and commitment to serve on the Board in terms of time and their participations in the meetings. Accordingly, the NC recommended to the Board the re-election of retiring Directors at the Company's forthcoming AGM.

Areas requiring improvement in governance activities included the need for the Board to formalise in writing pertinent targets for relevant sustainability matters, covering the Economic, Environmental, Social and Governance perspectives in the conduct of the Group's operations, to enable Senior Management to pursue beyond just meeting the Group's financial budget, in line with the Board's quest to create long-term value for shareholders, whilst considering the interest of other stakeholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

PART II - BOARD COMPOSITION (CONT'D)

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

Time Commitment

The Board is of the view that the level of time commitment given by the Directors is adequate towards discharging their roles and responsibilities. This is evidenced by the following attendance record of the Directors at the Board and Board Committee meetings during the financial year ended 30 June 2023:-

Meeting attendance for the financial year ended 30 June 2023					
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	-	-	-

The Directors are encouraged to attend training appropriate to their needs and roles, so as to keep themselves abreast with contemporary developments, particularly on matters affecting the Group in the areas of corporate governance, sustainability, risk management and regulatory requirements. This enables the Directors to effectively discharge their duties and partake actively in deliberations during Board meetings. All the Directors have completed the Mandatory Accreditation Programme ("MAP") as prescribed by Bursa Securities.

During the financial year ended 30 June 2023, the Directors attended and participated in various training programmes, seminars, conferences and forums, details of which are as follows:-

Name of Directors	Trainings Attended
Datuk Jamaludin bin Nasir	Harmonising Sales and Service Taxes: The Better Alternative to Reintroducing GST
	Developing & Financing Green Housing in Asia
	Khazanah Megatrend Forum 2022
	APAC Economy Outlook 2022
	MARC 360: Property Roundup/An Industry Review
	Get Chatty with Chat GPT
Piong Teck Onn	Manager Master Class ("MMC") – Towards Corporate Excellence
	IGBA – MOPI Conference 2022
	NPRA BEDE Virtual Workshop
	Strengthening the Sustainability of Medicine Supply During National Health Crisis
	Webinar on Single-use Assembly Compliance & New EMA Annex 1 Guidelines
Datuk Piong Teck Yen	Seminar on Sustainability Governance and Reporting: "The ESG agenda: Another Flavour of the Season for Boards of Listed Issuers?"

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

PART II - BOARD COMPOSITION (CONT'D)

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

Time Commitment (Cont'd)

During the financial year ended 30 June 2023, the Directors attended and participated in various training programmes, seminars, conferences and forums, details of which are as follows:- (Cont'd)

Name of Directors	Trainings Attended
Chin Swee Chang	Training on Liability
	MMC – Towards Corporate Excellence
	LD Agent Business Interruption - Dual Wages, Non-Damage BI & Contingent BI
	Training by Claims Department
	Product Briefing: Contaminated Product Insurance for Food & Beverage Industries
	Miscellaneous Insurance S1 for Agents
	Marine Cargo Insurance S1
	Risk and Compliance Insurance Training for Agency
	LD Agent Fire Insurance Clauses S1
	Opportunities for Agents to Revisit, Renew and Regenerate Their Sales
	Training on Digital Marketing
	Training on Risk based Insurance Designed for SMI/SME
	Agent_ Insure4More Campaign
Lee Min On	Financial Reporting – Role of the Board of Directors and the Challenges therein
	Cybersecurity Awareness
	Transfer Pricing Documentation
	Related Party Transactions, Conflict of Interest and Policy on Fit and Proper
	Corporate Liability Provision under Section 17A of the Malaysian Anti-Corruption Commission Act 2009
	Sustainability Governance, Management and Reporting - Implications of the Environmental, Social and Governance (“ESG”) agenda on the Board and Management
Piong Chee Kien	Basic First Aid and Cardio Pulmonary Resuscitation (CPR)
	Chemical Handling and Spillage Control
	Malaysia Tax Budget Conference 2023: Riding the Post-Pandemic TIDE
	Building Financial Analytical Skills

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

PART III - REMUNERATION

7.0 Remuneration Policies and Decisions

The Board has established the RC which comprises mainly Non-Executive Directors, a majority of whom are independent. The RC is guided by its Terms of Reference which are available on the Group's website at www.kotrapharma.com.

The following RC members met once during the financial year ended 30 June 2023:-

- 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 Board has formalised Policies and Procedures for the remuneration of Directors and Senior Management. They serve as guidelines for the Board in remunerating Directors and Senior Management with a view to attract, motivate and retain talented and high calibre individuals. For the financial year ended 30 June 2023, the RC reviewed, deliberated, assessed and recommended to the Board the remuneration packages of the Directors in all forms. The Directors abstained from participating in discussion and decision on matters concerning their own remuneration.

The remuneration package of each Executive Director is structured to link reward to corporate and individual performance, as well as benchmarked against comparable companies in similar businesses. The package comprises a fixed salary, bonuses and other benefits-in-kind. The remuneration for Non-Executive Directors, comprising fees and meeting allowances, is determined by the Board as a whole to ensure their remuneration is commensurate with their level of contribution, experience, expertise and participation in meetings, subject to shareholders' approval at the AGM.

The Managing Director reviews and decides on the remuneration of Senior Management annually. Their remuneration packages consist of basic salary, bonus, share options or profit-sharing schemes (if any) and other benefits which are reflective of their qualification, experience, market competitiveness, responsibilities and the performance of the individuals and Group.

8.0 Remuneration of Directors and Senior Management

For the financial year ended 30 June 2023, the Directors' remuneration from the Company and the Group amounted to RM352,500 and RM3,586,000 respectively. Details of the remuneration on a named basis are set out under Practice 8.1 of the CG Report published on Bursa Securities and the Group's website at www.kotrapharma.com.

Details of remuneration of the top 5 Senior Management, on a named basis, in bands of RM50,000 is not disclosed as the Board opines that such disclosure may be detrimental to the Group as the industry and the geographical location the Group operates in are competitive where poaching of executives and talents is commonplace. An alternative disclosure to inform shareholders on such remuneration is adopted and set out under Practice 8.2 of the CG Report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

PART I - AUDIT COMMITTEE

9.0 Effective and Independent Audit Committee

The AC assists the Board to oversee the areas of financial reporting, internal audit, external audit, review of related party transactions and conflict of interest, as well as risk management. The AC comprises a majority of Independent Directors, with the AC Chairman distinct from Chairman of the Board. A summary of the work carried out by the AC in discharging its duties during the financial year ended 30 June 2023 is disclosed in the Report of Audit Committee included in this Annual Report.

The AC took note of the MCCG 2021's requirement for a former audit partner to observe a cooling-off period of at least three (3) years before being appointed as a member of the AC. Accordingly, the AC's Terms of Reference have been updated and are available on the Group's website at www.kotrapharma.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

PART I - AUDIT COMMITTEE (CONT'D)

9.0 Effective and Independent Audit Committee (Cont'd)

External Auditors

The AC conducted an annual assessment of the External Auditors in relation to their suitability, independence and objectivity, based on pre-set questionnaire adapted from Bursa Securities' Corporate Governance Guide 4th Edition. Following this assessment, the AC also considered the nature and level of non-audit services rendered by the External Auditors and their affiliates. The AC was satisfied with the suitability, independence and objectivity. Based on the AC's recommendation, the Board will be tabling re-appointment of the External Auditors for shareholders' approval at the forthcoming AGM.

The AC members possess financial literacy that enables them to assist the Board to oversee financial reporting in terms of its accuracy, completeness and in compliance with the relevant financial reporting standards.

PART II - RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

10.0 Sound Risk Management and Internal Control Framework

The Board, in fulfilling its role, is supported by the AC to continuously maintain a sound risk management and internal control framework to safeguard the Group's assets and protect shareholders' investments. The Board accepts that risks are an integral and inevitable part of a business and cannot be eliminated completely. To manage the business risks within an acceptable risk appetite, the Group has a sound risk management and internal control framework in place.

During the previous financial year, the AC engaged an independent professional firm, Baker Tilly Monteiro Heng Governance Sdn. Bhd. ("Baker Tilly") to assist in identifying and evaluating significant risks that were associated to the Group's business. Significant risks faced by the Group were identified and evaluated based on the likelihood and potential impact of each risk to the business. Actions to manage and mitigate the risks by the Management were also identified, as appropriate. The Board also receives updates from the Management periodically on any business risks related to the Group's operations that impact or are likely to impact the Group. The AC reviews the adequacy and effectiveness of the Group's risk management and internal control system through the work performed by internal audit function.

11.0 Internal Audit Function

The Group's internal audit function is performed by an outsourced professional service firm, namely Tricor Axcelasia Sdn. Bhd. ("Tricor Axcelasia") which reports directly to the AC and are free from any relationship or conflict of interest, which could impair their objectivity and independence. Tricor Axcelasia was assigned to assist the AC in providing independent assessment of the adequacy and effectiveness of the Group's risk management and internal control system. The standards and practices adopted by Tricor Axcelasia were guided and aligned by the International Professional Practices Framework of the Institute of Internal Auditors.

The scheduled internal audit work was carried out by Tricor Axcelasia based on the audit plan tabled to and approved by the AC. Findings raised by Tricor Axcelasia during the financial year under review were reported directly to the AC, including their recommendations and Management action plans to address these findings. Tricor Axcelasia also conducted a follow-up review on the issues raised during the previous internal audit to determine whether the proposed recommendations were implemented by the Management to mitigate the risk exposures.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

PART I - ENGAGEMENT WITH STAKEHOLDERS

12.0 Continuous Communication Between the Company and Stakeholders

The Board acknowledges the importance of disseminating material information accurately and in a timely manner to shareholders and other stakeholders. The Board has formalised Corporate Disclosure Policies and Procedures that serve as guidelines to facilitate information disclosure. For effective dissemination of information, the Board deliberates and decides so that corporate announcements, including the Group's quarterly financial results, are made to Bursa Securities in accordance with the MMLR and that the Annual Report together with the Audited Financial Statements are released within the timeframe as mandated by Bursa Securities.

The Board has also earmarked a dedicated section for investor relations on the Group's website at www.kotrapharma.com where information on the Group, announcements, policies, Board Charter, Terms of Reference, notices and minutes of AGM can be easily accessed. Furthermore, shareholders may inquire on investor relation matters directly via a dedicated e-mail address which is made available on the corporate website.

PART II - CONDUCT OF GENERAL MEETINGS

13.0 Shareholders' Participation and The Board and Senior Management Engagement

The AGM is an important platform for communication between the Board and shareholders. The Board encourages shareholders' participation and engagement at the AGM for interaction with the Board on the business and performance of the Group. The Chairman of the AGM ensures that sufficient time and opportunities are given to shareholders to exercise their rights to raise queries relating to the financial and non-financial matters of the Group.

The notice of the last AGM was despatched to all shareholders twenty-eight (28) days before the AGM to provide sufficient time and notice for shareholders to read the Annual Report and consider on the resolutions to be discussed at the AGM. The Twenty-Third ("23rd") AGM was conducted virtually through live streaming and used Remote Participation and Voting Facilities with the presence of the Chairman, the Managing Director, the Audit Committee Chairman and Mr. Piong Chee Kien (Non-Independent Non-Executive Director). The remaining Directors have also dialled in remotely to attend the AGM. The Senior Management and Company Secretary were also present at the Broadcast Venue. Voting for the resolutions tabled was by poll, conducted electronically and validated by an appointed independent scrutineer. By leveraging on technology, the Company was able to provide shareholders and proxies opportunity to attend and participate in the 23rd AGM remotely.

The minutes of the 23rd AGM was made available on the Group's website at www.kotrapharma.com within thirty (30) business days from the date of the 23rd AGM.

KEY FOCUS AREAS AND FUTURE PRIORITIES

The Board is cognisant that there are always opportunities to improve and enhance corporate governance practices. Looking ahead, the Board endeavours to foster a strong corporate culture across the Group by reinforcing its sustainability practices and enhancing sustainability reporting and governance to align with the Practices espoused by the MCCG 2021. This entails integrating, on a more intentional basis, sustainability considerations into strategic and business decisions in the Board's quest to create long-term shareholder value.

This Statement was approved by the Board on 5 October 2023.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

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

Accordingly, the Board is pleased to provide the following Statement which outlines the nature and scope of risk management and internal controls deployed by the Group during the financial year ended 30 June 2023.

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 a robust risk and control framework as well as reviewing its adequacy and operating effectiveness. The system of risk management and internal control addresses business risks that the Group is exposed to and the implementation of controls to mitigate those exposures to acceptable levels. However, due to its inherent limitations, the system can only mitigate and not completely eliminate risks that prevent the Group from realising its business and corporate objectives. Therefore, the system only provides reasonable, but not absolute, assurance against material misstatement, loss or fraudulent activities.

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

RISK MANAGEMENT FRAMEWORK

The Group's enterprise risk management framework ("ERM Framework"), which was formalised in writing with the assistance of an independent professional firm of consultants, entails the compilation of the Group's risk profile, risk registers and appropriate internal controls to manage business risks to acceptable levels. The overarching methodology that underpins the Group's ERM Framework accords with the promulgations of ISO31000:2018, an internationally recognised risk management methodology. During the last financial year, the update of the Group's business risks was assisted by Baker Tilly Monteiro Heng Governance Sdn. Bhd. ("Baker Tilly").

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

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

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

INTERNAL AUDIT FUNCTION

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

The Internal Audit Plan, which articulated the methodology adopted by Tricor Axcelasia, took into consideration the Group's Risk Profile and input from AC. It 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 where the Internal Audit Plan was deliberated, members of the AC inquired from Tricor Axcelasia the basis for 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 focus areas for consideration before the AC approved the Internal Audit Plan for the IA Function to commence work.

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

The IA Function is headed by an Executive Director of Tricor Axcelasia, namely Mr. Chang Ming Chew, who is a Certified Information Systems Auditor, Certified Internal Auditor, Certification in Risk Management Assurance, and a professional member of the Institute of Internal Auditors Malaysia, the Association of Chartered Certified Accountants and the Malaysian Institute of Accountants. The AC was briefed by representatives of Tricor Axcelasia that all personnel deployed by Tricor Axcelasia 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 conducted 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 warehouse management, talent acquisition, staff expenditure and sustainability reporting were evaluated by the outsourced IA Function for their adequacy and operating effectiveness to achieve intended outcomes, i.e., how the controls mitigated the risk exposures in the processes evaluated. Observations from the internal audit, which covered areas for enhancements to be addressed by Management, were reported in February 2023 and August 2023. The costs incurred for the IA Function for the financial year ended 30 June 2023 amounted to approximately RM55,000.

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

INTERNAL CONTROL FRAMEWORK

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

- a Board Charter which enables all Directors to be aware of their roles and responsibilities, the standards of corporate governance as well as relevant laws and regulations;
- a clearly defined organisational structure within the Group, with respective levels of responsibility, limits of authority and accountability, to ensure that Management performs its functions and that such functions are appropriately segregated;
- periodical review of financial and operational reports, and scheduled Management meetings with corrective actions carried out by Management, as appropriate;
- documentation and communication to staff members on operating procedures that set out the policies, procedures and practices adopted by the Group to ensure clear accountabilities. The design of internal control procedures is reviewed and revised by Management as deemed necessary;
- quarterly reporting to Senior Management, AC and Board on financial reports, progress reports, key variances and analysis of financial data of the Group's businesses;

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

INTERNAL CONTROL FRAMEWORK (CONT'D)

- establishment of management information systems with documented processes, comprising change request to computer programmes and controlled access to data files;
- ensuring adequate insurance and safety measures over major assets of the Group against any mishap that may result in material losses to the Group; and
- establishment of an integrity and ethical framework which comprises:
 - i) a Whistle Blowing Policy, to provide an avenue for employees and other stakeholders to report unethical, unlawful and undesirable conduct in a safe and confidential environment;
 - ii) an Anti-Fraud, Anti-Bribery and Corruption Policy to deter corrupt acts by Directors, Management and employees; and
 - iii) a Code of Conduct and Ethics to uphold integrity and ethical values within the Group.

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

The Board has received assurance in writing from the Managing Director and Chief Financial Officer that the Group's risk management and internal control system has been operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this Statement. Taking this assurance into consideration and input from relevant parties like the IA Function based on internal audit findings and feedback from the External Auditors on any control failings, the Board is of the view that the system of risk management and internal control is adequate and operating effectively, in all material aspects, to achieve objectives. There were no material losses, contingencies or uncertainties arising from weaknesses in the risk management and internal control system that required 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 financial year ended 30 June 2023 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 5 October 2023.

REPORT OF THE AUDIT COMMITTEE

The Board of Directors ("Board") of Kotra Industries Berhad ("Company") is pleased to present the Report of the Audit Committee ("AC") ("AC Report") for the financial year ended 30 June 2023 in compliance with Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

COMPOSITION AND MEETING ATTENDANCE

The AC comprises the following three (3) members, all of whom are Non-Executive Directors, with a majority being Independent Directors:-

Name	Directorship	Designation
Lee Min On	Independent Director	Chairman
Datuk Jamaludin bin Nasir	Independent Director	Member
Piong Chee Kien	Non-Independent Non-Executive Director	Member

The current composition complies with paragraph 15.09 and 15.10 of the MMLR where all AC members are Non-Executive Directors, including two (2) Independent Directors who fulfil the criteria of independence as stipulated in the MMLR.

The AC is chaired by Mr. Lee Min On, a member of the Malaysian Institute of Accountants and, accordingly meets the requirements of Paragraph 15.09(1)(c)(i) of the MMLR.

All AC members are financially literate and possess a diverse range of knowledge, skills and experience necessary to discharge their duties.

The record of attendance of the AC members is as follows:-

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

The AC held five (5) meetings for the financial year ended 30 June 2023, with a requisite quorum of two (2) AC members present, both of whom must be Independent Directors. Upon invitation of the AC, the Managing Director, Chief Financial Officer and Senior Finance Manager attended all the meetings to facilitate direct communications and to assist in the AC's discussions on financial reporting matters or any outstanding matters, including any specific issues that require the AC's attention. The Internal and External Auditors, including other relevant personnel, upon the invitation of the AC, also attended the meetings that required their input.

The Company Secretary acts as the secretary of the AC and attends all the AC meetings. A meeting agenda, together with the relevant supporting materials, was distributed electronically to the AC members prior to the AC meeting. Minutes of each AC meeting were recorded and tabled for confirmation at each succeeding AC meeting and subsequently presented to the Board for notation.

TERMS OF REFERENCE

In discharging its responsibilities, the AC is guided by the Terms of Reference which were last revised and approved by the Board in August 2023.

The AC's Terms of Reference are available on the Group's website at www.kotrapharma.com.

REVIEW OF THE AC

The term of office and performance of AC members were assessed by the Board via the Nomination Committee ("NC"). For the financial year ended 30 June 2023, the NC was satisfied that the AC members have carried out their functions, duties and responsibilities in accordance with their Terms of Reference.

REPORT OF THE AUDIT COMMITTEE (CONT'D)

SUMMARY OF WORK FOR THE FINANCIAL YEAR

In discharging its duties and functions in accordance with the Terms of Reference, the AC carried out the following work during the financial period under review:-

A) Financial Reporting

- Reviewed the quarterly unaudited financial results of the Group and made the necessary recommendations to the Board for approval prior to announcement to Bursa Securities;
- Reviewed the Directors' Report and the annual audited financial statements for financial year ended 30 June 2023 before recommending the same for approval by the Board; and
- Ensured that the financial statements comply with the Malaysian Financial Reporting Standards and adhered to other legal and regulatory requirements with consideration to the following, as the case may be:-
 - i. Changes in accounting policies and practices and implementation thereof;
 - ii. Significant adjustments arising from the external audit process;
 - iii. Going concern assumption; and
 - iv. Adequacy and appropriateness of disclosure.

B) Internal Audit

- Reviewed and approved the annual Internal Audit Plan as proposed by the Internal Auditors to ensure a reasonable scope of auditable areas was covered over the Group's activities and ensured that controls over key risk areas were audited;
- Reviewed the proposed audit fees and reported to the Board for approval;
- Reviewed the two (2) internal audit reports, including a follow-up to assess the outcome of Management action plans to address issues reported in previous cycles of internal audit, which were tabled by the Internal Auditors and assessed the findings, audit recommendations made and Management's response to these recommendations; and
- Reviewed the adequacy, function, competency and performance of the Internal Auditors and ensured that they had the necessary authority to perform their work.

C) External Audit

- Reviewed the Audit Planning Memorandum by the External Auditors, Crowe Malaysia PLT, before the commencement of audit, entailing, amongst others, the overview of audit approach, engagement requirements, audit timeline, deliverables, areas of audit emphasis of the Group and proposed fees;
- Reviewed and discussed the External Auditors' audit report, key audit matters and the significant audit findings underlying their report;
- Noted that the External Auditors did not report any actual, suspected or alleged fraud affecting the Group and there were no instances of non-compliance with laws and regulations;
- Held one (1) private session with External Auditors without the presence of the Management;
- Received confirmation from the External Auditors that they were independent in accordance with the independence criteria promulgated by the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the By-Laws (On Professional Ethics, Conduct and Practice) of Malaysian Institute of Accountants throughout their audit engagement;
- Undertook an assessment to evaluate the effectiveness, independence and performance of the External Auditors. Based on the outcome of this assessment, the AC recommended to the Board to seek shareholders' approval at the forthcoming Annual General Meeting of the Company for the re-appointment of the External Auditors for the following year; and
- Reviewed and approved the provision of non-audit services rendered by the External Auditors and their affiliates to ensure it was permissible for them to accept in line with the Group's policy on non-audit services and did not compromise the objectivity and independence of the External Auditors. The non-audit fees incurred by the Company and Group for the financial year ended 30 June 2023 are detailed in the Additional Compliance Information of this Annual Report.

REPORT OF THE AUDIT COMMITTEE (CONT'D)

D) Related Party Transactions

- Reviewed recurrent related party transactions ("RRPTs") entered into by the Group on quarterly basis and ensured that the transactions were not more favourable to the related parties than those generally available to the public and complied with the MMLR;
- Reviewed and deliberated on all proposed RRPTs to be entered into by the Group to ensure that the proposed transactions to be entered into were in the best interest of the Group, fair and reasonable, on normal commercial terms and not detrimental to the interests of the minority shareholders of the Company; and
- Reviewed the Circular to Shareholders in relation to the shareholders' mandate for RRPTs of a revenue or trading nature and recommended to the Board for approval prior to the issuance to the shareholders.

E) Risk Management and Internal Control

- Ensured relevant business risks and emerging risks were adequately identified and evaluated, including the controls implemented by Management to ensure a sound internal control system was in place to manage identified risks.

F) Other Matters

- Reviewed the revised Terms of Reference of the AC, updated to reflect the latest recommendations stipulated in the Malaysian Code on Corporate Governance 2021 and recommended to the Board for approval; and
- Reviewed the Corporate Governance Report, Corporate Governance Overview Statement, Report of the AC, Statement on Risk Management and Internal Control, Management Discussion and Analysis and recommended the same for Board's approval prior to inclusion in the Annual Report.

TRAINING OF AC MEMBERS

During the financial year ended 30 June 2023, the AC members attended various seminars, training programmes and conferences. Details of the trainings attended are disclosed in the Corporate Governance Overview Statement of this Annual Report.

SUMMARY OF WORKS OF THE INTERNAL AUDIT FUNCTION

The internal audit function of the Group was outsourced to an independent professional firm, Tricor Axcelasia Sdn. Bhd. ("Tricor Axcelasia"). The internal audit function was independent from Management and the activities and operations it audited.

Mr. Chang Ming Chew ("Mr. Chang") of Tricor Axcelasia led the internal audit. He has over twenty (20) years of professional experiences in the areas of internal audit, accounting, risk management and management consulting. Mr. Chang is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants and is currently attached to the Internal Audit, Risk and Compliance Services practice of Tricor Axcelasia.

During the financial year under review, the Internal Auditors carried out audits according to the internal audit plan. The internal audit function of the Group adopted a risk-based approach guided by the International Professional Practices Framework ("IPPF") of the Institute of Internal Auditors.

The scope of review by the outsourced internal audit function was determined and approved by the AC with feedback obtained from Management. During the financial year under review, the outsourced internal audit function carried out their work in accordance with the audit plan approved by the AC. The two (2) cycles of internal audit conducted addressed the HR Function, Warehouse Management & Logistics, Sustainability Reporting and Expenditure - Staff Claim.

The Internal Audit Reports were presented to the AC for their review. The findings and recommendations were highlighted to the Management for their comments and necessary action. The Internal Auditors performed follow-up procedures on the recommended and agreed upon corrective action plans to ensure that necessary actions had been implemented or were being implemented by the Management, the observations of which were also reported to the AC.

The total cost incurred in relation to the conduct of the internal audit functions of the Group during financial year ended 30 June 2023 amounted to RM55,000.

SUSTAINABILITY STATEMENT

The Board of Directors (“Board”) of Kotra Industries Berhad (“Company”) and its subsidiaries (“Group”) is pleased to present this Sustainability Statement (“Statement”) for the financial year ended 30 June 2023. This Statement highlights our continued commitment towards sustainability governance, management and reporting, in particular how the Group has performed from the Economic, Environmental, Social and Governance perspectives of doing business. In a nutshell, our sustainability journey is about giving back to the environment and community through our initiatives while sustaining our economic performance and upholding high standards of governance.

SCOPE OF REPORTING

The contents of this Statement focus on the Group’s identified material matters and the sustainability performance, activities and initiatives carried out for the financial year ended 30 June 2023.

This Statement provides comparable prior year data of the identified material matters, where available and relevant. The data included in this Statement has been derived and internally sourced by information owners in the respective departments of the Group. Although this Statement has not been reviewed by the internal audit function or an independent assurance provider, the Board endeavours to strengthen the Group’s data collection and analysis procedures to provide quality disclosure and accuracy of our data.

The scope of this Statement covers the Company and its active subsidiary, namely, Kotra Pharma (M) Sdn. Bhd.

REPORTING FRAMEWORKS AND STANDARDS

This Statement was prepared with reference to the guidelines set out in the Main Market Listing Requirements and the Sustainability Reporting Guide (3rd Edition) issued by Bursa Malaysia Securities Berhad. The Group has also further aligned our efforts encompassing the economic, environment, social and governance (“EESG”) dimensions with the United Nations Sustainable Development Goals (“SDGs”).

SUSTAINABILITY GOVERNANCE STRUCTURE

The Group’s sustainability governance structure is pivotal towards implementing sustainability initiatives across all our business operations. The Board has established a clear and definitive governance structure. This governance structure, augmented by delineated roles and responsibilities, ensures that the sustainability efforts and practices are carried out effectively.

The Board, which provides leadership, sets the sustainability direction and assumes ultimate responsibility in driving the Group’s sustainability practices, has entrusted the Audit Committee (“AC”) to oversee the adequacy and effectiveness of the Group’s governance, risk management and internal control system. The Managing Director who is responsible for managing the day-to-day operations, monitors and manages the execution of the Group’s sustainability strategies and plans. The Heads of Department and Managers provide support by undertaking the task of implementing and integrating sustainability practices as part of daily operations while raising sustainability awareness among our employees. The sustainability governance structure of the Group is depicted below:-



SUSTAINABILITY STATEMENT (CONT'D)

STAKEHOLDER ENGAGEMENT

We have engaged with our internal and external stakeholders through various channels to better understand their expectations, interests and concerns. Continuous constructive engagements with our stakeholders are critical to us as they enable us to gain diverse perspectives and hear their concerns and feedback, enabling us to stay abreast with stakeholders' priorities and needs. The frequency of engagement is dependent on the category of stakeholders involved, for example in respect of regulatory or compliance, it is based on statutes as prescribed whilst for other categories, the frequency may range from ad-hoc basis to annual intervals.

STAKEHOLDER GROUP	AREAS OF INTEREST/CONCERN	ENGAGEMENT CHANNELS	OUR RESPONSES
Shareholders and Investors 	<ul style="list-style-type: none"> Group Financial Performance Share Price Performance Dividend Corporate Governance Investor Relationship Management 	<ul style="list-style-type: none"> Annual Reports Corporate Website Annual General Meetings Bursa Announcements Press Releases or Interviews 	<ul style="list-style-type: none"> Providing timely and accurate updates on our financial and strategic performance. Our commitment to uphold good corporate governance practices.
Regulatory Agencies and Statutory Bodies 	<ul style="list-style-type: none"> Regulatory Compliance Labour Practices Occupational Safety and Health Adherence to Laws and Regulations Permits and Licenses 	<ul style="list-style-type: none"> Compliance Audits Inspections, Visits, and Meetings by and with Local Authorities Annual Regulatory Reports Dialogues, Seminars and Meetings Membership in Pharmaceutical Related Organisations 	<ul style="list-style-type: none"> Engaging closely with relevant authorities and agencies to ensure full compliance with laws and regulations. Complying with environmental, health and safety requirements. Active participation in industry organisation and bodies.
Customers 	<ul style="list-style-type: none"> Product Quality Price Points Customer Satisfaction Ethical Business Practices New Products 	<ul style="list-style-type: none"> Advertisements Promotional Campaigns and other Marketing Events Meeting with Sales Personnel Social Media Corporate Website Field Visit by Senior Management 	<ul style="list-style-type: none"> Ensuring customer satisfaction by providing high-quality, safe and affordable products. Launching of new products. Organising sales and marketing campaigns to attract and retain our customers.
Employees 	<ul style="list-style-type: none"> Employee Benefits Career Development Opportunities Remuneration Diversity and Inclusivity Employee Performance Management Workplace Health and Safety 	<ul style="list-style-type: none"> Induction Training Annual Performance Appraisal Circulation of Internal Policies Learning and Development Programme Trade Union Company Social Events 	<ul style="list-style-type: none"> Provision of benefits for employees such as annual leave, medical benefits and other benefits. Recruiting and promoting employees solely based on merit. Strict safety and health practices in the workplace.
Suppliers 	<ul style="list-style-type: none"> Fair Selection of Suppliers Credit Terms Support to Local Businesses Business Practices and Ethics 	<ul style="list-style-type: none"> Vendor Registration Vendor Appointment Contract Negotiation Face-to-face, Telephone or E-mail Interaction Supplier Audit Supplier Performance Evaluation 	<ul style="list-style-type: none"> Practicing fair selection of suppliers. Conducting supplier audits. Engaging continuously with suppliers for long-term business relations.

SUSTAINABILITY STATEMENT (CONT'D)

STAKEHOLDER ENGAGEMENT (CONT'D)

STAKEHOLDER GROUP	AREAS OF INTEREST/CONCERN	ENGAGEMENT CHANNELS	OUR RESPONSES
Local Community 	<ul style="list-style-type: none"> • Job Opportunities • Environmental Impact of Operations • Social Contributions 	<ul style="list-style-type: none"> • Social Media and Corporate Website • Community Engagement Programme • Sponsorships • Events and Roadshows 	<ul style="list-style-type: none"> • Supporting local communities through donations for charity events and activities. • Providing job opportunities for local community including fresh graduates.

MATERIAL SUSTAINABILITY MATTERS
















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

We have identified nine (9) SDGs which are considered relevant and significant to the Group. We are committed in taking positive steps towards greater achievement of the SDGs most relevant in the context of our operations. As we navigate our sustainability journey, we believe that aligning our focus towards driving sustainability growth and meeting the relevant SDGs will build a more sustainable future for the Group, and at the same time improving the world we live in. The material sustainability matters identified from the materiality assessment are listed in the table below with respect to the identified SDGs:-

SUSTAINABILITY PILLAR	MATERIAL TOPICS	SDGs
Economic 	Product Innovation	 SDG 3: Good Health and Well-being
	Customer Satisfaction	
	Product Quality	
	Supply Chain Management	 SDG 8: Decent Work and Economic Growth




SUSTAINABILITY STATEMENT (CONT'D)

MATERIAL SUSTAINABILITY MATTERS (CONT'D)

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

SUSTAINABILITY STATEMENT (CONT'D)

MATERIAL SUSTAINABILITY MATTERS (CONT'D)

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

Note:

1. Diversity and Labour Practices and Standards are managed under "Employee Management".
2. Community/society is managed under "Local Community".
3. Anti-corruption is managed under "Ethical Conduct".
4. Data Privacy and Security is managed under "Data Protection and Security".

ECONOMIC

Product Innovation

The Group strives to continuously enhance our research and development ("R&D") capabilities to introduce new products and improve our existing offerings to provide better quality of life and even save lives, through more effective treatment and prevention. Innovation is also an important element to the Group's business in order to maintain sustainable growth and remain relevant in this highly competitive industry. We believe that high-quality R&D is critical to drive innovation, enabling the long-term success of the Group. Continuous innovation is essential to achieve sustainable healthcare that adds value by:-

- Improving health outcomes and access to healthcare;
- Enabling our healthcare system to reduce costs and dependency on imported products; and
- Helping develop the communities in which we operate through local employment and partnering.

The Group is constantly enhancing our R&D capabilities to create quality products to meet market needs. Our in-house R&D department has a team of qualified and talented employees who continues to identify, develop new, innovative products as well as enhance existing products that allow the Group to seize the opportunities available in the market, particularly untapped medical needs. We also focus on identifying more partners for technology transfer to successfully progress in our product development. Our new product development is "innovation led" and "quality-by-design" concept, giving our customers access to cost-effective products while maintaining consistent quality standards. Supported by a strong team with analytical and formulation capabilities, we will continue to focus on developing new products and penetrate new markets with our product portfolio.

SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC (CONT'D)

Product Innovation (Cont'd)

The regulatory and product registration approval is a rigorous, comprehensive and time-consuming process. This is to ensure the safety, quality and efficacy of the products. We have submitted sixteen (16) new over-the-counter ("OTC") and pharmaceutical products to National Pharmaceutical Regulatory Agency ("NPRA") for product registration approval and launched new products to the market during the financial year under review:-

- 1) Axcel Etoricoxib 90mg and 120mg tablet - used to ease pain and swelling (inflammation) for patients with conditions such as osteoarthritis, rheumatoid arthritis and ankylosing spondylitis and it may also be used for short periods of time for gout treatment; and
- 2) Axcel Clopidogrel 75mg - an antiplatelet medication that prevents blood clot from forming. It reduces the risk of heart attack or stroke which may occur when a blood vessel is blocked by a blood clot.

Financial Year (FY)	FY 2021	FY 2022	FY 2023
Number of products launched during the financial year	6	4	3

Customer Satisfaction

Maintaining a reliable and strong customer base is key for sustainable business. Customer satisfaction and our engagement with the customers are important as they impact our brands and reputation. With stiff competition among our peers, it is essential for us to retain customers and gain new ones by building their trust and ensure they remain loyal to our products. Customer satisfaction influences our competence to obtain and secure new and old customers, whilst strengthening our on-going relationships with them.

Every customer not only expects good product quality, health and safety aspects to be met but also their needs to be addressed swiftly and promptly. We engage with our customers using various channels to identify their needs. Our dedicated sales teams are trained to educate customers by disseminating product knowledge and information-sharing about the products. Product information is also displayed on the product label as what is mandated by the authorities. The Group aspires to build mutual trust with customers through transparency while addressing queries raised by them. We value their feedback and provide avenues for them to express their concerns via our customer support line or through an e-form that is available on the Group's website at www.kotrapharma.com.

All feedback and complaints received are addressed by our team according to standard operating procedures to address customer complaint/queries in a prompt manner. Corrective and preventive actions ("CAPA") in identifying the root causes and implementing remediations to eliminate the issues and resolve complaints are used by our designated personnel. For the financial year ended 30 June 2023, we received 37 customer complaints, all of which had been resolved by our team.

Financial Year (FY)	FY 2023
Minor Complaints	35
Major Complaints	2
Total customer complaints received in FY 2023	37

Product Quality

Maintaining product quality is paramount as it relates to the safety and efficacy of our products. The quality of a product is determined by the quality of the active pharmaceutical ingredients, formulation, manufacturing, storage, logistics, amongst others. A product with sub-standard quality can potentially affect or damage the health of our end users, subsequently impairing public trust towards our brands and the reputation of the Group.

Our practices are externally accredited through both international and local certification schemes such as Good Manufacturing Practice ("GMP") and ISO 9001:2015 Quality Management Systems, MS 2424:2012 Halal Pharmaceuticals and ISO 13485:2016 Medical Devices. Our Quality Control laboratory is accredited with ISO/IEC 17025, enabling it to operate competently and generate valid results. To maintain product quality and consistency, we ensure they are manufactured with adherence to relevant guidelines and comply with international standards of GMP. The quality mandate is driven by our capable and efficient Quality Assurance ("QA") team through structured and well-defined standard operating procedures and policies established to ensure compliance throughout the product lifecycle. Our QA team also conducts quality reviews and audits to ensure quality control and that the regulations are being followed.

SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC (CONT'D)

Product Quality (Cont'd)

We also place equal emphasis on any adverse impact in terms of health and safety of our consumers. The Group is compliant with the current requirements for Adverse Drug Reaction (“ADR”) reporting to the authorities. We have established a pharmacovigilance team to monitor any adverse events or complaints and aim to report those back in an accurate and timely manner. In the event of any incidents of product recall, we conduct necessary investigations immediately based on our standard operating procedures to determine the root cause and CAPA are undertaken to avoid recurrence of non-conformances in the future.

During the financial year under review, we unfortunately had two (2) product recalls. The Group made a voluntary recall for Axcel Mometasone 0.05% w/w Nasal Spray out of an abundance of caution, prioritising the safety of our consumers. Another incident of product recall was when NPRA issued a directive to all product registration holders to immediately recall medicines containing pholcodine due to an increased risk of anaphylactic reactions during general anaesthesia involving neuromuscular blocking agents (“NMBAs”). Hence, our Axcel Iridin Linctus and Axcel Iridin Plus Linctus were recalled immediately from the market. All our distribution points were informed on this, and consumers were advised to discontinue the use of the affected products immediately.

Financial Year (FY)	FY 2021	FY 2022	FY 2023
Number of product recall during the financial year	1	0	2

Supply Chain Management

The Group is committed to support local sources to the best extent possible to create a sustainable procurement practice and develop a supply chain with local suppliers. Local procurement has the potential to create employment opportunities as well as foster the growth of small and medium enterprises (“SMEs”) in Malaysia that benefits our economy growth. Through local procurement, the Group is able to reduce our carbon footprint and fewer resources as it involves shorter distances in terms of delivery, transportation as well as lesser fuel consumption and packaging material used to deliver the products or services to where the Group operates. However, in cases due to unavailability of Active Pharmaceutical Ingredients (“API”) locally, the Group relies on importation of API.

As one of our top priorities is to manufacture high quality products, it is expected that we place stringent procedures and measures in selecting our suppliers to meet our standards. We also emphasise on having alternative sources to ensure continuous supply of materials. Our suppliers are selected based on a set of pre-determined criteria. This includes supplier’s business reputation and company history, reasonable terms and conditions, financial stability, presence of relevant document, competitive pricing, quality of supply or services, compliance with all relevant laws and regulations. Prospective suppliers are also required to complete the Group’s service provider assessment questionnaire subject to evaluation and approval by the Management. Suppliers’ performances are monitored regularly to ensure our quality standards are met and not compromised. Supplier audits and suppliers’ evaluations are conducted on both new and existing vendors to assess their performances, such as their timeliness, reliability of delivery and quality of products.

Annual Suppliers Evaluation

For the financial year ended 30 June 2023, 33 suppliers of raw and packaging materials were evaluated as compared to 29 suppliers last financial year. Results of the evaluation for the three (3) financial years are tabulated below:-

Financial Year (FY)	Rating Scale for Suppliers	
	Good	Met Expectation
FY 2021	89%	11%
FY 2022	67%	33%
FY 2023	68%	32%

Note: None of the suppliers were rated as poor.

Although there were bottlenecks owing to the current global headwinds, we are pleased that our suppliers were very supportive in fulfilling our orders based on our specifications, despite limited sources and logistics availability.

SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC (CONT'D)

Supply Chain Management (Cont'd)

Local Suppliers

In the financial year under review, 53% of our total procurement spending was on our local suppliers.

Financial Year (FY)	FY 2021	FY 2022	FY 2023
Proportion of spending on local suppliers	58%	57%	53%

ENVIRONMENTAL

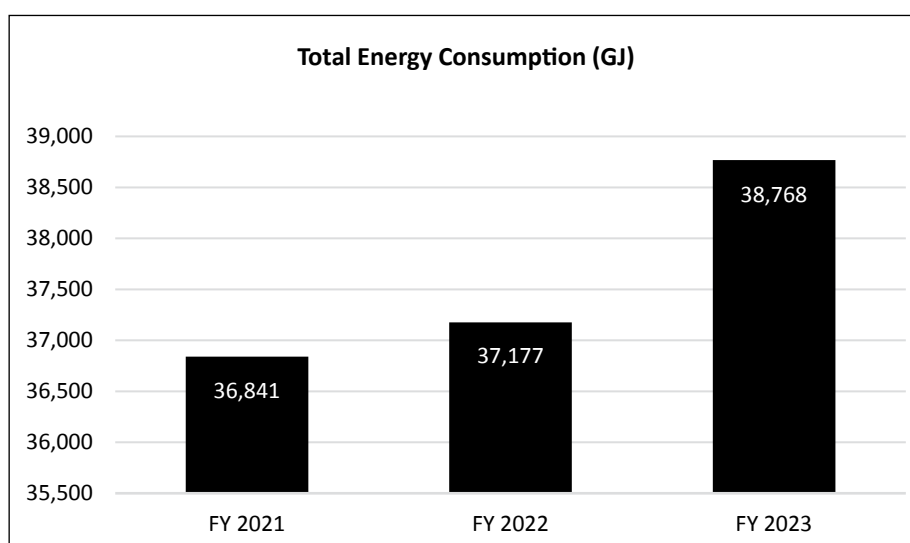
Energy Management

We recognise that energy management is crucial for business organisations and people alike as it contributes towards cost savings and environmental sustainability. We are aware of the vital role energy plays in running our business operations and as such, we are dedicated to pursuing energy management practices to reduce our consumption and improve energy efficiency.

Our initiatives include prudent use of electricity by increasing the use of LED light fittings, regular inspection of air-conditioning system so that the temperature setting is at an optimal air-conditioning temperature, regular maintenance of machineries and office equipment. Apart from that, we switch off unnecessary lighting when not in use and during non-business hours. The Group's energy consumption is monitored and managed by a team of experienced and capable technicians.

For the financial year ended 30 June 2023, the recorded electricity consumption stood at 10,768,815 kWh, reflecting an overall energy consumption of 38,768 gigajoules ("GJ"). The 4.3% increase in our energy consumption in comparison to the preceding financial year is primarily attributed to the higher utilisation of machineries and equipment for our manufacturing activities to fulfil the sales orders we received. The performance trend below provides an overview of the Group's energy consumption over the last three (3) financial years:-

Financial Year (FY)	FY 2021		FY 2022		FY 2023	
	kWh	GJ	kWh	GJ	kWh	GJ
Total Energy Consumption	10,233,561	36,841	10,326,819	37,177	10,768,815	38,768

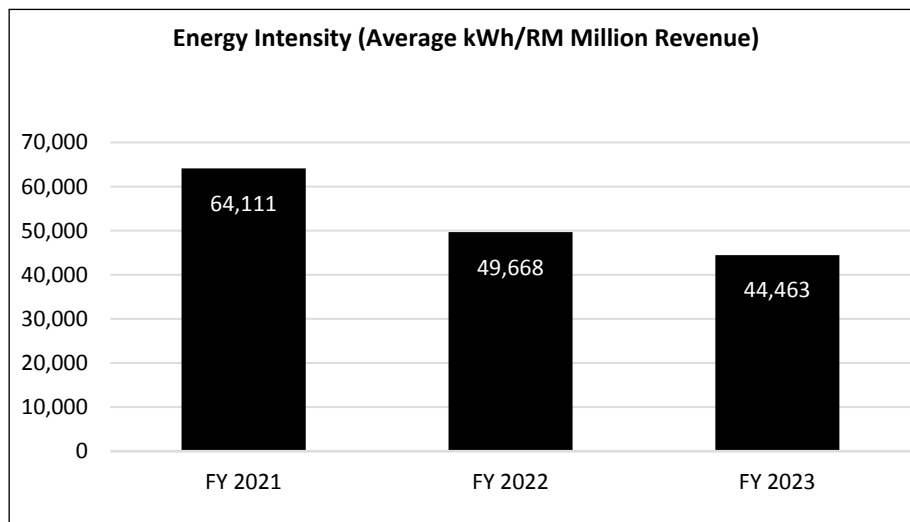


SUSTAINABILITY STATEMENT (CONT'D)

ENVIRONMENTAL (CONT'D)

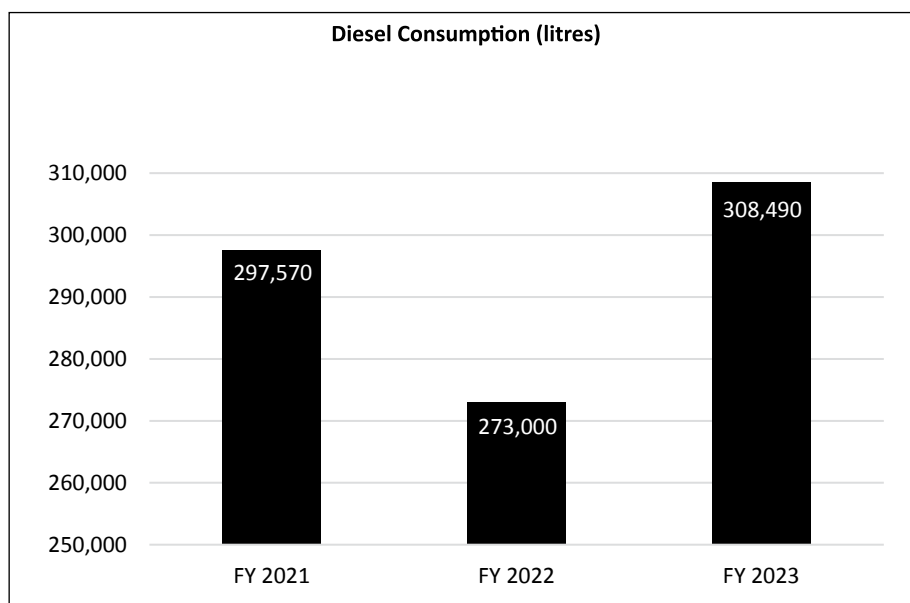
Energy Management (Cont'd)

Based on the performance trend below, there is improvement in our energy intensity against revenue, i.e., 44,463 kWh per RM million revenue compared to 49,668 kWh per RM million revenue in the previous financial year, due to more efficient management of energy.



Diesel Consumption

The diesel consumption was at 308,490 litres during the financial year under review. Diesel is mainly used for our steam boilers. The increase of 13% as compared to the financial year ended 30 June 2022 was because our production line was running on twenty-four (24) hour shift for one of our facilities for approximately seven (7) months due to higher demand for our products and required steam boilers to support the operations.



SUSTAINABILITY STATEMENT (CONT'D)

ENVIRONMENTAL (CONT'D)

Energy Management (Cont'd)

Renewable Energy

As part of the measures to conserve energy, we initiated installation of solar photovoltaic system to generate renewable energy since FY 2021. The energy harnessed from the solar photovoltaic system amounted to 2,979 GJ (827,360 kWh) during the financial year under review, compared to 3,101 GJ (861,236 kWh) during the previous year. The slight decrease in the solar generation was because solar panel's efficiency deteriorates at about 0.5% rate yearly and also due to environmental factors such as rain, haze and dust.

Type of Renewable Energy	kWh	GJ	Total Savings (RM)
Solar	827,360	2,979	RM 43,422.77

Water Management

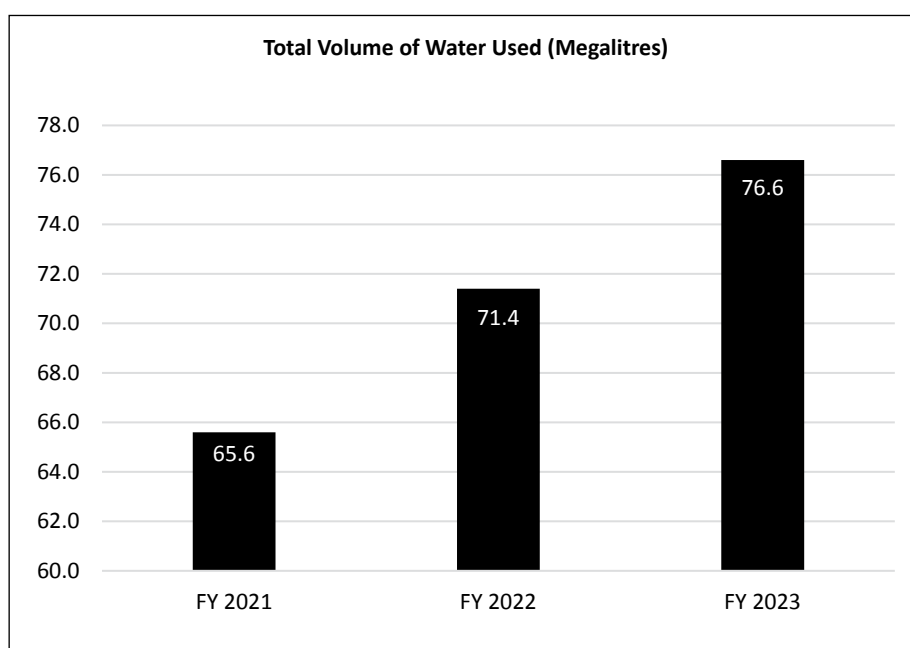
The Group is aware that water is a finite and irreplaceable source that is critical to preserve the ecosystem and for sustaining livelihood and human well-being. Climate change can potentially exacerbate the limited water resources as rising temperature may lead to an unpredictable weather and extreme weather events, such as heat waves and floods. Effective water management is essential, and it can be a challenge to sustainable development if not managed efficiently. As a responsible corporate citizen, we are committed to manage our water consumption and avoid any water-related impacts due to our business operations.

The water consumed for the Group's operations is primarily sourced from municipal sources. The Group adopted practical measures to reduce water wastages and increase the awareness of our employees on water conservation. Among our initiatives include:-

- Ensuring that our wastewater and effluent discharges comply with laws and regulations;
- Water dispensers are installed to encourage employees to refill their own water bottles in the office;
- Reminders to our employees to use water more efficiently and reduce unnecessary usage;
- Regular checks and inspections to detect and monitor leaks in the building's piping systems and sanitary fittings; and
- Installation of faucet aerators in the restrooms and low flow toilets.

During the financial year ended 30 June 2023, as there were higher sales, our manufacturing activities resulted in an increase in water consumption. Our recorded water consumption was 76,563 m³ or 76.6 megalitres ("ML"), representing an increase of 7%, compared to 71,360 m³ or 71.4 ML in the previous financial year. Meanwhile, a decrease of 8% was recorded in our water intensity per RM million of revenue as compared to the previous financial year.

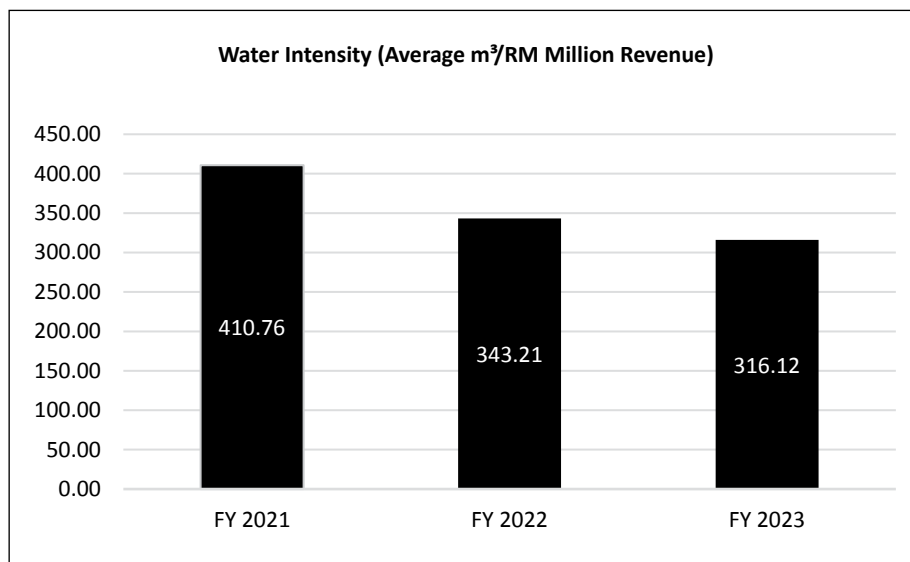
Financial Year (FY)	FY 2021		FY 2022		FY 2023	
	m ³	ML	m ³	ML	m ³	ML
Total Volume of Water	65,567	65.6	71,360	71.4	76,563	76.6



SUSTAINABILITY STATEMENT (CONT'D)

ENVIRONMENTAL (CONT'D)

Water Management (Cont'd)



Waste Management

Hazardous Waste

Due to the nature of the Group's operations, we generate a range of wastes and effluents, hazardous and non-hazardous waste. Scheduled wastes contain hazardous substances that could adversely affect the environment and public health if their management and disposal are not carried out properly. Non-hazardous waste of the Group generally consists of domestic waste and recycle waste. Impact of improper disposal of hazardous waste can be damaging on our ecosystem and the health of employees and surrounding communities. The Group is aware of these potential impacts, and we are committed to minimise these impacts and mitigate legal and reputational risks by implementing proactive actions in managing our wastes.

The Group complies with the Environmental Quality (Scheduled Waste) Regulation 2005 for hazardous waste disposal to ensure that such wastes are collected, handled and disposed of safely. Hazardous (scheduled) wastes cannot be released into the environment and are separated from general waste. The disposal of scheduled wastes is done by a licensed third-party contractor who is registered with the Department of Environment ("DOE").

The list of hazardous wastes disposed of by weight for two (2) financial years are set out below:-

Waste Description	Waste Code	Financial Year (FY)	
		FY 2022	FY 2023
Discarded drug containing psychotropic	SW 403	14.2 MT	11.8 MT
Sludge	SW 204	5.4 MT	6.7 MT
Waste arising from product preparation	SW 405	105.5 MT	39.3 MT
Electronic waste	SW 110	0.2 MT	0.1 MT
Disposed containers	SW 409	4.9 MT	6.7 MT
Non-halogenated waste	SW 322	20.2 MT	17.6 MT
	Total	150.4 MT	82.2 MT

SUSTAINABILITY STATEMENT (CONT'D)

ENVIRONMENTAL (CONT'D)

Waste Management (Cont'd)

Non-hazardous Waste

Our approach to non-hazardous waste management is guided by the principle of 3R – reduce, reuse and recycle. It is an on-going initiative across our operations to handle wastes more effectively and generate lesser wastes. We carried out the following initiatives within the Group to promote 3R, particularly emphasising on paper usage to avoid unnecessary paper consumption and waste generation:

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

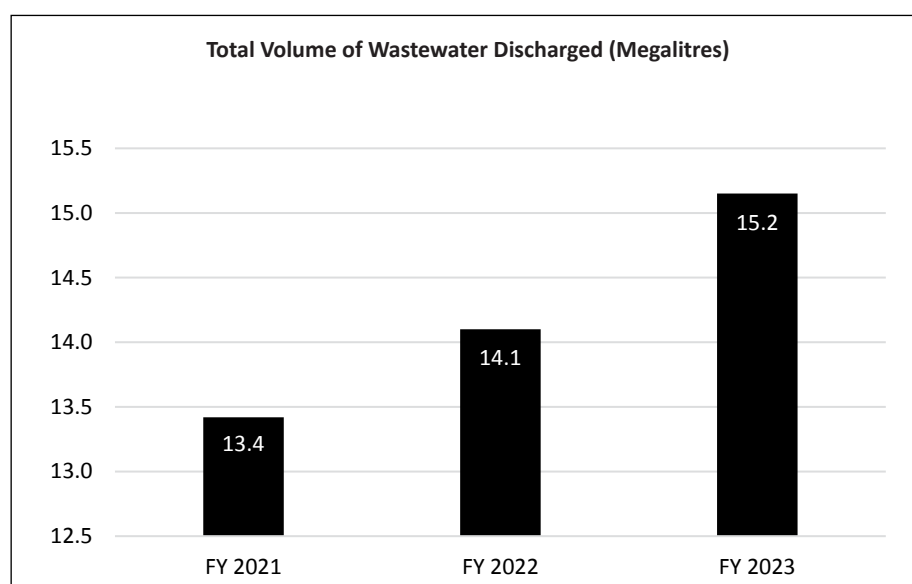
For the financial year ended 30 June 2023, the Group generated total non-hazardous wastes of 55.0 MT (55,010.50 kg), which consisted of plastic, carton, metal, shredded paper and other scraps (waste from projects & batteries).

Financial Year (FY)	FY 2021	FY 2022	FY 2023
Total waste diverted from disposal (MT)	22.0	37.0	55.0

Wastewater and Effluent Discharge

Wastewater from manufacturing activities is managed and treated, complying with regulatory requirements stipulated by the DOE prior to discharge. On-site wastewater treatment plant ("WWTP") is operated from our plant to treat wastewater. The wastewater is treated and tested daily in compliance with Stipulated Quality (Standard B) under Environmental Quality (Industrial Effluent) Regulations 2009. Effluent quantity and quality are measured and monitored pre-treatment and post-treatment before discharging outside our premises. A weekly testing is also conducted by an external wastewater treatment consultant from a laboratory accredited by Skim Akreditasi Makmal Malaysia.

Financial Year (FY)	FY 2021		FY 2022		FY 2023	
	m ³	ML	m ³	ML	m ³	ML
Total Wastewater Discharged	13,420	13.4	14,104	14.1	15,152	15.2



There were no fines or penalties for non-compliance with waste management laws or regulations recorded for the financial year under review.

SUSTAINABILITY STATEMENT (CONT'D)

SOCIAL

Employee Management

Our employees are instrumental in delivering our corporate strategies and driving factor in determining the Group's success. We are committed to provide a conducive workplace that embraces human rights, diversity, inclusion and equality. Our Human Resource ("HR") policies and guidelines, including our Employee Handbook, are in full compliance with all Malaysian employment related laws. Our commitment towards fair employment practices and equal opportunity encompasses recruitment, selection, remuneration and promotion.

With the Group's commitment in prioritising our employees' well-being, we are pleased to report that there were zero non-compliance cases relating to labour and employment practices as well as violations of human rights for the financial year ended 30 June 2023.



Employee Remuneration and Benefits

Our employees are remunerated in accordance with the Malaysian Minimum Wages Order 2022. We regularly review and, if needed, update our packages to attract talents and reduce our employee turnover rates. We support fair living wages and equal pay. In addition to our fair remuneration, we summarise below some of the benefits provided to the Group's permanent/full-time employees:-

Leave	Health	Other Benefits*
<ul style="list-style-type: none"> • Annual Leave • Medical Leave • Emergency Leave • Compassionate Leave • Maternity Leave • Paternity Leave 	<ul style="list-style-type: none"> • Outpatient Treatment • Hospitalisation • Health Screening for relevant personnel 	<ul style="list-style-type: none"> • Petrol Card • Corporate Credit Card • Mileage Claims • Hotel Accommodation • Air Travel • Parking Allowance • Mobile Phone Bill

* Subject to job position/job grade

SUSTAINABILITY STATEMENT (CONT'D)

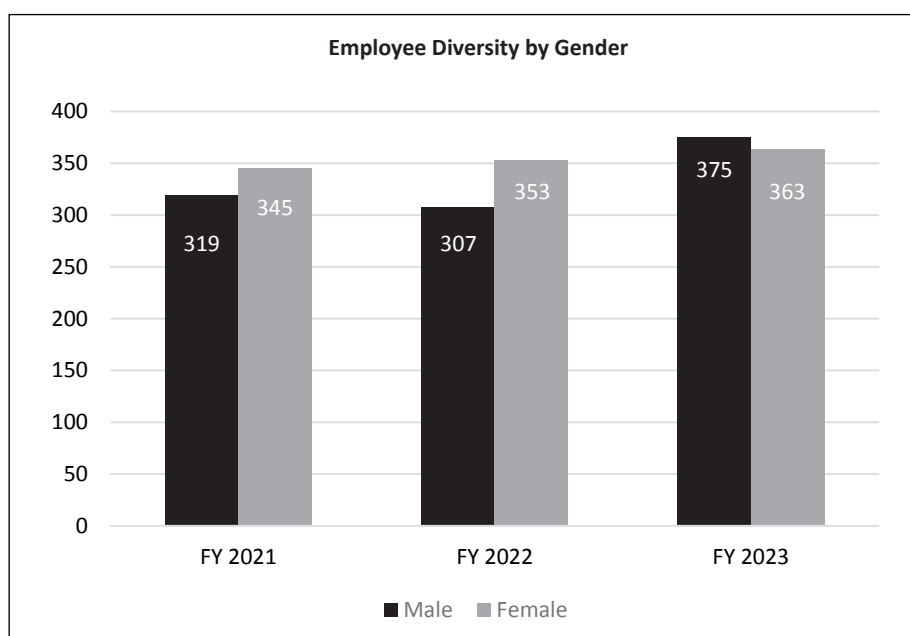
SOCIAL (CONT'D)

Employee Management (Cont'd)

Workforce Diversity

By instituting non-discriminatory practices and embracing diversity and inclusion in the workplace, the Group creates a fair working culture where our employees are treated with trust, respect and dignity. It strengthens our stance in providing equal opportunities to all employees, regardless of age, gender, ethnicity, religion or physical disability. We believe that by embracing diversity, we are able to leverage on the diverse ideas, knowledge and perspectives brought by our employees. We enforce zero-tolerance for any form of discrimination, harassment or unfair treatment, setting the foundation to create a workplace that improves employee morale, retention and productivity.

As of 30 June 2023, total workforce employed by the Group was 738 employees representing a 12% growth as compared to the total workforce of 660 employees in the previous financial year. The increase was in preparation for the new production lines scheduled for test run by year end. The percentage of female employees in relation to the total number of employees during the reporting financial year was 49%, a slight decrease from 53% in the previous financial year.



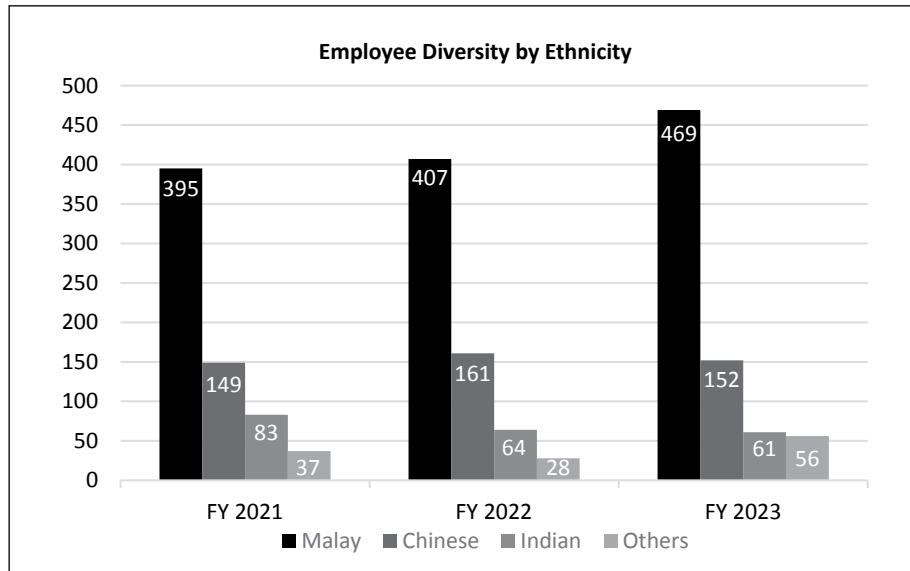
Employee Diversity by Gender (in Percentage)	Financial Year (FY)		
	FY 2021	FY 2022	FY 2023
Male	48%	47%	51%
Female	52%	53%	49%

SUSTAINABILITY STATEMENT (CONT'D)

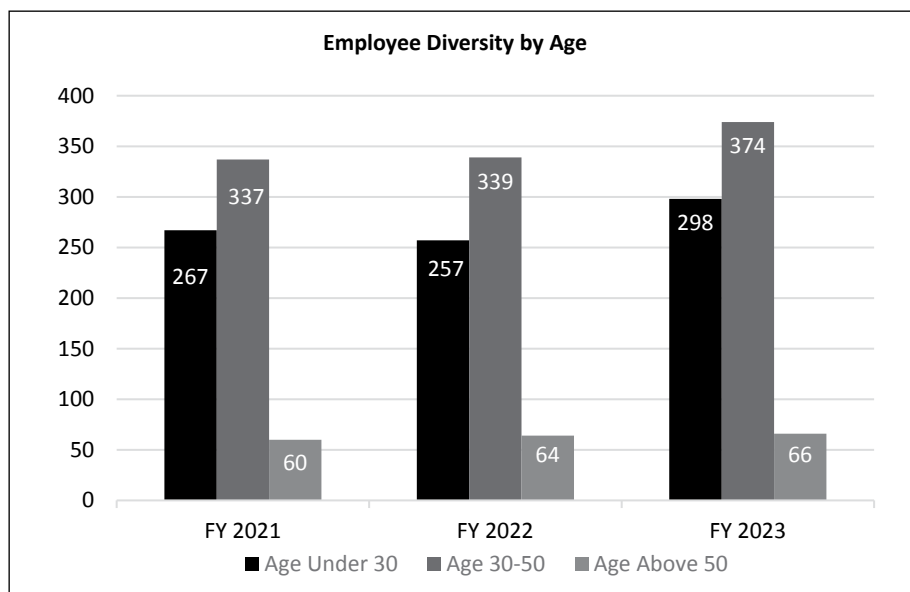
SOCIAL (CONT'D)

Employee Management (Cont'd)

Workforce Diversity (Cont'd)



Employee Diversity by Ethnicity (in Percentage)	Financial Year (FY)		
	FY 2021	FY 2022	FY 2023
Malay	59%	62%	64%
Chinese	22%	24%	21%
Indian	13%	10%	8%
Others	6%	4%	7%



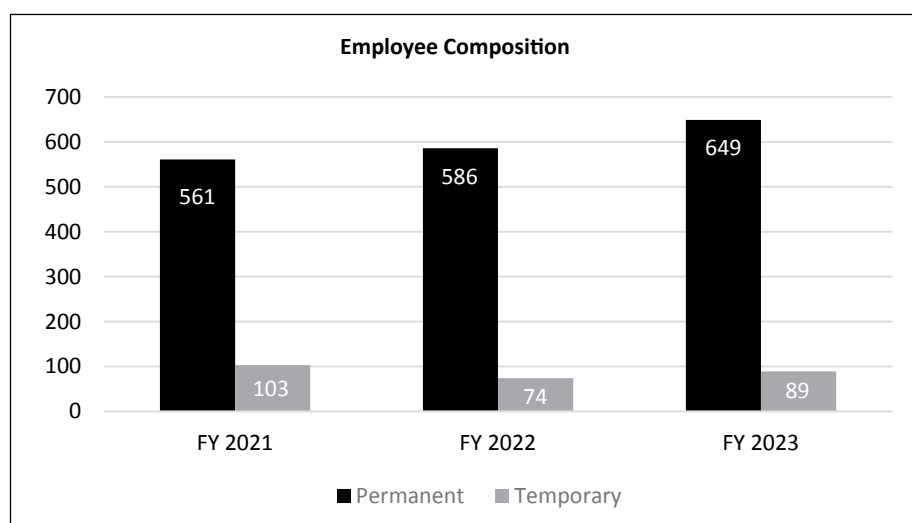
SUSTAINABILITY STATEMENT (CONT'D)

SOCIAL (CONT'D)

Employee Management (Cont'd)

Workforce Diversity (Cont'd)

Employee Diversity by Age for Each Employee Category (in Percentage)	Financial Year (FY)		
	FY 2021	FY 2022	FY 2023
Executive (Age Under 30)	10.8%	9.8%	8.5%
Executive (Age Between 30-50)	16.3%	17.1%	16.4%
Executive (Age Above 50)	2.7%	2.6%	2.0%
Non-Executive (Age Under 30)	28.9%	28.3%	31.6%
Non-Executive (Age Between 30-50)	28.9%	28.3%	28.5%
Non-Executive (Age Above 50)	4.2%	5.3%	5.3%
Managers and above (Age Under 30)	0.5%	0.8%	0.3%
Managers and above (Age Between 30-50)	5.6%	6.0%	5.8%
Managers and above (Age Above 50)	2.1%	1.8%	1.6%



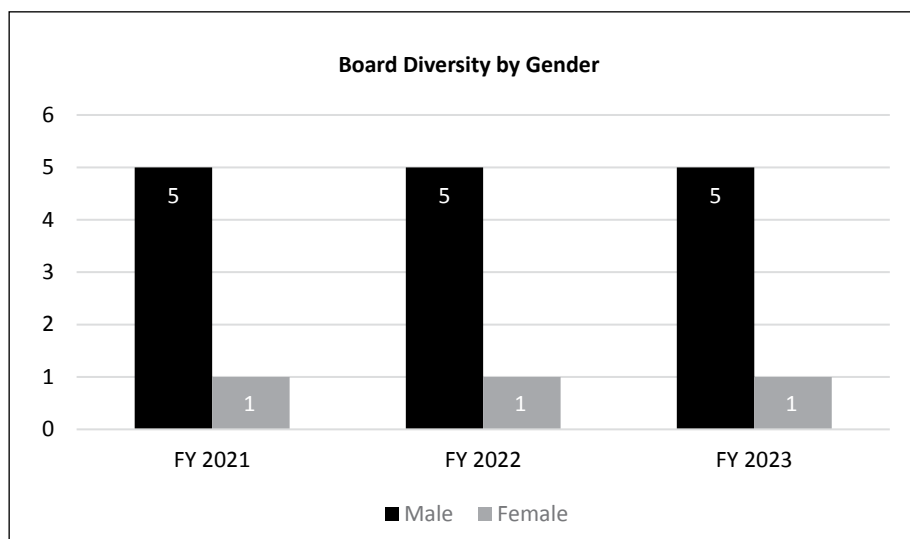
Employee Composition (in Percentage)	Financial Year (FY)		
	FY 2021	FY 2022	FY 2023
Permanent	84%	89%	88%
Temporary	16%	11%	12%

SUSTAINABILITY STATEMENT (CONT'D)

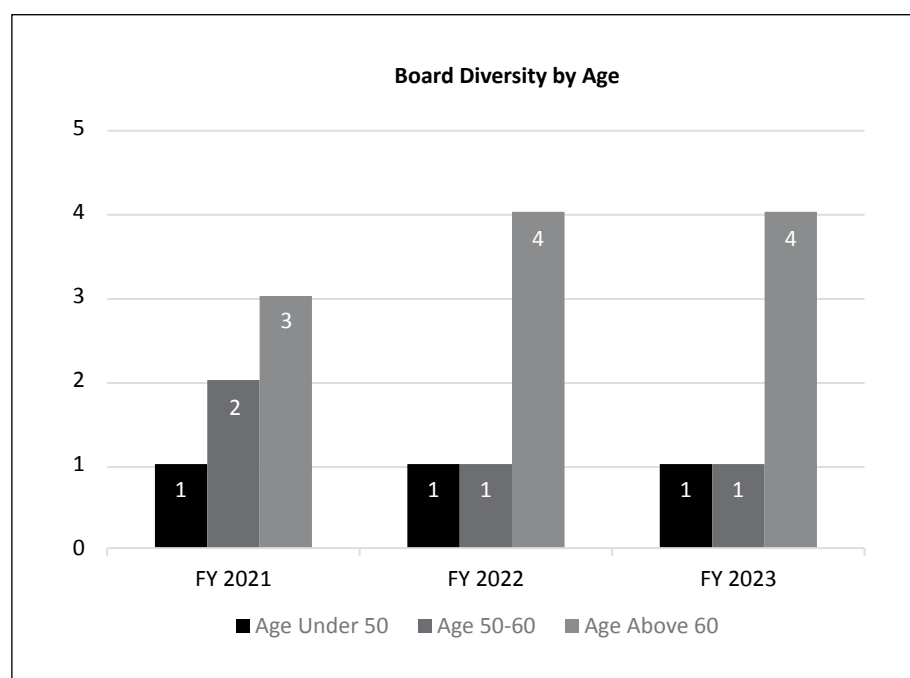
SOCIAL (CONT'D)

Employee Management (Cont'd)

Workforce Diversity (Cont'd)



Board Diversity by Gender (in Percentage)	Financial Year (FY)		
	FY 2021	FY 2022	FY 2023
Male	83%	83%	83%
Female	17%	17%	17%



SUSTAINABILITY STATEMENT (CONT'D)

SOCIAL (CONT'D)

Employee Management (Cont'd)

Workforce Diversity (Cont'd)

Board Diversity by Age (in Percentage)	Financial Year (FY)		
	FY 2021	FY 2022	FY 2023
Age Under 50	17%	17%	17%
Age Between 50-60	33%	17%	17%
Age Above 60	50%	66%	66%

Recruitment and Retention

Hiring the right talent merit-based without any bias or prejudice naturally leads to a diverse workforce, improving the Group's efficiency and also creating a pipeline for future succession. Hence, it is essential for us to tap and acquire talent from candidates with the right skills, qualifications and knowledge for the job. We are committed to eliminate favouritism or unconscious biases in the recruitment process. We often conduct open interviews and use job advertising and career fairs as tools to attract new and fresh talents to the Group. For the financial year ended 30 June 2023, 213 new hires joined our workforce. The Group also strives to retain our talents as they form the knowledge foundation of our Group. Although we do face the challenge of job mobility, especially amongst the younger generation, we aim to reduce the turnover rate to avoid loss of productivity.

Our ethical and transparent recruitment process includes guidelines on hiring expatriates or migrant workers with compliance to all relevant legal requirements and regulations. We have standard operating procedures in place for recruitment process which involve rigorous candidate screening and background check to ensure there are no violation of human rights, particularly child labour. All costs related to employment are borne by the Group and we ensure that no illicit money is collected by any individuals or recruitments agents prior to employment. As for expatriates and migrant workers, the Group with the support of HR Department ensures that onboarding briefings as well as their basic necessities such as accommodation, medical check-up, transportation, uniform, amongst others are provided.

Annual Performance Review and Career Development Opportunities

Our employees' performances are annually evaluated. Performance reviews are conducted whereby employees are assessed based on Key Performance Indicators ("KPIs") that are specific to their jobs and used as a basis to reward them. For employees who are not performing as expected, we also identify and initiate plans or approaches to refine their potential in the Group. We are fully supportive of our employees' professional growth. We offer career development opportunities for high potential employees, enabling them to grow through their job grades during their tenure in the Group.

Freedom of Association and Collective Bargaining

The Group believes industrial harmony is an important element at the workplace for achieving the Group's vision and mission. Our employees have the freedom to join unions and participate in collective agreements. Meetings and discussions with the union are held as and when required. The collective agreements are reviewed and revised every three (3) years. In the financial year under review, 166 of our employees were union members and were covered by collective bargaining agreements. Employees who are not covered by the collective bargaining agreements have their working conditions and terms of employment defined in the Employee Handbook and their respective employment contracts.

SUSTAINABILITY STATEMENT (CONT'D)

SOCIAL (CONT'D)

Employee Management (Cont'd)

Training and Development

The Group acknowledges the contribution of employees' expertise, skills and knowledge to our business growth and in maintaining a competitive advantage in the market. We recognise that our employee's continuous learning and development is essential to adapt to the various changes in the business environment, latest technology advancements and emerging trends. By acquiring new skills, employees are able to enhance their performance and function effectively in their roles.

We encourage our employees to upskill and develop their capabilities by providing training opportunities to them and continuously investing in external and in-house training programmes throughout the year. By using Training Needs Analysis ("TNA") as a tool, we regularly assess the training needs of our employees to address their gaps in skills, abilities and knowledge. Upon identifying the gaps, we are able to determine the specific training required for the employees to perform their job effectively or learn new skills to increase their productivity. Our in-house Learning and Organisational Development Manager works closely with managers of other divisions to customise training programmes to meet any specific training needs and goals of our business. Moreover, our new employees are provided with induction programme by our Human Resources team and on-the-job training under the guidance of a supervisor to acquire new skills or competencies required for the job.

For the financial year ended 30 June 2023, we made a total investment of RM268,918 for both online and physical trainings. This significant increase in our training investment was attributed to resumption of our National Sales Conference ("NSC") for our sales and marketing team after a two-year hiatus due to the COVID-19 pandemic. NSC is a forum for participants to share their experiences and best practices with each other, receive training as well as provide an opportunity to the Group to communicate our strategies, objectives and goals to the sales teams.

Financial Year (FY)	FY 2021	FY 2022	FY 2023
Total amount invested for training (RM)	64,000	28,000	268,918

Safety and Health

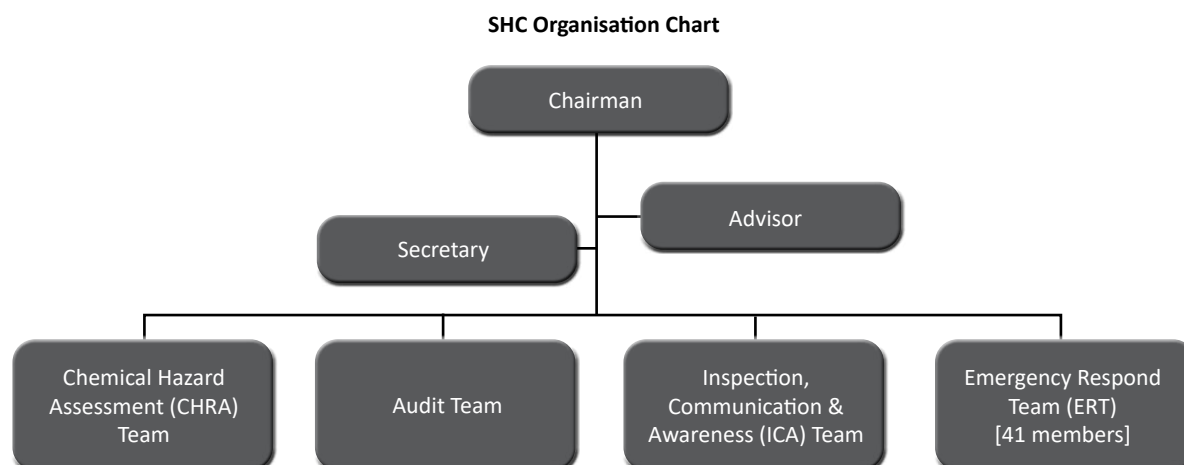
The Group affirms our commitment to safeguard the health and safety of our employees, placing it as a high priority at our workplace. A safety and health work environment are important to prevent and alleviate any risk of occupational injury, illness or fatality cases and eliminate any environmental damage. The Group also believes that it is crucial for our employees to have safety and health awareness and take ownership in managing their respective duties in the right manner for a sustained performance in our business operations.

The Safety and Health Committee ("SHC") of the Group consists of representatives from Management and employees who are responsible for implementing occupational safety and health related activities and conducting safety inspections every quarterly for continuous improvement in our safety performance and to take actions in mitigating any risks that exposes our employees to hazards. We have established guidelines to undertake workplace risk assessment, namely, Hazard Identification, Risk Assessment and Risk Controls ("HIRARC") to effectively manage workplace and safety hazards. The Group has formed an Emergency Respond Team who are trained to respond and mobilise quickly should any accidents or emergencies occur.

SUSTAINABILITY STATEMENT (CONT'D)

SOCIAL (CONT'D)

Safety and Health (Cont'd)



The SHC executes various training programmes as part of our efforts in managing workplace health and safety. These training programmes include occupational health and safety training on specific work-related hazards, hazardous activities and hazardous situations. New joiners are also briefed on safeguarding health and safety, which are conducted concurrently with their induction program. A total number 112 employees attended the various training programmes on safety and health (i.e., occupational first aid training and fire prevention awareness training) for the financial year ended 30 June 2023.

Despite our best efforts to protect employees, we regret to report an (1) accident during the reporting financial year under review where our employee suffered a cut on her left foot at her workstation. Following this accident, we immediately took appropriate measures according to procedure on investigation reporting and reminded the employee on the importance of integrating safety measures at workplace.

Description	Financial Year (FY)		
	FY 2021	FY 2022	FY 2023
Number of accidents reported	4	3	1
Number of fatalities	0	0	0
Major Accident Cases <i>*Lost time injury more than four (4) days</i>	0	0	0
Minor Accident Cases <i>*Lost time injury four (4) days and below</i>	4	3	1

Local Community

Giving back to the local communities where we operate in has always been a key mantra of our business. As a corporate citizen, we uphold our goal to make our products accessible to all. We strive to nurture a cohesive community by supporting and assisting the underprivileged communities, irrespective of their race, religion or age. Our initiatives help us in engaging with the underprivileged communities which increases our brand reputation and creating a positive impact on the society.

The communities we engage with are carefully selected and vetted to optimise the effectiveness of our financial assistance and sponsorships of our products. The Group has been actively supporting charitable communities such as non-profit organisations, old folks' homes and orphanages as well as schools. In line with our goal, we are able to help the underprivileged communities to access healthcare products via our social responsibilities' initiatives. Besides, we are committed to provide job opportunities to our local community with fair employment terms that enable us to promote sustainable local economic growth. We also offer employment opportunities for fresh graduates through our internship and Provisionally Registered Pharmacists ("PRPs") programmes. These programmes provide first-hand experience and exposure for learning and growth in the pharmaceutical industry. For the financial year under review, we employed 20 interns and 2 PRPs.

We have invested a total of RM118,575 for monetary and non-monetary sponsorships for a number of social responsibility activities and events as listed in the table below:-

Financial Year (FY)	FY 2021	FY 2022	FY 2023
Total amount invested in the community (RM)	102,192	78,050	118,575

SUSTAINABILITY STATEMENT (CONT'D)

SOCIAL (CONT'D)

Local Community (Cont'd)

1) School and Society Events <ul style="list-style-type: none"> Annual sponsorship of vitamin supplements and pastilles for Children's Day to 38 schools around Melaka. Sponsorship for SJK (C) Malim Family Day & Charity Sale Sponsorship for Mandarin Public Speaking Competition Sponsorship for Pharm Run by Malaysian Pharmacists Society Melaka Sponsorship for SJK (C) Ting Hwa (85th Anniversary Carnival) Sponsorship for SJKC (C) Pay Fong Run
2) Blood Donation Drive <ul style="list-style-type: none"> Sponsorship to Church of Our Lady Guadalupe, St. John Ambulance Malaysia and Bachang Melaka Blood Donation Campaign
3) Health Awareness Programme <ul style="list-style-type: none"> Sponsorship to Klinik Kesihatan Rembia for "Program Warga Emas" Sponsorship to Klinik Kesihatan Batu Berendam for "Program Kesihatan Komuniti"
4) Education <ul style="list-style-type: none"> Sponsored book prizes to International Medical University and University Malaya for pharmacy students of graduating class. Sponsorship for post-graduate research studies in line with commitment towards developing the community through education.
5) Non-Profit Organisation <ul style="list-style-type: none"> Donation of RM6,900 to Malaysian Paediatric Association ("MPA"), a non-profit organisation. This donation was later channelled to a charity organisation of MPA's choice. Monetary donation of RM10,000 to Wings Melaka, a centre for providing care and support to special needs children. Sponsorship to Pusat Kebajikan Villa Harapan, our on-going commitment towards this centre to provide nutritional products to the underprivileged community. Sponsorship to Pusat Jagaan Kasih Sayang Angel, providing Christmas cheer for the old folks and orphans.



SUSTAINABILITY STATEMENT (CONT'D)

SOCIAL (CONT'D)

Local Community (Cont'd)



SUSTAINABILITY STATEMENT (CONT'D)

GOVERNANCE

Corporate Governance

The Group is committed towards upholding standards of corporate governance and ethical conduct in accordance with the principles and practices outlined in the Malaysian Code on Corporate Governance 2021 ("MCCG 2021"). Embracing such corporate governance principles demonstrates our commitment to ethical and transparent business practices that are essential for achieving sustainable growth while maintaining stakeholder trust and confidence. In line with this commitment, the Group has established a set of corporate governance statements and policies intended to strengthen governance practices and reinforce the values of transparency, integrity and professionalism. To uphold good governance, ethics and integrity, the Group has established and adopted the following:

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

The documents above are available on the Group's website at www.kotrapharma.com.

Ethical Business Conduct

We firmly believe that doing the right thing, upholding the highest ethical standards and fostering a culture of integrity are not only moral imperatives but also essential components of our long-term sustainability. Our commitment to ethical business conduct is grounded in the guiding principles of integrity, accountability and transparency with compliance to laws and regulations. We believe that by upholding these ethical principles, we not only safeguard our reputation but also build trust with our stakeholders.

Anti-Bribery and Corruption

The Group maintains a zero-tolerance policy for bribery, corruption and unethical practices within our organisation and throughout our value chain. Upholding these principles is not only integral to our sustainability goals but also fundamental to our identity as a responsible corporate organisation. The Anti-Bribery and Corruption Policy ("ABC Policy") of the Group was established in accordance with the provisions of Section 17A of the Malaysian Anti-Corruption Commission Act 2009 and is applicable to the Board, Management, employees and all third parties associated to the Group. By fostering a culture of ethics and integrity, our employees understand the importance of ethical behaviour and are encouraged to report any concerns or suspicious activity that may lead to bribery using dedicated whistleblowing channels. We believe that by upholding our principles, we not only protect the Group from legal and reputational risks but also contribute to a fairer and more sustainable business environment.

Whistleblowing Policy

The Group recognises the importance of providing a safe and confidential mechanism for individuals to report concerns or unethical behaviour within our organisation. Our Whistleblowing Policy serves as a critical component of our commitment to ethical business conduct. We prohibit any form of retaliation against individuals who make reports in good faith under our Whistleblowing Policy. The report can be made via dedicated reporting channels; by hand/mail to the Chairman of the Company and/or Chairman of the Audit Committee or by e-mail at whistleblowing@kotrapharma.com. All genuine reports are thoroughly and impartially investigated with strict confidentiality.

Code of Conduct and Ethics

Our Code of Conduct and Ethics ("Code") serves as a guiding document for our actions and decisions to ensure we operate with the highest standards of integrity, accountability and responsibility. The Code is applicable to the Board and all employees of the Group. They are expected to understand and comply with the principles and standards stipulated in the Code. Violations of the Code may result in disciplinary action, including termination of employment.

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

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

SUSTAINABILITY STATEMENT (CONT'D)

GOVERNANCE (CONT'D)

Data Protection and Security

The Group receives a wide range of personal data and information of our customers, suppliers and employees. We rely heavily on technology to store and transmit this sensitive information. Breaches concerning unauthorised access, disclosure, alteration or destruction of data can severely impact our business continuity and credibility. Therefore, data protection and security are critical to the Group to ensure the privacy and integrity of sensitive information as well as to maintain the trust of our stakeholders.

We have established necessary data controls and procedures in accordance with the Personal Data Protection Act 2010 ("PDPA 2010") to ensure data is safeguarded and not exploited. Example, our BigLink application, a smartphone based cardless loyalty programme requires customers to submit their personal data in order to redeem products and participate in the activities. We have established a Privacy Policy in line to the PDPA 2010 to safeguard data security and privacy of our customers. The data is collected for the intended purpose only and with the consent of the data owner. Our Information Technology team also increases awareness among our employees through knowledge sharing via e-mail on scams and password protection. In addition, due to the nature of our business, there is a need for us to exchange confidential and sensitive information to our third parties for exploring mutual business opportunities or for the purpose of research activities. To protect the confidential information or data shared with them, we ensure a Non-Disclosure Agreement ("NDA") is signed between both parties.

In the financial year ended 30 June 2023, we recorded zero substantiated complaints concerning breaches of customer privacy and losses of customer data.

Financial Year (FY)	FY 2021	FY 2022	FY 2023
Number of substantiated complaints concerning breaches of customer privacy or data loss	0	0	0

Regulatory Compliance

Regulatory compliance is not just a legal requirement, but also an integral part of the Group's commitment to responsible business practices. Regulatory compliance is of paramount importance to us to fulfil our mission of providing safe and effective products to our customers/patients. It underpins product safety, legal obligations, product quality and market access while contributing to reputation, trust, and competitiveness. We engage actively with relevant bodies such as Malaysian Organisation of Pharmaceutical Industries ("MOPI") and NPRA to keep abreast with the regulatory updates. The Group is guided by GMP and Good Distribution Practices ("GDP") which are critical quality assurance standards and the Pharmaceutical Inspection Co-operation Scheme ("PIC/S") which provides internationally recognised guidance and standards for these practices.

The Group is also governed by the following legislations:

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

We are aware of the consequences of non-compliance which could severely affect the Group with the risk of monetary fines and penalties as well as risk of reputational loss related with non-compliance incidents. None of our subsidiaries has been fined by NPRA or any other regulatory body for non-compliance for the financial year ended 30 June 2023.

MOVING FORWARD

The Group's sustainability journey is an on-going commitment towards ensuring the long-term success of our business. As we move forward, we will regularly assess and report on our progress to keep ourselves transparent and accountable. We believe that sustainability is not a destination but a journey of continuous improvement and responsibility. Together, we believe we can create a more sustainable and prosperous future for all.

ADDITIONAL COMPLIANCE INFORMATION

Utilisation Proceeds from Corporate Proposal

During the financial year ended 30 June 2023, there were no funds raised by the Company from any corporate proposal.

Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPT")

Pursuant to the shareholders' mandate obtained during the Company's Twenty-Third Annual General Meeting ("23rd AGM") held on 29 November 2022, details of RRPT of a revenue or trading nature conducted during the financial year under review are as follows:

The Mandated Related Parties	Nature of Transactions	Nature of Relationship	Aggregate Value of transactions from 1 July 2022 till 30 June 2023 (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.	490,586
Lonnix (M) Sdn Bhd ("Lonnix")	• Charges by Lonnix to KPM for contract manufacturing 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 ("Appeton Laboratory")	• 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 Piong Teck Onn is a major shareholder.	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.	238
Datuk Piong Teck Yen	• Rental of premises paid/ payable	Director of the Company.	22,350
Piong Teck Onn	• Rental of premises paid/ payable	Director of the Company.	21,050
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.	99,219
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 Main Market Listing Requirement ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

Audit and Non-audit Fees Paid to External Auditors

The audit fees and non-audit fees payable to Crowe Malaysia PLT and/or their affiliates for services provided to the Company and the Group for the financial year ended 30 June 2023 were as follows:-

Type of Fees	Group (RM)	Company (RM)
Audit	112,500	28,000
Non-audit		
Tax Filing	38,800	6,000
Review of the Statement on Risk Management and Internal Control	4,000	4,000
Total Non-audit fees	42,800	10,000

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 Group involving interests of the Directors, Senior Management who is not a director, major shareholders or connected persons which were still subsisting as of 30 June 2023 or which were entered into since the end of the previous financial year, except as disclosed in the financial statements.

Employee Share Scheme

During the financial year ended 30 June 2023, the Company granted options under the Employee Share Option Scheme ("ESOS"). Details on the ESOS are available in the Directors' Report and Note 23 to the Annual Audited Financial Statements in this Annual Report.

The total number of options granted, exercised and outstanding under the ESOS since the commencement of the ESOS on 29 July 2013 and during this financial year ended 30 June 2023 are as in the table below:-

ESOS	Total	Directors	Senior Management	Other Entitled Employees
FOR THE PERIOD FROM 29 JULY 2013 TO 30 JUNE 2022				
Number of Options granted	16,969,120	7,920,000	3,780,000	5,269,120
Number of Options exercised	15,867,920	7,920,000	3,780,000	4,167,920
Number of Options lapsed	1,011,600	-	-	1,011,600
Number of Options outstanding as at 30 June 2022	89,600	-	-	89,600

ESOS	Total	Directors	Senior Management	Other Entitled Employees
FOR THE PERIOD FROM 1 JULY 2022 TO 30 JUNE 2023				
Number of Options outstanding as at 1 July 2022	89,600	-	-	89,600
Number of Options granted	250,000	-	-	250,000
Number of Options exercised	89,600	-	-	89,600
Number of Options lapsed	-	-	-	-
Number of Options outstanding as at 30 June 2023	250,000	-	-	250,000

During the financial year ended 30 June 2023, no option shares were granted to the Non-Executive Directors.

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

Maximum Allowable Allocation of the ESOS

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

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

During the financial year ended 30 June 2023, there were no options granted to the Executive Directors and Senior Management. The Executive Directors and Senior Management were granted a total of seventy-three per cent (73%) of the shares pursuant to the ESOS (excluding number of shares lapsed) since the commencement of ESOS on 29 July 2013.

DIRECTORS' RESPONSIBILITY STATEMENT

The Companies Act 2016 ("the Act") requires Directors to prepare financial statements for each financial year in accordance with the requirements of the Act, Malaysian Financial Reporting Standards ("MFRS"), the International Financial Reporting Standards ("IFRS") and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

In preparing the financial statements, the Directors have:

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

The Directors are satisfied that the information contained in the financial statements give a true and fair view of the financial position of the Group and of the Company and of the financial performance and cash flows for the financial year ended 30 June 2023.

The Directors have responsibility for ensuring that proper accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Group and the Company, which enable the Directors to ensure that the financial statements comply with the provisions of the Act and the applicable approved accounting standards in Malaysia.

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

FINANCIAL STATEMENTS

Directors' Report	62
Statement by Directors	66
Statutory Declaration	66
Independent Auditors' Report	67
Statements of Profit or Loss and Other Comprehensive Income	70
Statements of Financial Position	71
Statements of Changes in Equity	72
Statements of Cash Flows	73
Notes to the Financial Statements	75

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 2023.

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	65,234	38,370

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

DIVIDENDS

Dividends paid by the Company since 30 June 2022 are as follows:-

- A final single tier dividend of 16 sen per ordinary share amounting to RM23,678,733 for the financial year ended 30 June 2022 on 8 December 2022; and
- An interim single tier dividend of 10 sen per ordinary share amounting to RM14,800,708 for the financial year ended 30 June 2023 on 23 March 2023.

On 23 August 2023, the Company declared a second interim single tier dividend of 15.5 sen per ordinary share amounting to RM22,988,683 in respect of the current financial year, payable on 12 October 2023, to shareholders whose names appeared in the record of depositors on 3 October 2023. The financial statements for the current financial year do not reflect this interim single tier dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 30 June 2024.

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 Employee Share Option Scheme ("ESOS") of the Company and its related corporations during the financial year are as follows:-

	At 1.7.2022	Number of ordinary shares		At 30.6.2023
		Acquired	Sold	
Holding company				
<i>Direct interest</i>				
Piong Teck Onn	61,529	-	-	61,529
Datuk Piong Teck Yen	8,737	-	-	8,737

	At 1.7.2022	Number of ordinary shares		At 30.6.2023
		Acquired	Sold	
The Company				
<i>Direct interest</i>				
Chin Swee Chang	2,314,800	-	-	2,314,800
Piong Teck Onn	16,286,626	-	-	16,286,626
Datuk Piong Teck Yen	8,296,564	-	-	8,296,564
<i>Indirect interest</i>				
Chin Swee Chang ¹	5,564,060	-	(1,664,060)	3,900,000
Piong Teck Onn ²	72,987,562	-	-	72,987,562

¹ Indirect interest 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., and Platinum Essence Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 and by virtue of the director's son's shareholding pursuant to Section 59(11)(c) of the Companies Act 2016.

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

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

EMPLOYEE SHARE OPTION SCHEME

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

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

DIRECTORS' REPORT (CONT'D)

DIRECTORS' BENEFITS

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

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

DIRECTORS' REMUNERATION

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

	The Group RM'000	The Company RM'000
Fees	340	340
Emoluments	2,877	13
Defined contribution benefits	344	-
	3,561	353

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

INDEMNITY AND INSURANCE COST

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

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

ISSUES OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up share capital from RM84,766,148 to RM84,895,887 by way of issuance of 89,600 new ordinary shares from the exercise of options under the Company's Employee Share Option Scheme at the exercise prices as disclosed in Note 23 to the financial statements. The new ordinary shares were issued for cash consideration and they rank pari passu in all respects with the existing ordinary shares of the Company.

There were no issues of debentures by the Company.

SUBSIDIARIES

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

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables; and
 - (ii) to ensure that any current assets, which were unlikely to realise their values as shown in the accounting records of the Company 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 methods 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 the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) 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 of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS

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

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

	The Group RM'000	The Company RM'000
Audit fees	113	28
Non-audit fees	4	4
	117	32

Signed in accordance with a resolution of the directors dated 5 October 2023.

Piong Teck Onn
Managing Director

Chin Swee Chang
Executive Director

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Piong Teck Onn and Chin Swee Chang, being two of the directors of Kotra Industries Berhad, state that, in the opinion of the directors, the financial statements set out on pages 70 to 118 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 2023 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 5 October 2023.

Piong Teck Onn
Managing Director

Chin Swee Chang
Executive Director

STATUTORY DECLARATION

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

I, Daniel Chua Chong Liang, MIA membership number: CA18092, being the officer primarily responsible for the financial management of Kotra Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 70 to 118 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the
abovementioned Daniel Chua Chong Liang,
at Melaka in the State of Melaka
on this 5 October 2023

Daniel Chua Chong Liang

Before me,

Shahrizah Binti Yahya
M084
Pesuruhjaya Sumpah
Commissioner for Oaths
No. 4 Jalan TMR 32,
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 2023 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 70 to 118.

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 2023, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key Audit Matters

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

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

Key Audit Matters	How our audit addressed the key audit matter
Revenue Recognition (Refer to Page 87, Note 4 to the financial statements)	
Consolidated revenue recorded by the Group during the year amounted to approximately RM242 million. We consider revenue recognition for sale of goods to be a potential cause for higher risk of material misstatement from the perspective of timing of recognition and the amount of revenue recognised. Accordingly, we regard revenue recognition to be a Key Audit Matter.	Our procedures included, amongst others: <ul style="list-style-type: none"> • 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 or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

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

- 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 or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

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

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

Wong Tak Mun
01793/09/2024 J
Chartered Accountant

Melaka
5 October 2023

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

		Group		Company	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue	4	242,199	207,917	39,108	25,253
Other operating income	5	6,656	5,115	17	8
Raw materials and consumables used		(69,453)	(54,967)	-	-
Changes in inventories of finished goods and work-in-progress		6,949	3,887	-	-
Employee benefits expenses	6	(55,997)	(47,405)	(448)	(411)
Selling and distribution expenses		(31,233)	(25,610)	-	-
Depreciation and amortisation		(14,645)	(14,727)	-	-
Other operating expenses		(17,869)	(16,826)	(282)	(257)
Finance costs	7	(195)	(462)	-	-
(Net impairment losses)/ Net reversal of impairment losses on financial assets	8	(336)	1,357	-	-
Profit before taxation	9	66,076	58,279	38,395	24,593
Tax (expense)/income	10	(842)	3,816	(25)	(78)
Profit after taxation		65,234	62,095	38,370	24,515
Other comprehensive income		-	-	-	-
Total comprehensive income for the financial year		65,234	62,095	38,370	24,515
Earnings per share attributable to equity holders of the Company (sen):					
- Basic	11	44.08	41.96		
- Diluted	11	44.07	41.95		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2023

		Group		Company	
	Note	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000
Assets					
Non-current assets					
Property, plant and equipment	12	126,366	99,448	-	-
Investment properties	13	1,312	1,338	-	-
Investment in subsidiaries	14	-	-	121,364	121,276
Right-of-use assets	15	10,634	10,760	-	-
Deferred tax assets	16	6,791	6,970	-	-
		145,103	118,516	121,364	121,276
Current assets					
Inventories	17	59,200	45,699	-	-
Trade receivables	18	34,556	35,124	-	-
Other receivables	19	2,471	9,852	1	2
Amounts owing by subsidiaries	20	-	-	157	140
Current tax assets		-	246	-	199
Short-term investments	21	945	945	-	-
Fixed deposits with licensed banks	22	80,654	65,500	600	400
Cash and bank balances		7,353	23,271	143	169
		185,179	180,637	901	910
Total assets		330,282	299,153	122,265	122,186
Equity and liabilities					
Equity attributable to equity holder of the Company					
Share capital	23	84,896	84,766	84,896	84,766
Retained earnings	24	186,030	159,275	37,157	37,266
Other reserves	25	153	99	153	99
Total equity		271,079	244,140	122,206	122,131
Non-current liabilities					
Deferred income	27	823	1,118	-	-
Lease liabilities	28	82	82	-	-
		905	1,200	-	-
Current liabilities					
Term loans	26	-	6,671	-	-
Trade payables	29	20,554	18,553	-	-
Other payables	30	36,564	27,609	56	55
Derivative liabilities	31	-	15	-	-
Current tax liabilities		216	-	3	-
Lease liabilities	28	964	965	-	-
		58,298	53,813	59	55
Total liabilities		59,203	55,013	59	55
Total equity and liabilities		330,282	299,153	122,265	122,186

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

Group	Note	Non-distributable		Distributable	Total equity RM'000
		Share capital RM'000	Share option reserve RM'000	Retained earnings RM'000	
At 1 July 2021		84,715	108	121,596	206,419
Profit after taxation, representing total comprehensive income for the financial year		-	-	62,095	62,095
Contributions by and distributions to owners of the Company					
- Dividends	32	-	-	(24,416)	(24,416)
- Employees' share options exercised		51	(9)	-	42
Total transactions with owners		51	(9)	(24,416)	(24,374)
At 30 June 2022 / 1 July 2022		84,766	99	159,275	244,140
Profit after taxation, representing total comprehensive income for the financial year		-	-	65,234	65,234
Contributions by and distributions to owners of the Company					
- Dividends	32	-	-	(38,479)	(38,479)
- Employees' share options exercised		130	54	-	184
Total transactions with owners		130	54	(38,479)	(38,295)
At 30 June 2023		84,896	153	186,030	271,079

Company					
At 1 July 2021		84,715	108	37,167	121,990
Profit after taxation, representing total comprehensive income for the financial year		-	-	24,515	24,515
Contributions by and distributions to owners of the Company					
- Dividends	32	-	-	(24,416)	(24,416)
- Employees' share options exercised		51	(9)	-	42
Total transactions with owners		51	(9)	(24,416)	(24,374)
At 30 June 2022 / 1 July 2022		84,766	99	37,266	122,131
Profit after taxation, representing total comprehensive income for the financial year		-	-	38,370	38,370
Contributions by and distributions to owners of the Company					
- Dividends	32	-	-	(38,479)	(38,479)
- Employees' share options exercised		130	54	-	184
Total transactions with owners		130	54	(38,479)	(38,295)
At 30 June 2023		84,896	153	37,157	122,206

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

		Group		Company	
	Note	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000
Cash flows from operating activities					
Profit before taxation		66,076	58,279	38,395	24,593
Adjustments for:					
Amortisation of deferred income	27	(295)	(295)	-	-
Depreciation:					
- investment properties	13	26	26	-	-
- property, plant and equipment	12	13,529	13,604	-	-
- right-of-use assets	15	1,090	1,097	-	-
Fair value (gain)/loss on derivatives financial instruments	5,9	(15)	12	-	-
(Gain)/Loss on disposal of property, plant and equipment	5,9	(2)	3	-	-
Impairment losses on trade receivables	18	336	-	-	-
Interest expense on lease liabilities	7	19	19	-	-
Interest income	5	(2,675)	(533)	(17)	(8)
Interest income from short-term investments	5	(20)	(598)	-	-
Inventories written down	17	2,515	2,750	-	-
Other interest expense	7	176	443	-	-
Property, plant and equipment written off	12	44	1	-	-
Reversal of impairment losses on trade receivables	18	-	(1,357)	-	-
Share-based payment under ESOS	6	88	-	-	-
Unrealised gain on foreign exchange	5	(2,504)	(436)	-	-
Operating profit before working capital changes					
		78,388	73,015	38,378	24,585
Increase in inventories		(16,016)	(14,145)	-	-
Decrease/(Increase) in receivables		944	(11,978)	(16)	(11)
Increase in payables		9,036	20,884	1	3
Cash from operations					
		72,352	67,776	38,363	24,577
Income tax paid		(398)	(363)	(20)	(251)
Income tax refunded		197	-	197	-
Net cash from operating activities					
		72,151	67,413	38,540	24,326

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

		Group		Company	
	Note	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000
Cash flows (for)/from investing activities					
Interest received		2,695	1,131	17	8
Proceeds from disposal of property, plant and equipment		2	4	-	-
Purchase of property, plant and equipment	33(a)	(32,142)	(11,180)	-	-
Withdrawal of/(Additions of fixed deposits) with tenure more than 3 months		18,333	(28,000)	-	-
Net cash (for)/from investing activities		(11,112)	(38,045)	17	8
Cash flows for financing activities					
Dividend paid		(38,479)	(24,416)	(38,479)	(24,416)
Interest paid	33(b)	(195)	(462)	-	-
Proceeds from issuance of shares		96	42	96	42
Repayment of term loans	33(b)	(6,671)	(11,229)	-	-
Repayment of lease liabilities	33(b)	(965)	(966)	-	-
Net cash for financing activities		(46,214)	(37,031)	(38,383)	(24,374)
Net increase/(decrease) in cash and cash equivalents		14,825	(7,663)	174	(40)
Effects of exchange rate changes on cash and cash equivalents		2,744	677	-	-
Cash and cash equivalents at beginning of the financial year		61,716	68,702	569	609
Cash and cash equivalents at end of the financial year	33(c)	79,285	61,716	743	569

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

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 5 October 2023.

2. Basis of preparation

The financial statements of the Group and of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed 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 and the Company have adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

MFRSs and IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 3: Reference to the Conceptual Framework
 Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use
 Amendments to MFRS 137: Onerous Contracts - Cost of Fulfilling a Contract
 Annual Improvements to MFRS Standards 2018 - 2020

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

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

MFRSs and IC Interpretations (Including The Consequential Amendments)

Effective Date

• Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
• Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
• Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
• Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
• Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements	1 January 2024
• 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 112: International Tax Reform - Pillar Two Model Rules	1 January 2023
• Amendments to MFRS 121: Lack of Exchangeability	1 January 2025

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 2023

3. Significant accounting policies

(a) Critical accounting estimates and judgements

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

(i) Depreciation of property, plant and equipment

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

(ii) Income taxes

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

(iii) Deferred tax assets

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

(iv) Write-down of inventories

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

(v) Impairment of trade and other receivables

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

3. Significant accounting policies (Cont'd)

(b) Basis of consolidation

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

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

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

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

(i) Business combinations

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

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

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

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

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

(iii) Loss of control

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

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. 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 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 2023

3. Significant accounting policies (Cont'd)

(d) Financial instruments (Cont'd)

(i) Financial assets (Cont'd)

Debt instruments (Cont'd)

- Fair Value through Other Comprehensive Income

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

- Fair Value through Profit or Loss

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

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

Equity Instruments

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

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

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

(ii) Financial liabilities

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

- Financial liabilities at fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value (excluding interest expenses) 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 2023

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 2023

3. Significant accounting policies (Cont'd)

(e) Investments in subsidiaries

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

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

(f) Property, plant and equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the assets and other costs directly attributable to bringing the assets to working condition for its 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 2023

3. Significant accounting policies (Cont'd)

(g) Borrowing costs

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

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

(h) Investment properties

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

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

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

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

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

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

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

(i) Impairment

(i) Impairment of financial assets

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

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
Office premise	Over the lease period of 2 years

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

3. Significant accounting policies (Cont'd)

(k) Inventories

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

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

(l) Income taxes

(i) Current tax

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

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

(ii) Deferred tax

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

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

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

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

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

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

(m) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

3. Significant accounting policies (Cont'd)

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks 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 2023

3. Significant accounting policies (Cont'd)

(q) Earnings per ordinary share

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

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

(r) Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. 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.

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.

The fair value for measurement and disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions (MFRS 2), leasing transactions (MFRS 16) and measurement that have some similarities to fair value but not are fair value, such as net realisable value (MFRS 102) or value in use (MFRS 136).

(s) Revenue from contracts with customers

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

3. Significant accounting policies (Cont'd)

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

Sale of goods

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

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

(t) Revenue from other sources and other operating income

(i) Interest income

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

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

(ii) Management fee

Management fee is recognised on an accrual basis.

(iii) Dividend income

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

(iv) Government grants

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

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

4. Revenue

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Revenue from contract with customers				
<u>Recognised at a point in time</u>				
Sale of goods	242,199	207,917	-	-
Revenue from other sources				
Dividend income	-	-	38,568	24,713
Management fees	-	-	540	540
	242,199	207,917	39,108	25,253

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 2023

5. Other operating income

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Amortisation of deferred income	295	295	-	-
Fair value gain on derivative financial instrument	15	-	-	-
Gain on disposal of property, plant and equipment	2	-	-	-
Gain on foreign currency exchange - realised	591	1,610	-	-
Gain on foreign currency exchange - unrealised	2,504	436	-	-
Interest income from short-term investments	20	598	-	-
Interest income on financial assets measured at amortised cost	2,675	533	17	8
Miscellaneous	554	1,643	-	-
	6,656	5,115	17	8

6. Employee benefits expenses

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Directors' remuneration (Note 34(d))				
Directors of the company	3,561	3,200	353	325
Directors of the subsidiaries	488	423	-	-
	4,049	3,623	353	325
Non-directors' remuneration				
Short-term employee benefits	45,928	38,832	84	77
Contributions to defined contribution plan	4,626	3,818	10	9
Other personnel expenses	1,306	1,132	1	-
Share options expenses	88	-	-	-
	55,997	47,405	448	411

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

7. Finance costs

	Group	
	2023 RM'000	2022 RM'000
Interest expense on financial liabilities that are not at fair value through profit or loss:-		
- Bank overdrafts	53	49
- Term loans	123	394
Interest expense on lease liabilities (Note 28)	19	19
	195	462

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

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

	Group	2022
	2023	RM'000
	RM'000	
Impairment losses on trade receivables (Note 18)	336	-
Reversal of impairment losses on trade receivables (Note 18)	-	(1,357)
	336	(1,357)

9. Profit before taxation

Profit before taxation is arrived at after charging:-

	Group	2022	Company	2022
	2023	RM'000	2023	RM'000
	RM'000	(Restated)	RM'000	RM'000
Auditors' remuneration:				
- audit fees	113	100	28	28
- non-audit fees	4	3	4	3
Depreciation:				
- investment properties (Note 13)	26	26	-	-
- property, plant and equipment (Note 12)	13,529	13,604	-	-
- right-of-use assets (Note 15)	1,090	1,097	-	-
Direct operating expenses arising from investment properties	13	16	-	-
Fair value loss on derivatives financial instruments	-	12	-	-
Inventories written down (Note 17)	2,515	2,750	-	-
Loss on disposal of property, plant and equipment	-	3	-	-
Property, plant and equipment written off (Note 12)	44	1	-	-
Lease expense on:				
- short-term leases	131	127	-	-
- low-value assets	2	4	-	-
Research and development expenses	-	10	-	-

10. Tax expense/(income)

	Group	2022	Company	2022
	2023	RM'000	2023	RM'000
	RM'000		RM'000	
Income tax:-				
- Current year	663	143	25	20
- Under provision in the previous financial years	-	56	-	58
	663	199	25	78
Deferred tax (Note 16):-				
- Recognition of previously unrecognised deferred tax assets	-	(4,735)	-	-
- Origination and reversal of temporary differences	179	720	-	-
	179	(4,015)	-	-
Tax expense/(income)	842	(3,816)	25	78

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

10. Tax expense/(income) (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:-

	2023 RM'000	2022 RM'000
Group		
Profit before taxation	66,076	58,279
Taxation at Malaysian statutory tax rate of 24% (2022: 24%)	15,859	13,987
Effect of non-taxable income	(76)	(214)
Effect of expenses not deductible for tax purposes	375	504
Effect of income tax incentives	(2,240)	(2,457)
Utilisation of deferred tax assets previously not recognised	(13,076)	(10,957)
Recognition of previously unrecognised deferred tax assets	-	(4,735)
Under provision of income tax expense in the previous financial year	-	56
Tax expense/(income)	842	(3,816)

	2023 RM'000	2022 RM'000
Company		
Profit before taxation	38,395	24,593
Taxation at Malaysian statutory tax rate of 24% (2022: 24%)	9,215	5,902
Effect of non-taxable income	(9,256)	(5,931)
Effect of expenses not deductible for tax purposes	66	49
Under provision of income tax expense in the previous financial year	-	58
Tax expense	25	78

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

	Group	
	2023 RM'000	2022 RM'000
Unused tax losses		
- expires by 30 June 2028	-	16,315
Unutilised tax incentives		
- expires by 30 June 2028	-	38,169
	-	54,484

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

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	
	2023	2022
Profit after taxation (RM'000)	65,234	62,095
Weighted average number of ordinary shares in issue ('000)	148,002	147,972
Basic earnings per ordinary share (sen)	44.08	41.96

(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	
	2023	2022
Profit after taxation (RM'000)	65,234	62,095
Weighted average number of ordinary shares in issue ('000)	148,002	147,972
Shares deemed to be issued for no consideration - ESOS ('000)	37	63
Weighted average number of ordinary shares for diluted earnings per share computation	148,039	148,035
Diluted earnings per ordinary share (sen)	44.07	41.95

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

12. Property, plant and equipment

Group	As at 1.7.2022 RM'000	Additions RM'000	Reclassification RM'000	Written Off (Note 9) RM'000	Depreciation Charges (Note 9) RM'000	As at 30.6.2023 RM'000
Net carrying amount						
Industrial buildings and installations	41,067	-	-	-	(1,232)	39,835
Machinery and equipment	50,884	852	1,397	(44)	(10,636)	42,453
Motor vehicles	944	-	-	-	(158)	786
Office equipment	63	2	-	-	(18)	47
Computer equipment	2,944	56	282	-	(982)	2,300
Furniture and fittings	902	66	-	-	(237)	731
Renovation	997	10	-	-	(266)	741
Capital expenditure-in-progress	1,647	39,505	(1,679)	-	-	39,473
Total	99,448	40,491	-	(44)	(13,529)	126,366

Group	As at 1.7.2021 RM'000	Additions RM'000	Disposal RM'000	Written Off (Note 9) RM'000	Depreciation Charges (Note 9) RM'000	As at 30.6.2022 RM'000
Net carrying amount (Restated)						
Industrial buildings and installations	42,250	57	-	-	(1,240)	41,067
Machinery and equipment	60,703	940	(7)	-	(10,752)	50,884
Motor vehicles	1,124	-	-	-	(180)	944
Office equipment	83	1	-	(1)	(20)	63
Computer equipment	2,382	1,459	-	-	(897)	2,944
Furniture and fittings	1,067	87	-	-	(252)	902
Renovation	1,243	17	-	-	(263)	997
Capital expenditure-in-progress	416	1,231	-	-	-	1,647
Total	109,268	3,792	(7)	(1)	(13,604)	99,448

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

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

	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Group			
At 30 June 2023			
Industrial buildings and installations	58,783	(18,948)	39,835
Machinery and equipment	181,209	(138,756)	42,453
Motor vehicles	2,229	(1,443)	786
Office equipment	568	(521)	47
Computer equipment	9,173	(6,873)	2,300
Furniture and fittings	5,008	(4,277)	731
Renovation	2,682	(1,941)	741
Capital expenditure-in-progress	39,473	-	39,473
Balance at 30 June 2023	299,125	(172,759)	126,366
At 30 June 2022 (Restated)			
Industrial buildings and installations	58,783	(17,716)	41,067
Machinery and equipment	180,112	(129,228)	50,884
Motor vehicles	2,229	(1,285)	944
Office equipment	566	(503)	63
Computer equipment	8,835	(5,891)	2,944
Furniture and fittings	4,942	(4,040)	902
Renovation	2,672	(1,675)	997
Capital expenditure-in-progress	1,647	-	1,647
Balance at 30 June 2022	259,786	(160,338)	99,448

13. Investment properties

	Group 2023 RM'000	2022 RM'000
Cost		
At 1 July/30 June	2,105	2,105
Accumulated depreciation		
At 1 July	767	741
Depreciation during the financial year (Note 9)	26	26
At 30 June	793	767
Net carrying amount	1,312	1,338

The investment properties comprise freehold land and building.

The fair values of the investment properties are within level 3 of the fair value hierarchy and are arrived at by reference to the market evidence of transaction prices for similar properties and are performed by registered valuers having appropriate recognised professional qualification and recent experience in the locations and category of properties being valued. The most significant input into this valuation approach is the price per square foot of comparable properties. Adjustments are then made for differences in location, size, facilities available, market conditions and other factors in order to arrive at a common basis. The fair value of the investment properties as at the end of reporting period is estimated at RM2,807,000 (2022: RM2,807,000).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

14. Investment in subsidiaries

	Company	
	2023 RM'000	2022 RM'000
Unquoted shares, at deemed cost	114,756	114,756
Share options granted to employees of a subsidiary	6,608	6,520
	121,364	121,276

The details of the subsidiaries are as follows:-

Name of subsidiary	Principal place of business /Country of incorporation	Percentage of issued share capital held by parent		Principal activities
		2023 %	2022 %	
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
Kite Training And Consultancy Sdn. Bhd.	Malaysia	100	-	Dormant

During the financial year, the Company subscribed 2 new ordinary shares in Kite Training And Consultancy Sdn. Bhd. for a total cash consideration of RM2.

15. Right-of-use assets

Group	As at 1.7.2022 RM'000	Modification of lease liabilities RM'000	Depreciation Charges (Note 9) RM'000	As at 30.6.2023 RM'000
Net carrying amount				
Leasehold land	9,721	-	(132)	9,589
Office premise	1,039	964	(958)	1,045
Total	10,760	964	(1,090)	10,634

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

15. Right-of-use assets (Cont'd)

Group	As at 1.7.2021 RM'000	Modification of lease liabilities RM'000	Depreciation Charges (Note 9) RM'000	As at 30.6.2022 RM'000
Net carrying amount (Restated)				
Leasehold land	9,853	-	(132)	9,721
Office premise	1,046	958	(965)	1,039
Total	10,899	958	(1,097)	10,760

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

	2023	2022
Leasehold land	76 to 77 years	76 to 77 years
Office premise	2 years	2 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.

16. Deferred tax assets

Group 2023	As at 1.7.2022 RM'000	Recognised in Profit or Loss (Note 10) RM'000	As at 30.6.2023 RM'000
<i>Deferred tax liabilities</i>			
Property, plant and equipment	(14,173)	1,442	(12,731)
Right-of-use assets	(249)	(1)	(250)
	(14,422)	1,441	(12,981)
<i>Deferred tax assets</i>			
Other temporary differences	3,870	1,473	5,343
Lease liabilities	251	-	251
Unutilised industrial building allowances	987	(987)	-
Unused tax losses	5,941	(4,466)	1,475
Unutilised tax incentives	10,343	2,360	12,703
	21,392	(1,620)	19,772
	6,970	(179)	6,791

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

16. Deferred tax assets (Cont'd)

	As at 1.7.2021 RM'000	Recognised in Profit or Loss (Note 10) RM'000	As at 30.6.2022 RM'000
2022			
<i>Deferred tax liabilities</i>			
Property, plant and equipment	(15,367)	1,194	(14,173)
Right-of-use assets	(251)	2	(249)
	(15,618)	1,196	(14,422)
<i>Deferred tax assets</i>			
Other temporary differences	3,360	510	3,870
Lease liabilities	253	(2)	251
Unutilised capital allowances	3,674	(3,674)	-
Unutilised industrial building allowances	5,345	(4,358)	987
Unused tax losses	5,941	-	5,941
Unutilised tax incentives	-	10,343	10,343
	18,573	2,819	21,392
	2,955	4,015	6,970

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

17. Inventories

	Group	
	2023	2022
	RM'000	RM'000
Raw materials	30,326	22,484
Work-in-progress	1,767	1,843
Finished goods	27,107	20,083
Goods in transit	-	1,289
	59,200	45,699
Recognised in profit or loss:-		
Inventories recognised as cost of sales	59,989	48,330
Amount written down (Note 9)	2,515	2,750
Movement for inventories written down:-		
At 1 July	5,574	6,129
Addition during the financial year (Note 9)	2,515	2,750
Written off during the financial year	(2,260)	(3,305)
At 30 June	5,829	5,574

18. Trade receivables

	Group	
	2023	2022
	RM'000	RM'000
Trade receivables	36,495	36,727
Less: Allowance for impairment losses	(1,939)	(1,603)
	34,556	35,124
Allowance for impairment losses:-		
At 1 July	1,603	2,999
Addition during the financial year (Note 8)	336	-
Reversal during the financial year (Note 8)	-	(1,357)
Written off during the financial year	-	(39)
At 30 June	1,939	1,603

The Group's normal trade credit terms range from 60 to 120 (2022: 60 to 120) days.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

19. Other receivables

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Other receivables:-				
Third parties	16	26	-	-
Interest receivables	328	344	-	-
Advance payments to suppliers	1,623	8,064	-	-
	1,967	8,434	-	-
Deposits	349	302	1	2
Prepayments	155	1,116	-	-
	2,471	9,852	1	2

The advance payments to suppliers are unsecured and interest-free. The amount owing will be offset against future billings from suppliers.

20. Amounts owing by subsidiaries

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

21. Short-term investments

	Group	
	2023 RM'000	2022 RM'000
Money market funds, at fair value (Note 33(c))	945	945

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

22. Fixed deposits with licensed banks

The fixed deposits with licensed banks of the Group and of the Company at the end of the reporting period bore effective interest rates ranging from 1.80% to 5.50% and 2.80% (2022: 1.25% to 2.35% and 1.55%) per annum respectively. The fixed deposits have maturity periods ranging from 7 to 182 (2022: 4 to 181) days for the Group and 93 (2022: 92) days for the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

23. Share capital

	Group/Company			Amount 2022 RM'000
	Number of shares 2023 '000	2022 '000	2023 RM'000	
Issued and fully paid-up				
Ordinary shares				
At 1 July	147,974	147,944	84,766	84,715
New shares issued under the employee share option scheme for cash	90	30	130	51
At 30 June	148,064	147,974	84,896	84,766

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

Further information relating to the exercise of employee share option scheme is set at in pages 100 to 101.

At an extraordinary general meeting held on 29 July 2013, the Company's shareholders approved the establishment of an Employee 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 2023

23. Share capital (Cont'd)

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

Date of offer	Exercise period	Exercise price per ordinary share RM	Balance at 1.7.2022	Number of Options over Ordinary Shares		Balance at 30.6.2023
				Granted	Exercised	
31.7.2013	31.7.2014	0.65	4,400	-	(4,400)	-
31.7.2013	31.7.2016	0.65	8,800	-	(8,800)	-
31.7.2013	31.7.2018	0.65	26,400	-	(26,400)	-
22.5.2017	31.7.2018	1.40	10,000	-	(10,000)	-
22.5.2017	31.7.2019	1.40	20,000	-	(20,000)	-
22.5.2017	31.7.2020	1.40	20,000	-	(20,000)	-
26.5.2023	28.7.2023	4.99	-	250,000	-	250,000
			89,600	250,000	(89,600)	250,000

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

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

During the financial year, the Company has granted 250,000 share options under the new ESOS.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

23. Share capital (Cont'd)

The fair values of the share options granted were estimated using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The fair value of the share options measured at granted date and the assumptions used are as follows:-

	Group/Company	
	2023	2022
Fair value of share options at grant date (RM)	0.53	-
Weighted average share price (RM)	5.34	-
Exercise price of share option (RM)	4.99	-
Expected volatility (%)	35.85	-
Expected life (years)	0.17	-
Risk free rate (%)	3.45	-

There were no options granted in the previous financial year.

24. Retained earnings

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

25. Other reserves

	Group/Company	
	2023	2022
	RM'000	RM'000
Share options under ESOS:		
At 1 July	99	108
Movement during the year	54	(9)
At 30 June	153	99

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

26. Term loans (secured)

	Group 2023 RM'000	2022 RM'000
Current liabilities	-	6,671

The above term loans have been fully repaid during the current financial year.

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

	Effective Interest Rate 2022 %	Group 2023 RM'000	2022 RM'000
Floating rate term loans	3.21 to 3.41	-	6,671

27. Deferred income

	Group 2023 RM'000	2022 RM'000
Non-current Government grant	823	1,118

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

28. Lease liabilities

	Group 2023 RM'000	2022 RM'000
At 1 July	1,047	1,055
Changes due to lease modification (Note 33(b))	964	958
Interest expense recognised in profit or loss (Note 7)	19	19
Repayment of principal	(965)	(966)
Repayment of interest expense	(19)	(19)
At 30 June	1,046	1,047

	Group 2023 RM'000	2022 RM'000
Analysed by:		
Current liabilities	964	965
Non-current liabilities	82	82
	1,046	1,047

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

29. Trade payables

The normal trade credit terms granted to the Group range from 60 to 90 (2022: 60 to 90) days.

30. Other payables

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Accruals	1,743	1,232	56	55
Deposits received from customers	19,783	12,717	-	-
Payroll liabilities	9,342	7,729	-	-
Due to suppliers of property, plant and equipment	896	118	-	-
Other payables	4,800	5,813	-	-
	36,564	27,609	56	55

31. Derivative liabilities

	Group			
	Contract/Notional amount			
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
<u>Derivative liabilities</u>				
Forward foreign currency contracts	-	1,042	-	15

The Group does not apply hedge accounting.

Forward currency contracts are used to hedge the Group's sales denominated in United States Dollar (USD) for which firm commitments existed at the end of the reporting period. The settlement dates on forward currency contracts is Nil (2022: 1 month) after the end of the reporting period.

32. Dividends

	Group/Company	
	2023	2022
	RM'000	RM'000
Final single tier dividend of 16 (2022: 7) sen per ordinary share in respect of the previous financial year	23,679	10,358
Interim single tier dividend of 10 (2022: 9.5) sen per ordinary share in respect of the current financial year	14,800	14,058
	38,479	24,416

On 23 August 2023, the Company declared a second interim single tier dividend of 15.5 sen per ordinary share amounting to RM22,988,683 in respect of the current financial year, payable on 12 October 2023, to shareholders whose names appeared in the record of depositors on 3 October 2023. The financial statements for the current financial year do not reflect this interim single tier dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 30 June 2024.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

33. Cash flow information

(a) The cash disbursed for the purchase of property, plant and equipment is as follows:-

	Group 2023 RM'000	2022 RM'000
Property, plant and equipment		
Cost of property, plant and equipment purchased (Note 12)	40,491	3,792
Advance payments for future purchase	-	6,392
Under payable for purchase of property, plant and equipment	(778)	996
Prepayments made in previous financial year	(7,571)	-
	32,142	11,180

(b) The reconciliations of liabilities arising from financing activities are as follows:-

Group	Bank Overdrafts RM'000	Term Loans RM'000	Lease Liabilities RM'000	Total RM'000
2023				
At 1 July	-	6,671	1,047	7,718
<u>Changes in financing cash flows</u>				
Repayment of principal	*	(6,671)	(965)	(7,636)
Repayment of interests	(53)	(123)	(19)	(195)
<u>Other changes</u>				
Modification of lease (Note 28)	-	-	964	964
Interest expense recognised in profit or loss	53	123	19	195
At 30 June	-	-	1,046	1,046
2022				
At 1 July	-	17,900	1,055	18,955
<u>Changes in financing cash flows</u>				
Repayment of principal	*	(11,229)	(966)	(12,195)
Repayment of interests	(49)	(394)	(19)	(462)
<u>Other changes</u>				
Modification of lease (Note 28)	-	-	958	958
Interest expense recognised in profit or loss	49	394	19	462
At 30 June	-	6,671	1,047	7,718

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

33. Cash flow information (Cont'd)

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

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Money market funds (Note 21)	945	945	-	-
Cash and bank balances	7,353	23,271	143	169
Fixed deposits with licensed banks	80,654	65,500	600	400
	88,952	89,716	743	569
Less: Fixed deposit with tenure more than 3 months	(9,667)	(28,000)	-	-
	79,285	61,716	743	569

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

	Group	
	2023	2022
	RM'000	RM'000
Payment of short-term leases	131	127
Payment of low-value assets	2	4
Interest paid on lease liabilities	19	19
Payment of lease liabilities	965	966
	1,117	1,116

34. Significant related party disclosures

(a) Identities of related parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

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:-

	2023 RM'000	2022 RM'000
Group		
Companies in which certain directors have significant financial interests:-		
- lease payments on short-term leases	51	64
- lease payments for right-of-use assets	984	984
Companies in which close family members of certain directors have significant financial interests:-		
- sales of goods	(590)	(413)
Company		
A subsidiary:		
- management fee received/receivable	(540)	(540)
- dividend received	(38,568)	(24,713)

The related party transactions described above were entered in the normal course of business carried out based on negotiated terms and conditions and are mutually agreed between the parties concerned.

(c) The related party outstanding balances at the end of the reporting period are as follows:-

	Group 2023 RM'000	2022 RM'000
Companies in which close family members of certain directors have significant financial interests:-		
- trade receivables	119	49

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

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	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<i>Directors of the Company</i>					
Short-term employee benefits:-					
- fees		340	307	340	307
- emoluments		2,877	2,585	13	18
Defined contribution benefits		344	308	-	-
		3,561	3,200	353	325
<i>Directors of the Subsidiaries</i>					
Short-term employee benefits:-					
- emoluments		436	378	-	-
Defined contribution benefits		52	45	-	-
		488	423	-	-
	6	4,049	3,623	353	325

The estimated monetary value of benefits-in-kind provided by the Group to a director of the Company was RM25,000 (2022: RM25,000).

35. Capital commitments

	Group	
	2023 RM'000	2022 RM'000
Approved and contracted for:-		
- Construction of factory building	68,645	-
- Purchase of plant and equipment	25,644	9,329
	94,289	9,329

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Malaysia	167,804	147,229	138,312	111,546
Asia	71,160	58,792	-	-
Africa	3,235	1,896	-	-
	242,199	207,917	138,312	111,546

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 (2022 : one major customer), with revenue equal to or more than 10% of Group revenue, amounts to RM24,737,955 (2022: RM22,997,027) arising from export sales.

37. Financial instruments

The Group's activities are exposed to a variety of market risk (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 occasion, 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 2023

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
30.6.2023					
Trade receivables	5,830	-	1,133	224	7,187
Other receivables	1,151	226	211	-	1,588
Cash and bank balances	4,653	3	898	-	5,554
Fixed deposits with licensed banks	50,536	-	5,768	-	56,304
Trade payables	(2,387)	(1,057)	-	-	(3,444)
Other payables	(21,286)	(25)	(2)	-	(21,313)
Net exposure	38,497	(853)	8,008	224	45,876
30.6.2022					
Trade receivables	4,955	-	458	214	5,627
Other receivables	7,187	-	-	-	7,187
Cash and bank balances	18,502	27	3,149	-	21,678
Trade payables	(850)	(1,923)	-	-	(2,773)
Other payables	(14,607)	(66)	(2)	-	(14,675)
Net exposure	15,187	(1,962)	3,605	214	17,044

Foreign currency risk sensitivity analysis

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

		Group	
		2023 RM'000	2022 RM'000
Effects on profit after taxation			
USD/RM	- strengthened by 5% (2022: 5%)	1,463	577
	- weakened by 5% (2022: 5%)	(1,463)	(577)
EUR/RM	- strengthened by 5% (2022: 5%)	(32)	(75)
	- weakened by 5% (2022: 5%)	32	75
SGD/RM	- strengthened by 5% (2022: 5%)	304	137
	- weakened by 5% (2022: 5%)	(304)	(137)
BND/RM	- strengthened by 5% (2022: 5%)	9	8
	- weakened by 5% (2022: 5%)	(9)	(8)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

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 and fixed deposits with licensed banks are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 26 to the financial statements.

Interest rate risk sensitivity analysis

At the end of the reporting period, if interest rates had been 100 basis points higher/lower, with all other variables held constant, the Group's profit after taxation would have been RM Nil lower/higher (2022: RM50,702 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 equity price risk arises mainly from changes in prices of money market funds.

Equity price risk sensitivity analysis

At the end of the reporting period, if the prices of money market funds strengthen/weaken by 100 basis points with all other variables being held constant, the Group's profit after taxation would have been RM7,182 higher/lower (2022: RM7,182 higher/lower).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

37. Financial instruments (Cont'd)

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

(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	
	2023 RM'000	2022 RM'000
Local	26,988	29,240
Export	7,568	5,884
	34,556	35,124

Maximum exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is presented by the carrying amount of each class of financial assets recognised in the statements of financial position of the Group after deducting any allowance for impairment losses (where applicable).

Assessment of impairment losses

The Group has a credit policy in place and the exposure to credit risk is monitored on an on-going basis through periodic review of the ageing of the trade receivables. The Group closely monitors the trade receivables' financial strength to reduce the risk of loss.

At each reporting date, the Group assesses whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amounts of financial assets are written off against the associated impairment, if any, when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities.

A financial asset is credit impaired when any of following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:

- Significant financial difficulty of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty;
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

The Group considers a receivable to be in default when the receivable is unlikely to repay its debts to the Group in full or is more than 90 days past due.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

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

The Group applies the simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for all trade receivables.

Inputs, assumptions and techniques used for estimating impairment losses

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

The Group measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

The expected loss rates are based on the payment profiles of past sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the trade receivables to settle their debts using the linear regressive analysis. The Group has identified the unemployment rate as the key macroeconomic factor of the forward-looking information.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

Allowance for impairment losses

Group	Gross amount RM'000	Collective impairment RM'000	Carrying amount RM'000
30.6.2023			
Current (not past due)	27,249	(983)	26,266
1 to 30 days past due	5,546	(139)	5,407
31 to 60 days past due	2,723	(253)	2,470
61 to 90 days past due	977	(564)	413
	36,495	(1,939)	34,556

Group	Gross amount RM'000	Individual impairment RM'000	Collective impairment RM'000	Carrying amount RM'000
30.6.2022				
Current (not past due)	28,185	-	(757)	27,428
1 to 30 days past due	5,004	-	(99)	4,905
31 to 60 days past due	2,185	-	(60)	2,125
61 to 90 days past due	730	-	(64)	666
Credit impaired	623	(170)	(453)	-
	36,727	(170)	(1,433)	35,124

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

37. Financial instruments (Cont'd)

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

(iv) Credit risk (Cont'd)

Assessment of impairment losses (Cont'd)

Other receivables

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables.

Under this approach, loss allowance is measured on either 12-month expected credit losses or lifetime expected credit losses, by considering the likelihood that the receivable would not be able to repay during the contractual period (probability of default, PD), the percentage of contractual cash flows that will not be collected if default happens (loss given default, LGD) and the outstanding amount that is exposed to default risk (exposure at default, EAD).

In deriving the PD and LGD, the Group considers the receivable's past payment status and its financial condition as at the reporting date. The PD is adjusted to reflect current and forward-looking information and macroeconomic factors affecting the ability of the receivable to settle its debts.

Allowance for impairment losses

No expected credit loss is recognised on other receivables as it is negligible.

Fixed deposits with licensed banks, cash and bank balances

The Group considers the licenced banks have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

Amount owing by subsidiaries

The Company applies the 3-stage general approach to measuring expected credit losses for all inter-company balances. The Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly.

The Company measures the expected credit losses on individual basis, which is aligned with its credit risk management practices on the inter-company balances.

For loans and advances that are repayable on demand, impairment loss is assessed based on the assumption that repayment of the outstanding balances is demanded at the reporting date. If the subsidiary does not have sufficient highly liquid resources when the loans and advances are demanded, the Company will consider the expected manner of recovery to measure the impairment loss; the recovery manner could be either through 'repayable over time' or a fire sale less liquid assets by the subsidiary.

Allowance for impairment losses

At the end of the reporting period, there was no indication that the amount owing is not recoverable.

Financial guarantee contracts

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

37. Financial instruments (Cont'd)

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

(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 at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	Contractual interest rate %	Contractual undiscounted cash flows RM'000	Within 1 year RM'000	1 to 5 years RM'000
2023				
Group				
<u>Non-derivative financial liabilities</u>				
Lease liabilities	3.30	1,066	984	82
Trade payables	-	20,554	20,554	-
Other payables	-	16,781	16,781	-
		38,401	38,319	82
Company				
<u>Non-derivative financial liabilities</u>				
Other payables	-	56	56	-
		56	56	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

37. Financial instruments (Cont'd)

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

(v) Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities 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):- (Cont'd)

	Contractual interest rate %	Contractual undiscounted cash flows RM'000	Within 1 year RM'000	1 to 5 years RM'000
2022				
Group				
<u>Non-derivative financial liabilities</u>				
Term loans	3.41	6,721	6,721	-
Lease liabilities	3.11	1,066	984	82
Trade payables	-	18,553	18,553	-
Other payables	-	14,892	14,892	-
<u>Derivative financial liabilities</u>				
Forward currency contracts (gross settled)				
- gross payments	-	15	15	-
		41,247	41,165	82
Company				
<u>Non-derivative financial liabilities</u>				
Other payables	-	55	55	-
Financial guarantee contracts in relation to corporate guarantee given to a subsidiary	-	6,671	6,671	-
		6,726	6,726	-

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 2023

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 shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as total net debts divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents.

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

(c) Classification of financial instruments

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Financial assets				
<u>Fair value through profit or loss</u>				
Short-term investments	945	945	-	-
<u>Amortised cost</u>				
Trade receivables	34,556	35,124	-	-
Other receivables	344	370	-	-
Amounts owing by subsidiaries	-	-	157	140
Fixed deposits with licensed banks	80,654	65,500	600	400
Cash and bank balances	7,353	23,271	143	169
	122,907	124,265	900	709
Financial liabilities				
<u>Fair value through profit or loss</u>				
Derivative liabilities	-	15	-	-
<u>Amortised cost</u>				
Lease liabilities	1,046	1,047	-	-
Term loans	-	6,671	-	-
Trade payables	20,554	18,553	-	-
Other payables	16,781	14,892	56	55
	38,381	41,163	56	55

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

37. Financial instruments (Cont'd)

(d) Gains or losses arising from financial instruments

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Financial assets				
<u>Fair value through profit or loss</u>				
Net gains/(losses) recognised in profit or loss	20	(12)	-	-
<u>Amortised cost</u>				
Net gains recognised in profit or loss	6,302	4,334	17	8
Financial liabilities				
<u>Fair value through profit or loss</u>				
Net gains recognised in profit or loss	15	-	-	-
<u>Amortised cost</u>				
Net losses recognised in profit or loss	(1,062)	(262)	-	-

(e) Fair value information

The fair values of the financial assets and financial liabilities of the Group which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair value of financial instruments carried at fair value Level 2 RM'000	Fair value of financial instruments not carried at fair value Level 2 RM'000	Total fair value RM'000	Total carrying amount RM'000
2023				
Group				
<u>Financial assets</u>				
Short-term investments:				
- Money market funds	945	-	945	945
2022				
Group				
<u>Financial assets</u>				
Short-term investments:				
- Money market funds	945	-	945	945
<u>Financial liabilities</u>				
Derivative liabilities:				
- Forward currency contract	15	-	15	15
Term loans	-	6,671	6,671	6,671

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 JUNE 2023

37. Financial instruments (Cont'd)

(e) Fair value information (Cont'd)

Fair value of financial instruments carried at fair value

- (i) The fair value above have been determined using the following basis:-
 - (a) The fair value of money market funds is determined by reference to statements provided by the financial institutions, with which the investment was entered into.
 - (b) 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.
- (ii) There were no transfers between level 1 and level 2 during the financial year.

Fair value of financial instruments not carried at fair value

- (i) The fair value, which are for disclosure purposes have been determined using the following basis:-
 - (a) The fair value of the Group's term loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.

38. Comparative figures

The following figures have been reclassified to conform with the presentation of the current financial year which reclassified assets under hire purchase financing from right-of-use assets to property, plant and equipment:-

	As Previously Reported RM'000	As Restated RM'000
The Group		
Statement of Financial Position (Extract):-		
Property, plant and equipment	99,154	99,448
Right-of-use assets	11,054	10,760
Statement of Cash Flow (Extract):-		
Depreciation of property, plant and equipment	13,549	13,604
Depreciation of right-of-use assets	1,152	1,097

LIST OF PROPERTIES

[illegible]

ANALYSIS OF SHAREHOLDINGS AS AT 29 SEPTEMBER 2023

Total number of issued shares	:	148,314,083
Class of Share	:	Ordinary shares
Voting rights on show of hands	:	1 vote
Voting rights on a poll	:	1 vote

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shares Held
Less than 100 shares	126	8.76	2,890	0.00
100 to 1,000 shares	402	27.96	231,729	0.16
1,001 to 10,000 shares	611	42.49	2,504,760	1.69
10,001 to 100,000 shares	217	15.09	6,985,201	4.71
100,001 to less than 5% of issued shares	81	5.63	73,965,141	49.87
5% and above of issued shares	1	0.07	64,624,362	43.57
Total	1,438	100.00	148,314,083	100.00

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 29 SEPTEMBER 2023

Name of Substantial Shareholders	Direct	No. of Shares Held %	Indirect	%
1. Piong Nam Kim Holdings Sdn. Bhd.	64,624,362	43.57	-	-
2. Piong Teck Onn	16,286,626	10.98	72,987,562 [#]	49.21
3. Datuk Piong Teck Yen	8,296,564	5.59	-	-

DIRECTORS' SHAREHOLDINGS

No.	Name	Direct	No. of Shares Held %	Indirect	%
1.	Piong Teck Onn	16,286,626	10.98	72,987,562 [*]	49.21
2.	Datuk Piong Teck Yen	8,296,564	5.59	-	-
3.	Chin Swee Chang	2,314,800	1.56	3,900,000 [^]	2.63

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 son, Piong Chee Wei's interest pursuant to Section 59(11) of the Act.

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 29 SEPTEMBER 2023

TOP 30 DEPOSITORS AS AT 29 SEPTEMBER 2023

NO	SHAREHOLDER	SHARES	%
1	PIONG NAM KIM HOLDINGS SDN BHD	64,624,362	43.57
2	PIONG TECK ONN	6,125,402	4.13
3	PIONG TECK MIN	5,006,220	3.38
4	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR PIONG TECK ONN</i>	4,401,224	2.97
5	PLATINUM ESSENCE SDN. BHD.	2,799,140	1.89
6	KOK HON SENG	2,503,816	1.69
7	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR PIONG TECK YEN</i>	2,500,000	1.69
8	CHEAH CHANG HAN	2,439,900	1.65
9	CHIN SWEE CHANG	2,314,800	1.56
10	JI YEH MING	2,000,000	1.35
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR PIONG TECK YEN</i>	2,000,000	1.35
12	PIONG TECK ONN	1,980,000	1.34
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR PIONG TECK ONN</i>	1,980,000	1.34
14	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR PIONG CHEE WEI</i>	1,980,000	1.34
15	RHB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR PIONG TECK YEN</i>	1,980,000	1.34
16	SEAH TIN KIM	1,844,440	1.24
17	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR PIONG TECK ONN (7002831)</i>	1,800,000	1.21
18	MEDISCH SPECIALIST CENTRE SDN BHD	1,664,060	1.12
19	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIM KIAN TIAK (8039574)</i>	1,500,000	1.01
20	PIONG TECK YEN	1,316,564	0.89
21	HO JONATHAN LEP KEE	1,210,000	0.82
22	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)</i>	1,200,000	0.81
23	CHEAH MING LOONG	1,153,200	0.78
24	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR PIONG CHEE WEI (7002905)</i>	1,000,000	0.67
25	OOI LEE PENG	900,000	0.61
26	PIONG CHEE WEI	800,000	0.54
27	PIONG TECK FONG	788,560	0.53
28	TRIPLE BOUTIQUE SDN BHD	774,600	0.52
29	PIONG TECK WAH	770,220	0.52
30	SIN BOON FEI	622,600	0.42
TOTAL		121,979,108	82.24

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Fourth Annual General Meeting (“**24th AGM**”) of **KOTRA INDUSTRIES BERHAD** (“**Company**”) will be conducted as a virtual meeting at the following date, time and venue to transact the following businesses: -

Day and Date	: Tuesday, 28 November 2023
Time	: 10.00 a.m.
Broadcast Venue	: Vertical Business Suite, Unit 35-01, Level 35, Tower A, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.
Online Meeting Platform	: https://kib-agm.digerati.com.my

AGENDA

- To receive the Audited Financial Statements for the financial year ended 30 June 2023 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Note 7)**
- To approve the payment of Directors’ fees amounting to RM420,000 from 29 November 2023 until the next AGM of the Company in year 2024. **(Ordinary Resolution 1)**
- To approve the payment of Directors’ benefits payable up to an amount of RM30,000 from 29 November 2023 until the next AGM of the Company in year 2024. **(Ordinary Resolution 2)**
- 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: -
 - Piong Teck Onn **(Ordinary Resolution 3)**
 - Lee Min On **(Ordinary Resolution 4)**
- 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 5)**

AS SPECIAL BUSINESS

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

- Ordinary Resolution** **(Ordinary Resolution 6)**
Authority to Allot and Issue Shares pursuant to the Companies Act 2016

“**THAT**, pursuant to Section 75 and 76 of Companies Act 2016, the Directors be and are hereby authorised to allot and issue shares in the Company, from time to time and upon such terms and conditions and for such purposes and to such persons whomsoever the Director may, in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total issued shares of the Company and approval of all the relevant regulatory bodies being obtained for such allotment and issue.

AND THAT such authority shall continue to be in force until the conclusion of the next AGM of the Company.

AND FURTHER THAT pursuant to Section 85 of Companies Act 2016 to be read together with Clause 13 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares of the Company ranking equally to the existing issued shares arising from any issuance of new shares of the Company pursuant to Section 75 and 76 of the Companies Act 2016.”

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

7. Ordinary Resolution

(Ordinary Resolution 7)

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 27 October 2023, 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."

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

By Order of the Board

CHUA SIEW CHUAN (SSM PC NO. 201908002648) (MAICSA 0777689)

TAN LEY THENG (SSM PC NO. 201908001685) (MAICSA 7030358)

Company Secretaries

Kuala Lumpur

27 October 2023

Notes:

Virtual 24th AGM

1. *The Meeting will be held as a virtual meeting at the Broadcast Venue. Members are advised to refer to the Administrative Guide for the 24th 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 24th AGM.*

Proxy

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 November 2023 ("**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.*

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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 69-B, Jalan Kenari 20, Bandar Puchong Jaya, 47170 Puchong, Selangor 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 2023**

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 24th AGM in two (2) separate resolutions as below: -

- *Ordinary Resolution 1 on payment of Directors’ fees to the Directors of the Company amounting to RM420,000 for the period from 29 November 2023 until the next AGM of the Company in year 2024.*
- *Ordinary Resolution 2 of Directors’ benefits up to an amount of RM30,000 for the period from 29 November 2023 until the next AGM of the Company in year 2024. 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 29 November 2023 until the next AGM of the Company in year 2024.*

9. **Re-election of Directors**

*In determining the eligibility of the Directors to stand for re-election at the forthcoming 24th 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 Piong Teck Onn and Lee Min On, 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.*

Each of the Directors who are standing for re-election had provided his declaration on his fitness and propriety to continue acting as Director of the Company pursuant to the Directors’ Fit and Proper Policy of the Company.

Therefore, the Board recommended the same be tabled to the shareholders for approval at the forthcoming 24th AGM of the Company under Ordinary Resolutions 3 and 4 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 2023 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.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

10. **Authority to Allot and Issue Shares pursuant to the Act**

The Company had been granted a general mandate by its shareholders at the Twenty-Third AGM of the Company held on 29 November 2022 ("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.

Pursuant to Section 85(1) of the Companies Act 2016 be read together with Clause 13 of the Company's Constitution, shareholders have pre-emptive rights to be offered any new shares in the Company which rank equally to the existing issued shares in the Company or other convertible securities.

The proposed Ordinary Resolution 6, 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 7 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 27 October 2023 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)

1. **Details of individuals who are standing for election as Directors**

There is no individual standing for election as a Director at the 24th AGM of the Company.

2. **Statement relating to General Mandate for Issue of Securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad**

Details on the authority to issue and allot shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note (10) of the Notice of the 24th AGM.

Personal Data Privacy

By submitting form(s) of proxy appointing proxy(ies) or corporate representative(s) or attorney(s) to attend, participate (including to pose questions to the Board of the Company) and vote at the 24th AGM, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies or representatives appointed for the 24th AGM and the preparation and compilation of the attendance lists, minutes and other documents relating to the 24th AGM, and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) or corporate representative(s) or attorney(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) or corporate representative(s) or attorney(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) or corporate representative(s) or attorney(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

ADMINISTRATIVE GUIDE



KOTRA

KOTRA INDUSTRIES BERHAD

[Registration No. 199901022732 (497632-P)]

(Incorporated in Malaysia)

ADMINISTRATIVE GUIDE FOR THE VIRTUAL TWENTY-FOURTH ANNUAL GENERAL MEETING ("24th AGM") OF KOTRA INDUSTRIES BERHAD ("Company")

Date	:	28 November 2023 (Tuesday)
Time	:	10.00 a.m.
Broadcast Venue	:	Vertical Business Suite, Unit 35-01, Level 35, Tower A, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

Mode of Meeting

1. The 24th AGM of the Company will be conducted virtually through live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities. This is in line with Practice 13.3 of the Malaysian Code on Corporate Governance 2021 which recommends listed companies to leverage technology to facilitate greater remote shareholders' participation at general meetings and vote without being physically present at the venue.
2. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue of the 24th AGM. No members/proxies should be physically present at the Broadcast Venue on the day of the 24th AGM.
3. Kindly note that the quality of the live streaming is dependent on the bandwidth and stability of the internet connection of the participants. Therefore, please ensure that your connectivity for the duration of the 24th AGM is maintained.

Entitlement to Attend and Vote

1. Only members whose names appear in the Record of Depositors on 22 November 2023 shall be eligible to virtually attend, participate, speak and vote at the 24th AGM or appoint a proxy on his/her behalf.

Appointment of Proxy

1. The Form of Proxy must be deposited at the office of the Poll Administrator at 69-B, Jalan Kenari 20, Bandar Puchong Jaya, 47170 Puchong, Selangor, no later than Sunday, 26 November 2023 at 10.00 a.m. Alternatively, you may submit your Form of Proxy via email to ir_kib@kotrapharma.com.


Remote Participation and Voting

1. Members/proxies are to participate remotely at the 24th AGM using RPV facilities provided by Digerati Technologies Sdn. Bhd.
2. The RPV facilities are available on <https://kib-agm.digerati.com.my>.
3. Please follow the procedures set out below to register, participate and vote remotely using the RPV facilities.

ADMINISTRATIVE GUIDE (CONT'D)

Procedures To Remote Participation and Voting Via RPV Facilities

Members who wish to participate the 24th AGM remotely using RPV, must follow the following procedures:

Step	Action	Procedure
A	To register as a user at website: https://kib-agm.digerati.com.my 	<ul style="list-style-type: none"> Click 'Register' to sign up as new user. Upload your identity documents. Complete and submit your registration. Verify your email to complete the registration. You will be notified upon successful or rejected registration. You may pose your question, if any, to the Chairman/Board using the website. Within three (3) days before the AGM, you will be notified with login credentials to join the meeting upon approval. <p>*Note:</p> <ul style="list-style-type: none"> Please check your spam box if you did not receive any email from us. Registered user and proxy may skip this step. Identity documents will be deleted after registration.
B	To appoint proxy or corporate representative at the website (optional)	<ul style="list-style-type: none"> Login your registered account at the website. Select "KIB 24th AGM". Fill up the information to appoint proxy. Within three (3) days before the AGM, you and your proxy will be notified upon approval or rejection of RPV.
C	On the day of 24th AGM	<ul style="list-style-type: none"> Access to Broadcast and E-Poll Form using the website or through email links. If you have any questions for the Chairman/Board, you may use the Q&A section to type your questions. Submit your voting within a specific period once the Chairman announces that the voting is open. Voting will be closed upon the expiry of the voting period. Broadcast will be terminated upon the announcement of the poll result by the Chairman.

No door gifts/vouchers

There will be no distribution of door gifts/vouchers for the 24th AGM.

No recording or photography

Please note that no recording or photography of the 24th AGM proceedings is allowed.

Enquiry

If you have any enquiry in relation to registration, logging in and system related, please contact the Technical Support:

Technical Support : Digerati Technologies Sdn. Bhd.
 Tel No. : +6011-6338 8316
 Email : support@digerati.com.my

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**KOTRA****KOTRA INDUSTRIES BERHAD**

[Registration No. 199901022732 (497632-P)]

(Incorporated in Malaysia)

FORM OF PROXY

CDS ACCOUNT NO.

NUMBER OF SHARES HELD

*I/We _____ NRIC No./Company No. _____ of (full address)

being a Member/Members of **KOTRA INDUSTRIES BERHAD** ("Company"), hereby appoint: -**PROXY "A"**

FULL NAME (IN BLOCK)	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS (%)
RESIDENTIAL ADDRESS		
E-MAIL ADDRESS	MOBILE NO.	

And/or failing *him/her,

PROXY "B"

FULL NAME (IN BLOCK)	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS (%)
RESIDENTIAL ADDRESS		
E-MAIL ADDRESS	MOBILE NO.	

#to put a separate sheet where there are more than two (2) proxies.

or failing him/her, the Chairman of the Meeting as *my/our proxy to attend and vote for *me/us and on *my/ our behalf at the Twenty-Fourth Annual General Meeting ("24th AGM") of the Company to be conducted virtually at the broadcast venue at **Vertical Business Suite, Unit 35-01, Level 35, Tower A, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur** on **Tuesday, 28 November 2023** at **10.00 a.m.** or any adjournment thereof.

ORDINARY RESOLUTIONS		FOR	AGAINST
1.	To approve the payment of Directors' fees amounting to RM420,000 from 29 November 2023 until the next AGM of the Company in year 2024.		
2.	To approve the payment of Directors' benefits up to an amount of RM30,000 from 29 November 2023 until the next AGM of the Company in year 2024.		
3.	To re-elect Mr. Piong Teck Onn, who is retiring pursuant to Clause 118 of the Company's Constitution, has offered himself for re-election.		
4.	To re-elect Mr. Lee Min On, who is retiring pursuant to Clause 118 of the Company's Constitution, has offered himself for re-election.		
5.	To re-appoint Crowe Malaysia PLT as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration.		
6.	Authority to Issue Shares pursuant to the Companies Act 2016.		
7.	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 _____ 2023.

Signature of Member/Common Seal**Notes:**

Virtual 24th AGM

- The Meeting will be held as a virtual meeting at the Broadcast Venue. Members are advised to refer to the Administrative Guide for the 24th AGM on the registration and voting process for the Meeting.
- The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue of the Meeting. No shareholders or proxies should be physically present at the Broadcast Venue on the day of the 24th AGM.

Proxy

- In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 November 2023 ("General Meeting Record of Depositors") shall be eligible to attend, participate, speak and vote at the Meeting.
- 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.
- 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.
- 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 69-B, Jalan Kenari 20, Bandar Puchong Jaya, 47170 Puchong, Selangor 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.

Personal Data Privacy:-

By submitting form(s) of proxy appointing proxy(ies) or corporate representative(s) or attorney(s) to attend, participate (including to pose questions to the Board of the Company) and vote at the 24th AGM, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies or representatives appointed for the 24th AGM and the preparation and compilation of the attendance lists, minutes and other documents relating to the 24th AGM, and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) or corporate representative(s) or attorney(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) or corporate representative(s) or attorney(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) or corporate representative(s) or attorney(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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AFFIX
STAMP

KOTRA INDUSTRIES BERHAD

[Registration No. 199901022732 (497632-P)]

c/o Poll Administrator

69-B, Jalan Kenari 20,
Bandar Puchong Jaya,
47170 Puchong,
Selangor.

2nd Fold Here

Fold This Flap For Sealing

KOTRA INDUSTRIES BERHAD

[Registration No. 199901022732 (497632-P)]

No. 1, 2 & 3, Jalan TTC 12, Cheng Industrial Estate, 75250 Melaka.

Tel : 606 - 336 2222 Fax : 606 - 336 6122

www.kotrapharma.com

www.appeton.com



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