

KOTRA INDUSTRIES BERHAD

(Incorporated in Malaysia)

FINANCIAL REPORT for the financial year ended 30 June 2024

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Kotra Industries Berhad

(Incorporated in Malaysia)

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 2024.

Principal activities

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

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the Company in each subsidiary company are set out in the "Subsidiaries" of this report.

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

Results

	Group RM'000	Company RM'000
Profit after taxation for the financial year	<u>44,596</u>	<u>40,325</u>

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

Dividends

Dividends paid by the Company since 30 June 2023 are as follows:-

- A second interim single tier dividend of 15.5 sen per ordinary share amounting to RM22,988,682 for the financial year ended 30 June 2023 on 12 October 2023; and
- An interim single tier dividend of 12.5 sen per ordinary share amounting to RM18,539,261 for the financial year ended 30 June 2024 on 21 March 2024.

On 19 August 2024, the Company declared a second interim single tier dividend of 13 sen per ordinary share amounting to RM19,280,831 in respect of the current financial year, payable on 10 October 2024, to shareholders whose names appeared in the record of depositors on 1 October 2024. 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 2025.

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Directors' report

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' 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:-

	Number of ordinary shares			At 30.6.2024
	At 1.7.2023	Acquired	Sold	
Holding company				
<i>Direct interest</i>				
Piong Teck Onn	61,529	-	-	61,529
Datuk Piong Teck Yen	8,737	-	-	8,737
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	3,900,000	-	-	3,900,000
Piong Teck Onn ²	72,987,562	-	-	72,987,562

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Directors' report

Directors' interests (continued)

- 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 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.

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Directors' report

Employee share option scheme (continued)

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

- (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.

The options offered for the subscription of unissued ordinary shares, the exercise price and the number of share options exercisable as at end of the reporting period are as follows:-

Date of offer	Exercise period	Exercise price per ordinary share RM	Number of Options over Ordinary Shares			Balance at 30.6.2024
			Balance at 1.7.2023	Granted	Exercised	
26.5.2023	28.7.2023	4.99	250,000	-	(250,000)	-
			250,000	-	(250,000)	-

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Directors' report

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 the following transactions:-

	The Group RM'000	The Company RM'000
Companies in which certain directors have significant financial interests:-		
- lease payments on short-term leases	11	-
- lease payments for right-of-use assets	984	-
	<hr/>	<hr/>
Companies in which close family members of certain directors have significant financial interests:-		
- sales of goods	(405)	-
	<hr/>	<hr/>
A subsidiary:-		
- management fee received/receivable	-	(540)
- dividend received	-	(40,477)
	<hr/>	<hr/>

Kotra Industries Berhad

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Directors' report

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	350	350
Emoluments	3,020	14
Defined contribution benefits	361	-
	<u>3,731</u>	<u>364</u>

The estimated monetary value of benefits-in-kind provided by the Group to a director of the Company was RM12,500.

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 RM84,895,887 to RM86,275,645 by way of issuance of 250,000 new ordinary shares from the exercise of options under the Company's Employee Share Option Scheme at the exercise prices as disclosed in the "Employee Share Option Scheme" of this report. 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.

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(Incorporated in Malaysia)

Directors' report

Subsidiaries

(a) The details of the Company's subsidiaries are as follows:-

Name of subsidiary	Country of incorporation	Percentage of issued share capital held by parent	Principal activities
<i>Subsidiaries of the Company</i>			
Kotra Pharma (M) Sdn. Bhd.	Malaysia	100%	Developing, manufacturing and trading of pharmaceutical and healthcare products
Appeton Healthcare Sdn. Bhd.	Malaysia	100%	Dormant
Biglink Rewards Sdn. Bhd.	Malaysia	100%	Dormant
Kite Training And Consultancy Sdn. Bhd.	Malaysia	100%	Dormant

(b) The available auditors' reports on the financial statements of the subsidiaries did not contain any qualification.

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.

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Directors' report

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 there were no known bad debts which 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 Group and 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 as 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 and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group and 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 Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due; and

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Directors' report

Other statutory information (continued)

(f) In the opinion of the directors (continued):-

- (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 and 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	132	33
Non-audit fees	4	4
	<u>136</u>	<u>37</u>

Signed in accordance with a resolution of the directors dated **03 OCT 2024**



Piong Teck Onn
Managing Director



Chin Swee Chang
Executive Director

Kotra Industries Berhad

(Incorporated in Malaysia)

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 16 to 64 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 2024 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 **03 OCT 2024**



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 16 to 64 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 **03 OCT 2024**



Daniel Chua Chong Liang

Before me,



**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 2024 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 material accounting policy information, as set out on pages 16 to 64.

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 2024, 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.

**Independent auditors' report to the members of
KOTRA INDUSTRIES BERHAD (continued)**

(Incorporated in Malaysia)

Registration No: 199901022732 (497632-P)

Key Audit Matters (continued)

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

Key Audit Matters Revenue Recognition (Refer to Page 24, Note 4 to the financial statements)	How our audit addressed the key audit matter
<p>Consolidated revenue recorded by the Group during the year amounted to approximately RM227 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.</p>	<p>Our procedures included, amongst others:</p> <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.

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.

**Independent auditors' report to the members of
KOTRA INDUSTRIES BERHAD (continued)**

(Incorporated in Malaysia)

Registration No: 199901022732 (497632-P)

Information other than the financial statements and auditors' report thereon (continued)

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

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

Auditors' responsibilities for the audit of the financial statements

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

**Independent auditors' report to the members of
KOTRA INDUSTRIES BERHAD (continued)**

(Incorporated in Malaysia)

Registration No: 199901022732 (497632-P)

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

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

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

**Independent auditors' report to the members of
KOTRA INDUSTRIES BERHAD (continued)**

(Incorporated in Malaysia)

Registration No: 199901022732 (497632-P)

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

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

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

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

OTHER MATTERS

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



Crowe Malaysia PLT

201906000005 (LLP0018817 - LCA) & AF 1018
Chartered Accountants

Melaka

03 OCT 2024



Tan Guan Seng

03387/08/2026 J

Chartered Accountant

Kotra Industries Berhad

(Incorporated in Malaysia)

Statements of profit or loss and other comprehensive income For the financial year ended 30 June 2024

		Group		Company	
	Note	2024	2023	2024	2023
		RM'000	RM'000	RM'000	RM'000
Revenue	4	226,554	242,199	41,017	39,108
Other operating income	5	7,983	6,656	36	17
Raw materials and consumables used		(62,632)	(69,453)	-	-
Changes in inventories of finished goods and work-in-progress		2,363	6,949	-	-
Employee benefits expenses	6	(53,310)	(55,997)	(464)	(448)
Selling and distribution expenses		(28,841)	(31,233)	-	-
Depreciation and amortisation		(14,299)	(14,645)	-	-
Other operating expenses		(21,490)	(17,869)	(243)	(282)
Finance costs	7	(37)	(195)	-	-
Net reversal of impairment losses/ (Net impairment losses) on financial assets	8	183	(336)	-	-
Profit before taxation	9	56,474	66,076	40,346	38,395
Tax expense	10	(11,878)	(842)	(21)	(25)
Profit after taxation		44,596	65,234	40,325	38,370
Other comprehensive income		-	-	-	-
Total comprehensive income for the financial year		44,596	65,234	40,325	38,370
Earnings per share attributable to equity holders of the Company (sen):					
- Basic	11	30.07	44.08		
- Diluted	11	30.07	44.07		

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

Kotra Industries Berhad

(Incorporated in Malaysia)

**Statements of financial position
As at 30 June 2024**

		Group		Company	
	Note	2024	2023	2024	2023
		RM'000	RM'000	RM'000	RM'000
Assets					
Non-current assets					
Property, plant and equipment	12	167,726	126,366	-	-
Investment properties	13	1,286	1,312	-	-
Investment in subsidiaries	14	-	-	121,408	121,364
Right-of-use assets	15	10,499	10,634	-	-
Deferred tax assets	16	-	6,791	-	-
		<u>179,511</u>	<u>145,103</u>	<u>121,408</u>	<u>121,364</u>
Current assets					
Inventories	17	54,636	59,200	-	-
Trade receivables	18	36,110	34,556	-	-
Other receivables	19	2,704	2,471	6	1
Amounts owing by subsidiaries	20	-	-	169	157
Current tax assets		14	-	14	-
Short-term investments	21	-	945	-	-
Fixed deposits with licensed banks	22	60,601	80,654	600	600
Cash and bank balances		5,412	7,353	156	143
		<u>159,477</u>	<u>185,179</u>	<u>945</u>	<u>901</u>
Total assets		<u>338,988</u>	<u>330,282</u>	<u>122,353</u>	<u>122,265</u>
Equity and liabilities					
Equity attributable to equity holder of the Company					
Share capital	23	86,276	84,896	86,276	84,896
Retained earnings	24	189,163	186,030	36,019	37,157
Other reserves	25	-	153	-	153
Total equity		<u>275,439</u>	<u>271,079</u>	<u>122,295</u>	<u>122,206</u>
Non-current liabilities					
Deferred tax liabilities	16	1,875	-	-	-
Deferred income	26	548	823	-	-
Lease liabilities	27	82	82	-	-
		<u>2,505</u>	<u>905</u>	<u>-</u>	<u>-</u>
Current liabilities					
Trade payables	28	18,245	20,554	-	-
Other payables	29	40,204	36,564	58	56
Current tax liabilities		1,635	216	-	3
Lease liabilities	27	960	964	-	-
		<u>61,044</u>	<u>58,298</u>	<u>58</u>	<u>59</u>
Total liabilities		<u>63,549</u>	<u>59,203</u>	<u>58</u>	<u>59</u>
Total equity and liabilities		<u>338,988</u>	<u>330,282</u>	<u>122,353</u>	<u>122,265</u>

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

Kotra Industries Berhad

(Incorporated in Malaysia)

Statements of changes in equity For the financial year ended 30 June 2024

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 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	30	-	-	(38,479)		(38,479)
- Employees' share options exercised		130	54	-		184
Total transactions with owners		130	54	(38,479)		(38,295)
At 30 June 2023/1 July 2023		84,896	153	186,030		271,079
Profit after taxation, representing total comprehensive income for the financial year		-	-	44,596		44,596
Contributions by and distributions to owners of the Company						
- Dividends	30	-	-	(41,528)		(41,528)
- Employees' share options exercised		1,380	(88)	-		1,292
- Share options expired transferred to retained earnings		-	(65)	65		-
Total transactions with owners		1,380	(153)	(41,463)		(40,236)
At 30 June 2024		86,276	-	189,163		275,439

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

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Kotra Industries Berhad

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Statements of changes in equity For the financial year ended 30 June 2024 (continued)

Company	Note	Non-distributable			Total equity RM'000
		Share capital RM'000	Share option reserve RM'000	Retained earnings RM'000	
At 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	30	-	-	(38,479)	(38,479)
- Employees' share options exercised		130	54	-	184
Total transactions with owners		130	54	(38,479)	(38,295)
At 30 June 2023/1 July 2023		84,896	153	37,157	122,206
Profit after taxation, representing total comprehensive income for the financial year		-	-	40,325	40,325
Contributions by and distributions to owners of the Company					
- Dividends	30	-	-	(41,528)	(41,528)
- Employees' share options exercised		1,380	(88)	-	1,292
- Share options expired transferred to retained earnings		-	(65)	65	-
Total transactions with owners		1,380	(153)	(41,463)	(40,236)
At 30 June 2024		86,276	-	36,019	122,295

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

Kotra Industries Berhad

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Statements of cash flows

For the financial year ended 30 June 2024

		Group		Company	
	Note	2024	2023	2024	2023
		RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Profit before taxation		56,474	66,076	40,346	38,395
Adjustments for:					
Amortisation of deferred income	26	(275)	(295)	-	-
Depreciation:					
- investment properties	13	26	26	-	-
- property, plant and equipment	12	13,178	13,529	-	-
- right-of-use assets	15	1,095	1,090	-	-
Fair value gain on derivatives financial instruments	5	-	(15)	-	-
Loss/(Gain) on disposal of property, plant and equipment	9,5	27	(2)	-	-
Impairment losses on trade receivables	18	-	336	-	-
Interest expense on lease liabilities	7	20	19	-	-
Interest income	5	(3,771)	(2,675)	(36)	(17)
Interest income from short-term investments	5	(9)	(20)	-	-
Inventories written down	17	363	2,515	-	-
Other interest expense	7	17	176	-	-
Property, plant and equipment written off	12	44	44	-	-
Reversal of impairment losses on trade receivables	18	(183)	-	-	-
Share-based payment under ESOS	6	44	88	-	-
Unrealised loss/(gain) on foreign exchange	9,5	1,934	(2,504)	-	-
Operating profit before working capital changes		68,984	78,388	40,310	38,378
Decrease/(Increase) in inventories		4,201	(16,016)	-	-
(Increase)/Decrease in receivables		(2,241)	944	(17)	(16)
(Decrease)/Increase in payables		(4,311)	9,036	2	1
Cash from operations		66,633	72,352	40,295	38,363
Income tax paid		(1,817)	(398)	(38)	(20)
Income tax refunded		10	197	-	197
Net cash from operating activities		64,826	72,151	40,257	38,540

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

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Statements of cash flows

For the financial year ended 30 June 2024 (continued)

	Note	Group		Company	
		2024	2023	2024	2023
		RM'000	RM'000	RM'000	RM'000
Cash flows (for)/from investing activities					
Interest received		3,780	2,695	36	17
Proceeds from disposal of property, plant and equipment		50	2	-	-
Purchase of property, plant and equipment	31(a)	(49,198)	(32,142)	-	-
Withdrawal of fixed deposits with tenure more than 3 months		9,667	18,333	-	-
Net cash (for)/from investing activities		<u>(35,701)</u>	<u>(11,112)</u>	<u>36</u>	<u>17</u>
Cash flows for financing activities					
Dividend paid	30	(41,528)	(38,479)	(41,528)	(38,479)
Interest paid	31(b)	(37)	(195)	-	-
Proceeds from issuance of shares		1,248	96	1,248	96
Repayment of term loans	31(b)	-	(6,671)	-	-
Repayment of lease liabilities	31(b)	(964)	(965)	-	-
Net cash for financing activities		<u>(41,281)</u>	<u>(46,214)</u>	<u>(40,280)</u>	<u>(38,383)</u>
Net (decrease)/increase in cash and cash equivalents		(12,156)	14,825	13	174
Effects of exchange rate changes on cash and cash equivalents		(1,116)	2,744	-	-
Cash and cash equivalents at beginning of the financial year		79,285	61,716	743	569
Cash and cash equivalents at end of the financial year	31(c)	<u>66,013</u>	<u>79,285</u>	<u>756</u>	<u>743</u>

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

Kotra Industries Berhad

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Notes to the financial statements - 30 June 2024

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.

These financial statements comprise both separate and consolidated financial statements. The financial statements of the Company are separate financial statements, while the financial statements of the Group are consolidated financial statements that include those of the Company and its subsidiaries as of the end of the reporting period. The Company and its subsidiaries are collectively referred to as "the Group".

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

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 of the Company and of the Group are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

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

03 OCT 2024

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 material accounting policy information, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

- 2.1 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 101: Disclosure of Accounting Policies

Amendments to MFRS 108: Definition of Accounting Estimates

Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to MFRS 112: International Tax Reform - Pillar Two Model Rules

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Notes to the financial statements - 30 June 2024

2. Basis of preparation (continued)

- 2.1 The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) did not have any material impact on the financial statements of the Group and of the Company except as follows:-

The Amendments to MFRS 101 'Disclosure of Accounting Policies' did not result in any changes to the existing accounting policies of the Group and of the Company. However, the amendments require the disclosure of 'material' rather than 'significant' accounting policies and provide guidance on how entities apply the concept of materiality in making decisions about the material accounting policy disclosures. The Group and the Company have made updates to the accounting policies presented in the respective notes to the financial statements, where relevant, in line with the amendments.

- 2.2 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
• MFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
• MFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027
• Amendments to MFRS 9 and MFRS 7: Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
• Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
• 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 121: Lack of Exchangeability	1 January 2025

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group and of the Company upon their initial application.

Kotra Industries Berhad

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Notes to the financial statements - 30 June 2024

3. 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 in the following notes:-

- Note 10.1 - Income taxes;
- Note 12.1 - Depreciation of property, plant and equipment;
- Note 16.1 - Deferred tax assets;
- Note 17.1 - Write-down of inventories; and
- Note 18.1 - Impairment of trade and other receivables.

4. Revenue

	Group		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Revenue from contract with customers				
<u>Recognised at a point in time</u>				
Sale of goods	226,554	242,199	-	-
Revenue from other sources				
Dividend income	-	-	40,477	38,568
Management fees	-	-	540	540
	<u>226,554</u>	<u>242,199</u>	<u>41,017</u>	<u>39,108</u>

- (a) The information on the disaggregation of revenue by geographical market is disclosed in Note 34 to the financial statements.
- (b) The information of the revenue from other sources is summarised below:-

Dividend income

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

Management fee

Management fees are recognised in the period in which the services are rendered.

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Notes to the financial statements - 30 June 2024

4. Revenue (continued)

4.1 Material accounting policy information for revenue

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.

5. Other operating income

	Group		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Amortisation of deferred income	275	295	-	-
Fair value gain on derivative financial instrument	-	15	-	-
Gain on disposal of property, plant and equipment	-	2	-	-
Gain on foreign currency exchange - realised	3,338	591	-	-
Gain on foreign currency exchange - unrealised	-	2,504	-	-
Interest income from short-term investments	9	20	-	-
Interest income on financial assets measured at amortised cost	3,771	2,675	36	17
Miscellaneous	590	554	-	-
	<u>7,983</u>	<u>6,656</u>	<u>36</u>	<u>17</u>

The information of the other operating income is summarised below:-

(i) Government grants

The Group presents government grants related to an asset by setting up the grants as deferred income and are amortised to profit or loss on a systematic basis over the expected useful life of the relevant asset.

(ii) Interest income

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

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Notes to the financial statements - 30 June 2024

6. Employee benefits expenses

	Group		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 32(d))				
Directors of the Company	3,731	3,561	364	353
Directors of the subsidiaries	592	488	-	-
	4,323	4,049	364	353
Non-directors' remuneration				
Short-term employee benefits	43,106	45,928	88	84
Defined contribution benefits	4,692	4,626	11	10
Other personnel expenses	1,145	1,306	1	1
Share option expenses	44	88	-	-
	53,310	55,997	464	448

Included in employee benefits expenses are key management personnel compensation as disclosed in Note 32(d) to the financial statements.

7. Finance costs

	Group	
	2024	2023
	RM'000	RM'000
Interest expense on financial liabilities that are not at fair value through profit or loss:-		
- Bank overdrafts	17	53
- Term loans	-	123
Interest expense on lease liabilities (Note 27)	20	19
	37	195

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

	Group	
	2024	2023
	RM'000	RM'000
Impairment losses on trade receivables (Note 18)	-	336
Reversal of impairment losses on trade receivables (Note 18)	(183)	-
	(183)	336

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Notes to the financial statements - 30 June 2024**9. Profit before taxation**

Profit before taxation is arrived at after charging:-

	Group		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:-				
- audit fees	132	113	33	28
- non-audit fees	4	4	4	4
Depreciation:-				
- investment properties (Note 13)	26	26	-	-
- property, plant and equipment (Note 12)	13,178	13,529	-	-
- right-of-use assets (Note 15)	1,095	1,090	-	-
Direct operating expenses arising from investment properties	12	13	-	-
Inventories written down (Note 17)	363	2,515	-	-
Loss on disposal of property, plant and equipment	27	-	-	-
Loss on foreign exchange - unrealised	1,934	-	-	-
Property, plant and equipment written off (Note 12)	44	44	-	-
Lease expense on:-				
- short-term leases	147	131	-	-
- low-value assets	16	2	-	-

10. Tax expense

	Group		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Current tax expense	3,213	663	20	25
(Over)/Under provision in the previous financial year	(1)	-	1	-
	3,212	663	21	25
Deferred tax (Note 16):-				
- Origination and reversal of temporary differences	8,902	179	-	-
- Under-recognition of deferred tax assets in the previous financial year	(236)	-	-	-
	8,666	179	-	-
Tax expense	11,878	842	21	25

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Notes to the financial statements - 30 June 2024**10. Tax expense (continued)**

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:-

	2024 RM'000	2023 RM'000
Group		
Profit before taxation	56,474	66,076
Taxation at Malaysian statutory tax rate of 24% (2023: 24%)	13,554	15,859
Effect of non-taxable income	(2)	(76)
Effect of expenses not deductible for tax purposes	400	375
Effect of income tax incentives	(1,837)	(2,240)
Utilisation of deferred tax assets previously not recognised	-	(13,076)
Under-recognition of deferred tax assets in the previous financial year	(236)	-
Over provision of income tax expense in the previous financial year	(1)	-
Tax expense	11,878	842
	2024 RM'000	2023 RM'000
Company		
Profit before taxation	40,346	38,395
Taxation at Malaysian statutory tax rate of 24% (2023: 24%)	9,683	9,215
Effect of non-taxable income	(9,715)	(9,256)
Effect of expenses not deductible for tax purposes	52	66
Under provision of income tax expense in the previous financial year	1	-
Tax expense	21	25

10.1 Critical accounting estimates and judgements for income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company recognise tax liabilities based on their 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 balances in the period in which such determination is made.

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Notes to the financial statements - 30 June 2024

11. Earnings per share

(i) Basic

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

	Group	
	2024	2023
Profit after taxation (RM'000)	44,596	65,234
Weighted average number of ordinary shares in issue ('000)	148,296	148,002
Basic earnings per ordinary share (sen)	<u>30.07</u>	<u>44.08</u>

(ii) Diluted

The diluted earnings per share is calculated by dividing the consolidated profit after taxation for the financial year by the weighted average number of ordinary shares outstanding during the financial year after adjusted for the effects of dilutive potential ordinary shares.

	Group	
	2024	2023
Profit after taxation (RM'000)	44,596	65,234
Weighted average number of ordinary shares in issue ('000)	148,296	148,002
Shares deemed to be issued for no consideration - ESOS ('000)	-	37
Weighted average number of ordinary shares for diluted earnings per share computation	<u>148,296</u>	<u>148,039</u>
Diluted earnings per ordinary share (sen)	<u>30.07</u>	<u>44.07</u>

KOTRA INDUSTRIES BERHAD

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Notes to the financial statements - 30 June 2024

12. Property, plant and equipment

Group	As at 1.7.2023 RM'000	Additions RM'000	Reclassification RM'000	Disposal RM'000	Written Off (Note 9) RM'000	Depreciation Charges (Note 9) RM'000	As at 30.6.2024 RM'000
Net carrying amount							
Industrial buildings and installations	39,835	92	-	-	-	(1,223)	38,704
Machinery and equipment	42,453	774	1,254	-	(40)	(10,302)	34,139
Motor vehicles	786	217	-	(76)	-	(168)	759
Office equipment	47	-	-	-	-	(16)	31
Computer equipment	2,300	305	-	(1)	(4)	(974)	1,626
Furniture and fittings	731	31	-	-	-	(229)	533
Renovation	741	-	-	-	-	(266)	475
Capital expenditure-in-progress	39,473	53,240	(1,254)	-	-	-	91,459
Total	126,366	54,659	-	(77)	(44)	(13,178)	167,726

KOTRA INDUSTRIES BERHAD
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Notes to the financial statements - 30 June 2024

12. Property, plant and equipment (continued)

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

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Notes to the financial statements - 30 June 2024**12. Property, plant and equipment (continued)**

Group	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
At 30 June 2024			
Industrial buildings and installations	58,875	(20,171)	38,704
Machinery and equipment	183,173	(149,034)	34,139
Motor vehicles	2,295	(1,536)	759
Office equipment	566	(535)	31
Computer equipment	9,401	(7,775)	1,626
Furniture and fittings	5,039	(4,506)	533
Renovation	2,682	(2,207)	475
Capital expenditure-in-progress	91,459	-	91,459
Balance at 30 June 2024	<u>353,490</u>	<u>(185,764)</u>	<u>167,726</u>
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	<u>299,125</u>	<u>(172,759)</u>	<u>126,366</u>

12.1 Critical accounting estimates and judgements for 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.

12.2 Material accounting policy information for property, plant and equipment

All items of property, plant and equipment are initially measured at cost.

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

Kotra Industries Berhad

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Notes to the financial statements - 30 June 2024

12. Property, plant and equipment (continued)

12.2 Material accounting policy information for property, plant and equipment (continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over the estimated useful lives. The principal annual depreciation rates 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 represents factory buildings under construction and production machinery under installation. They are not depreciated until such time when the asset is available for use.

13. Investment properties

	Group	
	2024	2023
	RM'000	RM'000
Cost		
At 1 July/30 June	2,105	2,105
Accumulated depreciation		
At 1 July	793	767
Depreciation during the financial year (Note 9)	26	26
At 30 June	819	793
Net carrying amount	1,286	1,312

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 (2023: RM2,807,000).

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Notes to the financial statements - 30 June 2024**13. Investment properties (continued)****13.1 Material accounting policy information for investment properties**

Investment properties are initially measured at cost. Subsequent to the initial recognition, the investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is not depreciated. Depreciation on other investment properties is calculated using the straight-line method to allocate the depreciable amounts over the estimated useful lives. The principal annual depreciation period for buildings is 50 years.

14. Investment in subsidiaries

	Company	
	2024	2023
	RM'000	RM'000
Unquoted shares, at deemed cost	114,756	114,756
Share options granted to employees of a subsidiary	6,652	6,608
	<u>121,408</u>	<u>121,364</u>

The details of the subsidiaries are as follows:-

Name of subsidiary	Principal place of business and country of incorporation	Percentage of issued share capital held by parent		Principal activities
		2024	2023	
Subsidiaries of the Company				
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%	100%	Dormant

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Notes to the financial statements - 30 June 2024**14. Investment in subsidiaries (continued)****14.1 Material accounting policy information for investments in subsidiaries**

Investments in subsidiaries including the share options granted to employees of the subsidiaries, which are eliminated on consolidation, are stated in the financial statements of the Company at cost less impairment losses, if any.

15. Right-of-use assets

Group	As at 1.7.2023 RM'000	Modification of Lease Liabilities RM'000	Depreciation Charges (Note 9) RM'000	As at 30.6.2024 RM'000
-------	-----------------------------	---	---	------------------------------

Net carrying amount

Leasehold land	9,589	-	(131)	9,458
Office premise	1,045	960	(964)	1,041
Total	10,634	960	(1,095)	10,499

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

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

	2024	2023
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.

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15. Right-of-use assets (continued)

15.1 Material accounting policy information for right-of-use assets

Short-term leases and leases of low-value assets

The Group applies the “short-term lease” and “lease of low-value assets” recognition exemption. 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 appropriate.

Right-of-use assets

Right-of-use assets are initially measured at cost. Subsequent to the initial recognition, the right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of lease liabilities.

The right-of-use assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the estimated useful lives of the right-of-use assets or the end of the lease term.

16. Deferred tax (liabilities)/assets

Group	Recognised in		
	As at 1.7.2023 RM'000	Profit or Loss (Note 10) RM'000	As at 30.6.2024 RM'000
2024			
<i>Deferred tax liabilities</i>			
Property, plant and equipment	(12,731)	1,831	(10,900)
Right-of-use assets	(250)	1	(249)
	(12,981)	1,832	(11,149)
<i>Deferred tax assets</i>			
Other temporary differences	5,343	(227)	5,116
Lease liabilities	251	(1)	250
Unused tax losses	1,475	(1,475)	-
Unutilised tax incentives	12,703	(8,795)	3,908
	19,772	(10,498)	9,274
	6,791	(8,666)	(1,875)

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16. Deferred tax (liabilities)/assets (continued)

Group	Recognised in		As at 30.6.2023 RM'000
	As at 1.7.2022 RM'000	Profit or Loss (Note 10) RM'000	
2023			
<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

16.1 Critical accounting estimates and judgements for 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 the assessment of the probability of the future taxable profits.

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Notes to the financial statements - 30 June 2024

17. Inventories

	Group	
	2024	2023
	RM'000	RM'000
Raw materials	21,057	30,326
Work-in-progress	1,091	1,767
Finished goods	30,146	27,107
Goods in transit	2,342	-
	<u>54,636</u>	<u>59,200</u>
Recognised in profit or loss:-		
Inventories recognised as cost of sales	59,906	59,989
Amount written down (Note 9)	<u>363</u>	<u>2,515</u>
Movement for inventories written down:-		
At 1 July	5,829	5,574
Addition during the financial year (Note 9)	363	2,515
Written off during the financial year	<u>(1,056)</u>	<u>(2,260)</u>
At 30 June	<u>5,136</u>	<u>5,829</u>

17.1 Critical accounting estimates and judgements for 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.

17.2 Material accounting policy information for inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method and comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition.

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18. Trade receivables

	Group	
	2024	2023
	RM'000	RM'000
Trade receivables	37,866	36,495
Less: Allowance for impairment losses	(1,756)	(1,939)
	<u>36,110</u>	<u>34,556</u>
Allowance for impairment losses:-		
At 1 July	1,939	1,603
Addition during the financial year (Note 8)	-	336
Reversal during the financial year (Note 8)	(183)	-
At 30 June	<u>1,756</u>	<u>1,939</u>

The Group's normal trade credit terms ranged from 60 to 120 (2023: 60 to 120) days.

Included in trade receivables are amounts due from related parties as disclosed in Note 32(c) to the financial statements.

18.1 Critical accounting estimates and judgements for 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.

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19. Other receivables

	Group		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Other receivables:-				
Third parties	138	16	-	-
Interest receivables	251	328	5	-
Advance payments to suppliers	1,843	1,623	-	-
	<u>2,232</u>	<u>1,967</u>	<u>5</u>	<u>-</u>
Deposits	271	349	1	1
Prepayments	201	155	-	-
	<u>2,704</u>	<u>2,471</u>	<u>6</u>	<u>1</u>

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	
	2024	2023
	RM'000	RM'000
Money market funds, at fair value (Note 31(c))	-	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.

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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 2.10% to 5.50% and 3.70% (2023: 1.80% to 5.50% and 2.80%) per annum respectively. The fixed deposits have maturity periods ranging from 4 to 92 (2023: 7 to 182) days for the Group and 91 (2023: 93) days for the Company.

23. Share capital

	Group/Company			
	Number of shares		Amount	
	2024 '000	2023 '000	2024 RM'000	2023 RM'000
Issued and fully paid-up				
Ordinary shares				
At 1 July	148,064	147,974	84,896	84,766
New shares issued under the employee share option scheme for cash	250	90	1,380	130
At 30 June	148,314	148,064	86,276	84,896

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 out on pages 42 to 43.

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.

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23. Share capital (continued)

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

- (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.

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

Date of offer	Exercise period	Exercise price per ordinary share RM	Number of Options over Ordinary Shares			
			Balance at 1.7.2023	Granted	Exercised	Balance at 30.6.2024
26.5.2023	28.7.2023	4.99	250,000	-	(250,000)	-
			250,000	-	(250,000)	-

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Notes to the financial statements - 30 June 2024**23. Share capital (continued)**

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

Date of offer	Exercise period	Exercise price per ordinary share RM	Number of Options over Ordinary Shares			
			Balance at 1.7.2022	Granted	Exercised	Balance at 30.6.2023
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
			<u>89,600</u>	<u>250,000</u>	<u>(89,600)</u>	<u>250,000</u>

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.

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

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	
	2024	2023
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 during the financial year.

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Notes to the financial statements - 30 June 2024

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	
	2024	2023
	RM'000	RM'000
Share options under ESOS:		
At 1 July	153	99
Movement during the year	(153)	54
At 30 June	-	153

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

26. Deferred income

	Group	
	2024	2023
	RM'000	RM'000
Non-current		
Government grant	548	823

RM275,613 (2023: RM294,796) has been amortised and recognised as other income in the statement of profit or loss.

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27. Lease liabilities

	Group	
	2024	2023
	RM'000	RM'000
At 1 July	1,046	1,047
Changes due to lease modification (Note 31(b))	960	964
Interest expense recognised in profit or loss (Note 7)	20	19
Repayment of principal	(964)	(965)
Repayment of interest expense	(20)	(19)
At 30 June	1,042	1,046
Analysed by:		
Current liabilities	960	964
Non-current liabilities	82	82
	1,042	1,046

27.1 Material accounting policy information for lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the entities' incremental borrowing rate. Subsequent to the initial recognition, the lease liabilities are measured at amortised cost and adjusted for any lease reassessment or modifications.

28. Trade payables

The normal trade credit terms granted to the Group ranged from 60 to 90 (2023: 60 to 90) days.

29. Other payables

	Group		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Accruals	1,210	1,743	58	56
Deposits received from customers	20,003	19,783	-	-
Payroll liabilities	7,244	9,342	-	-
Due to suppliers of property, plant and equipment	6,357	896	-	-
Other payables	5,390	4,800	-	-
	40,204	36,564	58	56

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30. Dividends

	Group/Company	
	2024	2023
	RM'000	RM'000
Final single tier dividend of 16 sen per ordinary share in respect of the previous financial year	-	23,679
Second interim single tier dividend of 15.5 sen per ordinary share in respect of the previous financial year	22,989	-
Interim single tier dividend of 12.5 (2023: 10) sen per ordinary share in respect of the current financial year	18,539	14,800
	<u>41,528</u>	<u>38,479</u>

On 19 August 2024, the Company declared a second interim single tier dividend of 13 sen per ordinary share amounting to RM19,280,831 in respect of the current financial year, payable on 10 October 2024, to shareholders whose names appeared in the record of depositors on 1 October 2024. 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 2025.

31. Cash flow information

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

	Group	
	2024	2023
	RM'000	RM'000
Property, plant and equipment		
Cost of property, plant and equipment purchased (Note 12)	54,659	40,491
Under other payable for purchase of property, plant and equipment	(5,461)	(778)
Prepayments made in previous financial year	-	(7,571)
	<u>49,198</u>	<u>32,142</u>

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Notes to the financial statements - 30 June 2024**31. Cash flow information (continued)**

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

Group	Bank Overdrafts RM'000	Lease Liabilities RM'000	Total RM'000
2024			
At 1 July	-	1,046	1,046
<u>Changes in financing cash flows</u>			
Repayment of principal	*	(964)	(964)
Repayment of interests	(17)	(20)	(37)
<u>Other changes</u>			
Modification of lease (Note 27)	-	960	960
Interest expense recognised in profit or loss	17	20	37
At 30 June	-	1,042	1,042

	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 27)	-	-	964	964
Interest expense recognised in profit or loss	53	123	19	195
At 30 June	-	-	1,046	1,046

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

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Notes to the financial statements - 30 June 2024

31. Cash flow information (continued)

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

	Group		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Money market funds (Note 21)	-	945	-	-
Cash and bank balances	5,412	7,353	156	143
Fixed deposits with licensed banks	60,601	80,654	600	600
	66,013	88,952	756	743
Less: Fixed deposit with tenure of more than 3 months	-	(9,667)	-	-
	66,013	79,285	756	743

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

	Group	
	2024	2023
	RM'000	RM'000
Payment of short-term leases	147	131
Payment of low-value assets	16	2
Interest paid on lease liabilities	20	19
Payment of lease liabilities	964	965
	1,147	1,117

32. Significant related party disclosures

(a) Holding company and subsidiaries

The holding company is disclosed in Note 1 to the financial statements.

The subsidiaries are disclosed in Note 14 to the financial statements.

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Notes to the financial statements - 30 June 2024

32. Significant related party disclosures (continued)

(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:-

	2024 RM'000	2023 RM'000
Group		
Companies in which certain directors have significant financial interests:-		
- lease payments on short-term leases	11	51
- 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	(405)	(590)
Company		
A subsidiary:-		
- management fee received/receivable	(540)	(540)
- dividend received	(40,477)	(38,568)

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

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

	Group 2024 RM'000	2023 RM'000
Companies in which close family members of certain directors have significant financial interests:-		
- trade receivables	162	119

There is no amount due and owing to the Group which has exceeded credit term, by the related parties.

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Notes to the financial statements - 30 June 2024

32. Significant related party disclosures (continued)

(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	2024	2023	2024	2023
		RM'000	RM'000	RM'000	RM'000
<u>Directors of the Company</u>					
Short-term employee benefits:					
- fees		350	340	350	340
- emoluments		3,020	2,877	14	13
Defined contribution benefits		361	344	-	-
		3,731	3,561	364	353
<u>Directors of the Subsidiaries</u>					
Short-term employee benefits:					
- emoluments		529	436	-	-
Defined contribution benefits		63	52	-	-
		592	488	-	-
	6	4,323	4,049	364	353

The estimated monetary value of benefits-in-kind provided by the Group to a director of the Company was RM12,500 (2023: RM25,000).

33. Capital commitments

	Group	
	2024 RM'000	2023 RM'000
Approved and contracted for:-		
- Construction of factory building	46,342	68,645
- Purchase of plant and equipment	29,555	25,644
	<u>75,897</u>	<u>94,289</u>

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34. Segmental reporting

In determining the geographical segments of the Group, sales are based on the country in which the customers are 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	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Malaysia	151,841	167,804	179,511	138,312
Overseas	74,713	74,395	-	-
	<u>226,554</u>	<u>242,199</u>	<u>179,511</u>	<u>138,312</u>

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 (2023: one) major customer with revenue equal to or more than 10% of the Group's total revenue, amounts to RM26,356,132 (2023: RM24,737,955) arising from export sales.

35. Financial instruments

The activities of the Group and of the Company 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 overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group and of the Company.

(a) Financial risk management policies

The 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.

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Notes to the financial statements - 30 June 2024**35. Financial instruments (continued)****(a) Financial risk management policies (continued)****(i) Foreign currency risk (continued)**

The 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
30.6.2024					
Trade receivables	7,050	-	988	139	8,177
Other receivables	750	74	122	-	946
Cash and bank balances	2,908	16	618	-	3,542
Fixed deposits with licensed banks	53,882	-	3,419	-	57,301
Trade payables	(1,802)	-	-	-	(1,802)
Other payables	(23,270)	(3)	(4)	-	(23,277)
Net exposure	39,518	87	5,143	139	44,887
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

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Notes to the financial statements - 30 June 2024

35. Financial instruments (continued)

(a) Financial risk management policies (continued)

(i) Foreign currency risk (continued)

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	
		2024	2023
		RM'000	RM'000
Effects on profit after taxation			
USD/RM	- strengthened by 5% (2023: 5%)	1,502	1,463
	- weakened by 5% (2023: 5%)	(1,502)	(1,463)
EUR/RM	- strengthened by 5% (2023: 5%)	4	(32)
	- weakened by 5% (2023: 5%)	(4)	32
SGD/RM	- strengthened by 5% (2023: 5%)	195	304
	- weakened by 5% (2023: 5%)	(195)	(304)
BND/RM	- strengthened by 5% (2023: 5%)	5	9
	- weakened by 5% (2023: 5%)	(5)	(9)

(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 and the Company do not have any interest-bearing borrowings and the fixed deposits with licensed banks are at fixed rates, hence are not exposed to interest rate risk.

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Notes to the financial statements - 30 June 2024

35. Financial instruments (continued)

(a) Financial risk management policies (continued)

(iii) Equity price risk

The 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, profit after taxation of the Group would have been RM Nil higher/lower (2023: RM7,182 higher/lower).

(iv) Credit risk

The 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), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

Credit risk concentration profile

The Group does not have any significant 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), net of loss allowance, at the end of the reporting period is as follows:-

	Group	
	2024	2023
	RM'000	RM'000
Local	27,933	26,988
Export	8,177	7,568
	<u>36,110</u>	<u>34,556</u>

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Notes to the financial statements - 30 June 2024

35. Financial instruments (continued)

(a) Financial risk management policies (continued)

(iv) Credit risk (continued)

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 evaluates 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; or
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

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

Trade receivables

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

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Notes to the financial statements - 30 June 2024

35. Financial instruments (continued)

(a) Financial risk management policies (continued)

(iv) Credit risk (continued)

Assessment of impairment losses (continued)

Trade receivables (continued)

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 were not adjusted to reflect forward-looking information on macroeconomic factors affecting the ability of the trade receivables to settle their debts as the Group has not identified any forward-looking assumptions which correlated to the historical loss rates.

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	Lifetime collective allowance RM'000	Carrying amount RM'000
30.6.2024			
Current (not past due)	30,804	(1,221)	29,583
1 to 30 days past due	5,194	(211)	4,983
31 to 60 days past due	1,491	(157)	1,334
61 to 90 days past due	264	(54)	210
Credit impaired	113	(113)	-
	37,866	(1,756)	36,110

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Notes to the financial statements - 30 June 2024

35. Financial instruments (continued)

(a) Financial risk management policies (continued)

(iv) Credit risk (continued)

Assessment of impairment losses (continued)

Trade receivables (continued)

Allowance for impairment losses (continued)

Group	Gross amount RM'000	Lifetime collective allowance 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
	<u>36,495</u>	<u>(1,939)</u>	<u>34,556</u>

Trade receivables that are collectively determined to be impaired relate to expected credit losses measured based on the Group's observed default rates.

There has not been any significant change in the gross amounts of trade receivables that impacted the allowance for impairment losses.

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).

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Notes to the financial statements - 30 June 2024

35. Financial instruments (continued)

(a) Financial risk management policies (continued)

(iv) Credit risk (continued)

Assessment of impairment losses (continued)

Other receivables (continued)

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 on 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 of 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.

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Notes to the financial statements - 30 June 2024

35. Financial instruments (continued)

(a) Financial risk management policies (continued)

(v) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group and the Company practise 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
2024				
Group				
<u>Non-derivative financial liabilities</u>				
Lease liabilities	3.97	1,066	984	82
Trade payables	-	18,245	18,245	-
Other payables	-	20,201	20,201	-
		<u>39,512</u>	<u>39,430</u>	<u>82</u>
Company				
<u>Non-derivative financial liabilities</u>				
Other payables	-	58	58	-
		<u>58</u>	<u>58</u>	<u>-</u>

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Notes to the financial statements - 30 June 2024

35. Financial instruments (continued)

(a) Financial risk management policies (continued)

(v) Liquidity risk (continued)

Maturity analysis (continued)

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) (continued):-

	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	-
		<u>38,401</u>	<u>38,319</u>	<u>82</u>
Company				
<u>Non-derivative financial liabilities</u>				
Other payables	-	56	56	-
		<u>56</u>	<u>56</u>	<u>-</u>

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Notes to the financial statements - 30 June 2024**35. Financial instruments (continued)****(b) Capital risk management**

The Group and the Company manage their 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 and the Company 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 and the Company manage their capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debts divided by total equity. The Group and the Company include within net debt less cash and cash equivalents.

The debt-to-equity ratio of the Group and of the Company at the end of the reporting period are not presented as the Group and the Company are in net cash position.

(c) Classification of financial instruments

	Group		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Financial assets				
<u>Fair value through profit or loss</u>				
Short-term investments	-	945	-	-
<u>Amortised cost</u>				
Trade receivables	36,110	34,556	-	-
Other receivables	389	344	5	-
Amounts owing by subsidiaries	-	-	169	157
Fixed deposits with licensed banks	60,601	80,654	600	600
Cash and bank balances	5,412	7,353	156	143
	<u>102,512</u>	<u>122,907</u>	<u>930</u>	<u>900</u>
Financial liabilities				
<u>Amortised cost</u>				
Lease liabilities	1,042	1,046	-	-
Trade payables	18,245	20,554	-	-
Other payables	20,201	16,781	58	56
	<u>39,488</u>	<u>38,381</u>	<u>58</u>	<u>56</u>

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Notes to the financial statements - 30 June 2024

35. Financial instruments (continued)

(d) Gains or losses arising from financial instruments

	Group		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Financial assets				
<u>Fair value through profit or loss</u>				
Net gains recognised in profit or loss	9	20	-	-
<u>Amortised cost</u>				
Net gains recognised in profit or loss	5,143	6,302	36	17
Financial liabilities				
<u>Fair value through profit or loss</u>				
Net gains recognised in profit or loss	-	15	-	-
<u>Amortised cost</u>				
Net gains/(losses) recognised in profit or loss	179	(1,062)	-	-

(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.

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Notes to the financial statements - 30 June 2024

35. Financial instruments (continued)

(e) Fair value information (continued)

The following table sets out the fair value profile of financial instruments that are carried at fair value at the end of the reporting period:-

	Fair value of financial instruments 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

The fair value of money market funds is determined by reference to statements provided by the respective financial institutions, with which the investment was entered into.

There were no transfers between level 1 and level 2 during the financial year.

35.1 Material accounting policy information for financial instruments

(i) Financial assets

Financial assets through profit or loss

The financial assets are initially measured at fair value. Subsequent to the initial recognition, the financial assets are remeasured to their fair values at the reporting date with fair value changes recognised in profit or loss. The fair value changes do not include interest and dividend income.

Financial assets at amortised cost

The financial assets are initially measured at fair value plus transaction costs except for trade receivables without significant financing component which are measured at transaction price only. Subsequent to the initial recognition, all financial assets are measured at amortised cost less any impairment losses.

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Notes to the financial statements - 30 June 2024

35. Financial instruments (continued)

35.1 Material accounting policy information for financial instruments (continued)

(ii) Financial liabilities

Financial liabilities through profit or loss

The financial liabilities are initially measured at fair value. Subsequent to the initial recognition, the financial liabilities are remeasured to their fair values at the reporting date with fair value changes recognised in profit or loss. The fair value changes do not include interest expense.

Financial liabilities at amortised cost

The financial liabilities are initially measured at fair value less transaction costs. Subsequent to the initial recognition, the financial liabilities are measured at amortised cost.

(iii) Equity instruments

Ordinary shares

Ordinary shares are recorded on initial recognition at the proceeds received less directly attributable transaction costs incurred. The ordinary shares are not remeasured subsequently.

(iv) Derivative financial instruments

Derivatives are initially measured at fair value. Subsequent to the initial recognition, the derivatives are remeasured to their fair values at the reporting date with fair value changes recognised in profit or loss.