SALUTICA

SALUTICA BERHAD

Registration No. 201201040303 (1024781-T)

Saluting the Extraordinaire™

ANNUAL REPORT 2023

Salutica Berhad Annual Report 2023

Mission & Vision
Saluting the Extraordinaire™. To build a business where our efforts and results in whatever we do are saluted by our colleagues, partners, customers, stakeholders and even ourselves.

Saluting the Extraordinaire™
The tuba, a majestic brass instrument, originating in the 19th century symbolizes musical innovation and excellence. Its deep, powerful tones exemplify human ingenuity, leaving audiences awestruck. Musicians mastering the tuba earn acclaim for their dedication. Adapting to various genres, from marching bands' thunderous sousaphones to orchestral basslines, the tuba continually enriches music. Its history mirrors Salutica's ethos, embodying the pursuit of the extraordinary through creativity and relentless devotion to perfection in the way of us saluting the extraordinaires.

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CORPORATE INFORMATION

CHIA CHEE HOONG
Chairman / Independent Non-Executive Director

JOSHUA LIM PHAN YIH
Managing Director / Chief Executive Officer

CHAN SHOOK LING
Executive Director / Chief Financial Officer

LOW TENG LUM
Senior Independent Non-Executive Director

LIM CHONG SHYH
Senior Executive Director

JOEL LIM PHAN HONG
Alternate Director to Lim Chong Shyh

LEOW CHAN KHIANG
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

LEOW CHAN KHIANG
Chairman

CHIA CHEE HOONG
Member

LOW TENG LUM
Member

NOMINATION AND REMUNERATION COMMITTEE

LOW TENG LUM
Chairman

CHIA CHEE HOONG
Member

LEOW CHAN KHIANG
Member

COMPANY SECRETARIES

CHAN SHOOK LING
(SSM PC No. 202008004150)
(MIA 17167)

WONG YEE LENG
(SSM PC No. 202108000545)
(LS 0010568)

MASTURA BINTI MUHAMAD
(SSM PC No. 202308000517)
(MACS 01875)
(Appointed on 11 October 2023)

CHONG LAY KIM
(SSM PC No. 202008001920)
(LS 0008373)
(Resigned on 11 October 2023)

REGISTERED OFFICE

41, Jalan Medan Ipoh 6
Bandar Baru Medan Ipoh
31400 Ipoh, Perak
Tel : (05) 548 0888

HEAD/MANAGEMENT OFFICE

3 Jalan Zarib 6
Kawasan Perindustrian Zarib
31500 Lahat, Ipoh, Perak
Tel : (05) 320 6800
Fax : (05) 322 2029
Website : www.salutica.com
E-mail : invest@salutica.com.my

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
OCBC Al-Amin Bank Berhad
2, Jalan Dato' Maharaja Lela
30000, Ipoh, Perak
Tel : (05) 241 2200

AUDITORS

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA & AF1018)
Chartered Accountants
Unit A-2-16, 2nd Floor, Wisma MFCB
No. 1, Persiaran Greentown 2
Greentown Business Centre
30450 Ipoh, Perak
Tel : (05) 237 8800

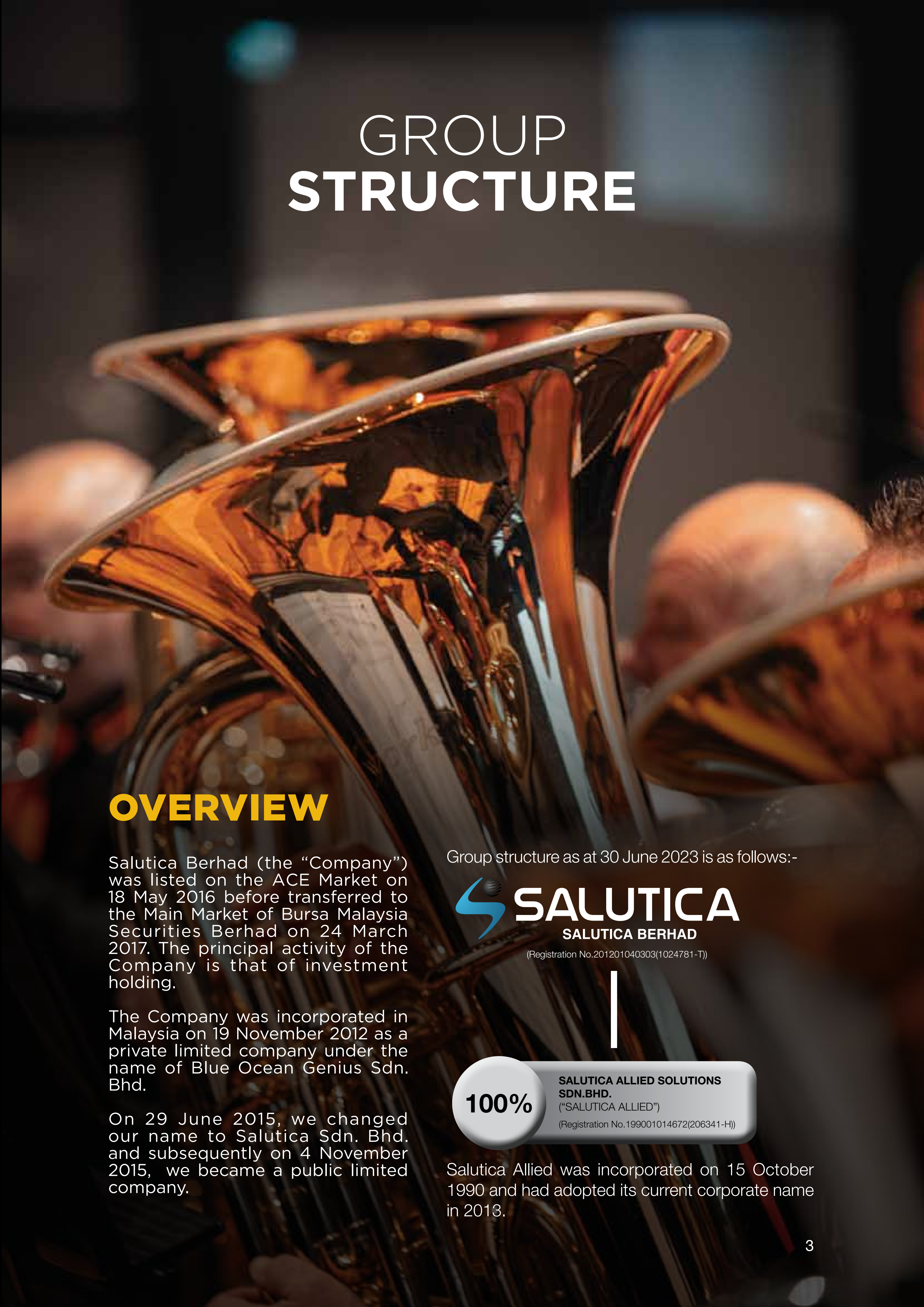
SHARE REGISTRAR AND ISSUING HOUSE

Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : (03) 2783 9299
Fax : (03) 2783 9222

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock name : SALUTE
Stock code : 0183

GROUP STRUCTURE



OVERVIEW

Salutica Berhad (the "Company") was listed on the ACE Market on 18 May 2016 before transferred to the Main Market of Bursa Malaysia Securities Berhad on 24 March 2017. The principal activity of the Company is that of investment holding.

The Company was incorporated in Malaysia on 19 November 2012 as a private limited company under the name of Blue Ocean Genius Sdn. Bhd.

On 29 June 2015, we changed our name to Salutica Sdn. Bhd. and subsequently on 4 November 2015, we became a public limited company.

Group structure as at 30 June 2023 is as follows:-

SALUTICA

SALUTICA BERHAD

(Registration No.201201040303(1024781-T))

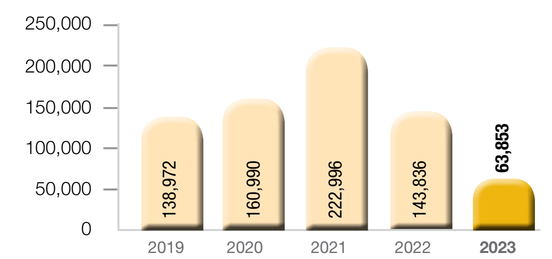
100% — **SALUTICA ALLIED SOLUTIONS SDN.BHD.** ("SALUTICA ALLIED") (Registration No.199001014672(206341-H))

Salutica Allied was incorporated on 15 October 1990 and had adopted its current corporate name in 2013.

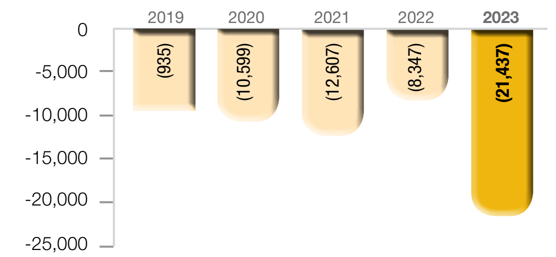
FINANCIAL **HIGHLIGHTS**

Financial Year Ended 30 June	2019	2020	2021	2022	2023
Revenue (RM'000)	138,972	160,990	222,996	143,836	**63,853**
Profit/(Loss) Before Tax (RM'000)	(935)	(10,599)	(12,607)	(8,347)	**(21,437)**
Profit/(Loss) After Tax (RM'000)	(550)	(8,060)	(9,724)	(6,584)	**(28,532)**
Weighted average number of ordinary shares in issue ('000)	387,565	384,993	384,990	418,436	**423,500**
Total Assets (RM'000)	171,987	191,494	193,100	195,981	**143,311**
Total Liabilities (RM'000)	15,066	50,254	61,584	49,482	**25,344**
Total Assets/Liabilities	11.42	3.81	3.14	3.96	**5.65**
Earnings/(Loss) per share ("EPS") (sen)	(0.14)	(2.09)	(2.53)	(1.57)	**(6.74)**
Net assets per share (sen)	40.49	36.69	34.16	35.01	**27.86**

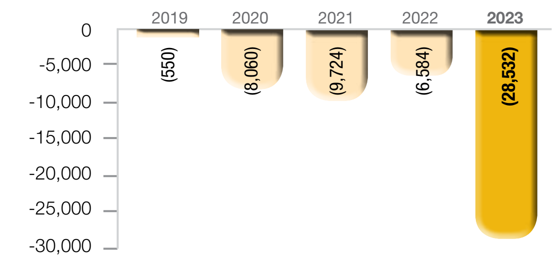
Revenue (RM'000)



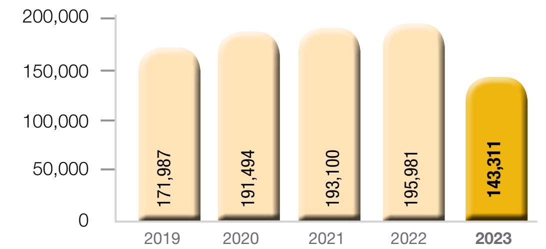
Profit/(Loss) Before Tax (RM'000)



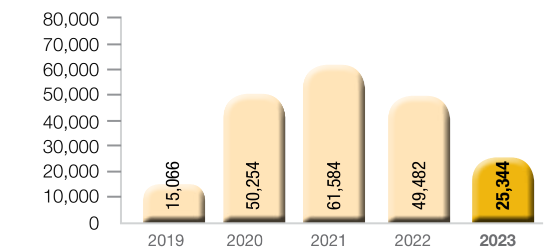
Profit/(Loss) After Tax (RM'000)



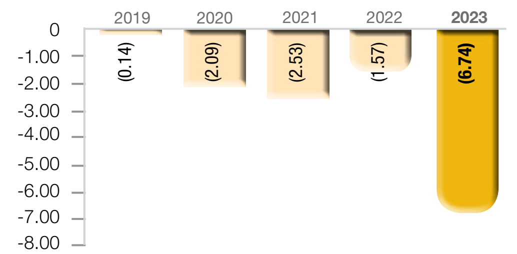
Total Assets (RM'000)



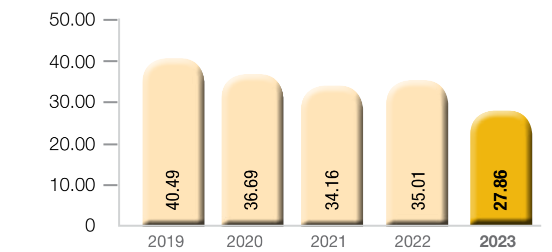
Total Liabilities (RM'000)



Earnings/(Loss) per share ("EPS") (sen)



Net assets per share (sen)



BOARD OF **DIRECTORS**

From left to right:

Chia Chee Hoong, Lim Chong Shyh, Low Teng Lum, Leow Chan Khiang, Chan Shook Ling and Joshua Lim Phan Yih.

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PROFILE OF **DIRECTORS**

CHIA CHEE HOONG

CHAIRMEN /
INDEPENDENT NON-EXECUTIVE DIRECTOR

AGE	GENDER	NATIONALITY
46	Male	

Mr. Chia was appointed to our Board on 15 October 2015. He is also a member of the Nomination and Remuneration Committee and the Audit and Risk Management Committee respectively.

He obtained his undergraduate degree in law (LL.B) from the University of London in 1999 and his post graduate degree in law (LL.M) specialising in corporate & securities law from University College London, United Kingdom in 2004 under the auspices of the British Chevening Scholarship awarded by the Foreign and Commonwealth Office, United Kingdom. He obtained the Certificate in Legal Practice in 2000 and was called to the Malaysian Bar in 2001.

He started his career in 2001 as a legal assistant with Zain & Co. In 2008, he left Zain & Co and joined Zaid Ibrahim & Co as a senior associate. After leaving Zaid Ibrahim & Co at the end of 2009, he joined Rahmat Lim & Partners and has been a partner of Rahmat Lim & Partners since then. Starting in January 2023, he also co-heads the corporate mergers & acquisitions division of Rahmat Lim & Partners.

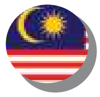
He is an independent non-executive director of Keyfield International Berhad as from 9 May 2023. Other than above, he does not hold any directorship in any other public companies and public listed companies.

He does not have any family relationship with any Director or major shareholder of the Company and does not have any conflict of interest with the Group.

Profile of Directors
(Cont'd)

JOSHUA LIM PHAN YIH

MANAGING DIRECTOR / CHIEF EXECUTIVE OFFICER

AGE	GENDER	NATIONALITY
39	Male	

Joshua Lim was appointed to our Board on 11 September 2013. He has been re-designated to Managing Director on 3 March 2020.

He graduated with an external LL.B (Hons) degree from the University of London and subsequently obtained the Certificate in Legal Practice in 2008. He completed his pupillage with Shearn Delamore & Co where he was confirmed as a legal assistant in 2009. From 2010 to 2013, he joined Rahmat Lim & Partners as an associate. From 1 June 2013 to 30 June 2018, he was the founding partner of the law firm Joshua Lim & Lee.

Joshua was appointed as the Chief Executive Officer ("CEO") of Salutica Allied on 3 March 2020.

He does not hold any directorship in any other public companies and public listed companies.

Joshua Lim is the son of James Lim, the Senior Executive Director of the Company. He is also the director and substantial shareholder of Blue Ocean Enlightenment Sdn. Bhd.("BOE"). BOE, a company incorporated in Malaysia, is regarded as the Company's ultimate holding company. He is also the brother of Joel Lim Phan Hong, a substantial shareholder of BOE and an alternate director of the Company.

Other than as disclosed above, Joshua Lim does not have any family relationship with any Director or major shareholder of the Company and does not have any conflict of interest with the Group.

Profile of Directors
(Cont'd)

LIM CHONG SHYH, ("JAMES LIM")

SENIOR EXECUTIVE DIRECTOR

AGE	GENDER	NATIONALITY
65	Male	

James Lim was appointed to our Board on 26 November 2012. On 3 March 2020, James Lim relinquished his position as CEO and re-designated to Senior Executive Director.

He is a trained electrical and electronics engineer with a degree (Hons) in Electrical Engineering from the University of Malaya.

He began his career as a design engineer with ASEA AB (presently known as ASEA Brown Boveri) of Sweden in 1982. He managed various senior positions from 1983 to 1995 in companies such as General Electric Malaysia Appliance Components Sdn. Bhd., Maxtor Corporation (Penang), Applied Magnetics (M) Sdn. Bhd. and Crest Ultrasonics (M) Sdn. Bhd. as managing director.

In 1995, he joined the Malaysian operations of Seagate Technology LLC as an executive director, where he was in charge of the commencement, development and growth of the company's Ipoh facility. After the closure of the Ipoh facility, he was subsequently transferred to head the Seagate removable storage solutions division in Penang as the managing director in 2000 until 2003. Thereafter, he joined Knowles Electronics (M) Sdn. Bhd. as a managing director, playing a key role in the development and growth of the company's Penang operations until 2004.

In 2004, he joined Salutica Allied where he set up the Research and Development ("R&D") division to focus on R&D of Bluetooth technology and other wireless, touchscreen and light guide technologies. He was the CEO of Salutica Allied before he relinquished his position to his son, Joshua Lim in March 2020.

James Lim is the director and substantial shareholder of BOE. BOE, a company incorporated in Malaysia, is regarded as the Company's ultimate holding company.

James Lim is the father of Joshua Lim Phan Yih, our Managing Director, is also a substantial shareholder and director of BOE. He is also the father of Joel Lim Phan Hong, a substantial shareholder of BOE and an alternate director of the Company.

Other than as disclosed above, James Lim does not have any family relationship with any Director or major shareholder and does not have any conflict of interest with the Group.

Profile of Directors
(Cont'd)

LOW TENG LUM

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

AGE	GENDER	NATIONALITY
69	Male	

Mr. Low was appointed to our Board on 15 October 2015. He is the Chairman of our Nomination and Remuneration Committee and a member of our Audit and Risk Management Committee.

He obtained his qualifications from the Association of Chartered Certified Accountants ("ACCA") and Institute of Chartered Secretaries and Administrators, both of the United Kingdom, in 1979. He attended the Applied Management Program of the Swedish Institute of Management in 1990. In 1996, he obtained a Masters in Public Administration from the John Fitzgerald Kennedy School of Government, Harvard University.

He is a Chartered Accountant of the Malaysian Institute of Accountants ("MIA"), a Fellow member of the ACCA and Fellow Institute of Chartered Secretaries and Administrators, and a member of the Association of Corporate Treasurers, United Kingdom. He has also served as a member of both the Taxation and Trade committees of the Malaysian International Chamber of Commerce and Industry, from 2002 and 2005 respectively until his resignation in 2011.

He started his career as an audit junior in Arthur Young & Company (presently known as Ernst & Young) in 1977 and was subsequently promoted to audit senior in 1978. He then left Arthur Young & Company in 1980 and joined Guthrie Malaysia Holdings Berhad as an internal audit manager until 1981, and subsequently joined Palmco Holdings Berhad in the same year as an internal audit manager. In 1985, he left Palmco Holdings Berhad and joined General Corporation Berhad as a group internal auditor until 1987. Then, he joined Southern Steel Berhad as a finance manager and became the chief operating officer of the steel business unit in 2000 until he left the company in 2001. Subsequently, he joined Heineken Malaysia Berhad (formerly known as Guinness Anchor Berhad) in 2001 as the finance director and a member of the board of directors (appointed on 19 August 2001) and retired in 2011.

Presently he is an independent non-executive director of QL Resources Berhad, a company listed on Bursa Securities.

Mr. Low does not have any family relationship with any Director or major shareholder of the Company and does not have any conflict of interest with the Group.

Profile of Directors
(Cont'd)

LEOW CHAN KHIANG

INDEPENDENT NON-EXECUTIVE DIRECTOR

AGE	GENDER	NATIONALITY
57	Male	

Mr. Leow was appointed to our Board on 20 October 2015. He is the Chairman of our Audit and Risk Management Committee and a member of our Nomination and Remuneration Committee.

He is a Chartered Accountant and a member of the Malaysian Institute of Accountants ("MIA") and a Fellow member of the Chartered Association of Certified Accountants, United Kingdom ("FCCA"). He also holds a Master Degree in Business Administration from Northern University of Malaysia and a Bachelor Degree in Economics from University of Malaya.

He began his career in 1991 as corporate banking executive in Hong Leong Bank Berhad and resigned in 1996 to join Malaysian International Merchant Bankers Berhad ("MIMB"). In MIMB, he was responsible for various corporate debts and fund raising exercises as well as general advisory works. In 2001, he resigned from his position as an assistant manager of MIMB and joined a local logistic company for a short stint of one year. In 2002, he joined CAB Cakaran Sdn. Bhd. as a director of corporate finance and subsequently in 2003 appointed to the board of CAB Cakaran Corporation Berhad ("CAB") as an executive director where he was responsible for corporate planning, accounting and tax as well as joint-ventures matters. In 2007, he resigned from CAB and was subsequently appointed to the board of SLP Resources Berhad ("SLP") as a non-independent non-executive director. He resigned from the board of SLP in March 2021. At present, he is running his family business in the manufacture of food and confectionery.

Presently, he is an independent non-executive director of Tek Seng Holdings Berhad and Iconic Worldwide Berhad, all are companies listed on the Main Board of Bursa Securities.

Mr. Leow does not have any family relationship with any Director or major shareholder of the Company and does not have any conflict of interest with the Group.

Profile of Directors
(Cont'd)

CHAN SHOOK LING, ("MICHELLE CHAN")

EXECUTIVE DIRECTOR / CHIEF FINANCIAL OFFICER

AGE	GENDER	NATIONALITY
53	Female	

Michelle Chan was appointed to our Board on 13 October 2017.

Ms. Chan is a Chartered Accountant and a member of the Malaysian Institute of Accountants ("MIA"). She is also a Fellow member of the Chartered Association of Certified Accountants, United Kingdom ("FCCA").

She began her career as a settlement clerk for Overseas Union Bank Ltd in Singapore in 1990. In 1992, she left Overseas Union Bank Ltd to further her studies in Tunku Abdul Rahman College, where she graduated in 1995. Then, she joined SSL Heavy Machinery Sdn. Bhd. in 1995 as an accounts supervisor.

In 1999, she joined Salutica Allied as an accountant. In 2013, she assumed her current position as our Chief Financial Officer, where she is responsible for overseeing the overall financial, accounting, compliance and internal control functions of our Group.

Presently, Ms. Chan does not hold any directorship in any other public companies or listed companies.

Ms. Chan does not have any family relationship with any Director or major shareholder of the Company and does not have any conflict of interest with the Group.

Profile of Directors
(Cont'd)

JOEL LIM PHAN HONG

ALTERNATE DIRECTOR

AGE	GENDER	NATIONALITY
37	Male	

Mr. Joel Lim was appointed as an alternate director to James Lim on 3 March 2020.

He graduated with an external LL.B (Hons) degree from the University of London in 2008 and subsequently obtained the Certificate in Legal Practice in 2009. He completed his pupillage with Skrine in 2010 and subsequently joined Sekhar & Suaran. Thereafter, he joined Kandiah & Sri in 2011 where his focus was in the area of Commercial Law and Intellectual Property. In May 2012, he became a founding partner of Joel & Mei. He is also a registered Trademark Agent and Industrial Design Agent with the Intellectual Property Corporation of Malaysia.

He does not hold any directorship in any other public companies and public listed companies.

Joel Lim is the son of James Lim, the Senior Executive Director of the Company. He is also the substantial shareholder of BOE. BOE, a company incorporated in Malaysia, is regarded as the Company's ultimate holding company. He is also the brother of Joshua Lim Phan Yih, our Managing Director, who is also a substantial shareholder of BOE.

Other than as disclosed above, Joel Lim does not have any family relationship with any Director or major shareholder of the Company and does not have any conflict of interest with the Group.

Notes:
Conviction of Offences
None of the Directors has been convicted of any offences within the past 5 years other than possible traffic offences.

There were no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 30 June 2023.

Directors' Shareholding
The details of the Directors' interest in securities of the Company are set out in the Analysis of Shareholding on page 156 of the Annual Report.

KEY
SENIOR MANAGEMENT

From left to right:

Standing	:	**Goh Bee Chin @ Ooi Bee Chin, Tan Wee Yeoh (Chen Weiyao) Kevin, Ho Keat Soong and Chan Shook Ling**
Sitting	:	**Lim Chong Shyh and Joshua Lim Phan Yih**

Key Senior Management
(Cont'd)

HO KEAT SOONG
Aged 57 | Male | Malaysian
Chief Supply Chain Officer

Mr. Ho graduated with a Bachelor of Science in Business Administration from Colorado State University, United States of America ("US") and obtained his Master of Business Administration from the University of South Alabama, US.

He began his career as a production planner in Penang Seagate Industries (M) Sdn. Bhd. in 1993 before promoted to senior materials manager in 1999. In 2000, he joined Synerflex Consulting as a senior consultant specialising in the supply chain management improvement projects and consultancy services.

Subsequently, in 2003, he joined Salutica Allied as a general manager of supply chain management. He assumed his current position as our Chief Supply Chain Officer in 2015, where he is responsible for operations, quality, and supply chain management.

Presently, Mr. Ho is an executive director of Salutica Allied, which is the subsidiary of our Company. He does not hold any directorship in any public companies or listed companies.

Mr. Ho does not have any family relationship with any Director or major shareholder of the Company and does not have any conflict of interest with the Group.

GOH BEE CHIN @ OOI BEE CHIN
Aged 58 | Female | Malaysian
Chief Administrative Officer

Ms. Goh graduated with a Bachelor of Business Administration from Universiti Utara Malaysia and also obtained her certified Diploma in Accounting and Finance from the ACCA and a Master of Business Administration from the Universiti Utara Malaysia.

She began her career in 1990 as an administration officer with DNP Holdings Berhad until 1992. In 1992, she joined Salutica Allied as an administrative executive, where her role involved human resource and administrative functions.

Subsequently, in 2015, she assumed her current position as our Chief Administrative Officer, where she is responsible for manpower planning, human resource management, administration and insurance of the Group.

Presently, Ms. Goh is an executive director of Salutica Allied, which is the subsidiary of our Company. She does not hold any directorship in any public companies or listed companies.

Ms. Goh does not have any family relationship with any Director or major shareholder of the Company and does not have any conflict of interest with the Group.

TAN WEE YEOH (CHEN WEIYAO) KEVIN
Aged 39 | Male | Malaysian
Director – Key Account Management & Internal Product Management

Kevin graduated with a Bachelor of Computer Science degree from University of Melbourne.

He began his career as a key account management executive in Salutica Allied in 2006. In 2016, Kevin is promoted to Senior Manager overseeing the key account department.

Kevin is one of the pioneer of our FOBO team, instrumental in driving product innovation and securing key technology patents that underpin our FOBO product line. His innovative mindset and relentless pursuit of excellence have enriched our product offerings.

He assumed his current position as Director – Key Account Management and Internal Product Management in 2023. His adeptness at cultivating strong client relationships and his strategic acumen played a pivotal role in this achievement.

Presently, Kevin does not hold any directorship in any public companies or listed companies.

Kevin does not have any family relationship with any Director or major shareholder of the Company and does not have any conflict of interest with the Group.

Note:
Conviction of Offences
None of the Key Senior Management has been convicted of any offences within the past 5 years other than possible traffic offences.

There were no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 30 June 2023.

CHAIRMAN'S **STATEMENT**

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Financial Statements of Salutica Berhad (the "Company") for the financial year ended 30 June 2023 ("FYE2023").

2023 has unfolded against the backdrop of a world economy marked by extraordinary geo-political and economic shifts and challenges. Geo-political conflicts and trade tensions have reshaped global trading patterns, creating uncertainties that have rippled across various industries. In this uncertain environment, technological advancements continue to redefine how businesses operate and compete, demanding adaptability and innovation.

One of the most notable factors influencing the business landscape in 2023 has been the impact of high-interest rates. Central banks around the world have raised interest rates to combat inflation, leading to increased borrowing costs for both businesses and consumers. As a result, consumer spending has been dulled, affecting demand for various consumer-centric products and services.

Additionally, the spectre of high inflation rates has cast a shadow on the cost structures of enterprises worldwide. Rising prices of raw materials, transportation, labour and energy have squeezed profit margins, compelling businesses to find ways to navigate these turbulent financial waters.

Throughout FYE2023, Salutica Berhad has demonstrated resilience in the face of these challenges. We have remained steadfast in our commitment to maintaining a healthy balance sheet and robust cash levels. This strategic approach has allowed us to navigate through the economic headwinds.

We have also invested significant effort in expanding our product and service offerings, prioritizing both our loyal customer base and potential clients. It is essential for us to remain agile, not only by moving into new product categories from a technical standpoint but also by obtaining industry certifications that will help to bolster our competitive edge.

BUSINESS OVERVIEW

As businesses emerge from the pandemic, they continue to grapple with globally disrupted supply chains and escalating operational costs. Salutica Berhad is no exception to these challenges. Nonetheless, we have persevered in our efforts to innovate our product

Chia Chee Hoong
Chairman of the Board

Chairman's Statement
(Cont'd)

portfolio. Our foray into embedded computing devices represents a strategic move to enhance our product and service offerings while optimizing resource allocation to strengthen our resilience in these testing times.

Our management team has forged closer collaborations with strategic partners and customers, leveraging these relationships to introduce cutting-edge technologies and deliver superior products. Aligned with our strategy to diversify our product and serving offerings, we are actively pursuing industry-specific certifications. We are currently in the process of obtaining the IATF 16949 certification, a key milestone that will enable us to meaningfully penetrate the automotive industry in the near future. Together with our recent achievement of ISO 13485 certification for medical devices, we hope to position ourselves to serve the medical and automotive sectors.

Financial Overview

In FYE2023, the Group recorded a total revenue of RM63.8 million, and as compared to RM143.8 million in the corresponding period last year, there is a decrease of approximately 55.6% or RM80 million. The decrease was mainly due to the low order volume for TWS headsets and the cessation of production of computer peripherals. Ongoing economic uncertainties, combined with the impact of high interest rates, have changed consumer spending patterns and affected the demand for consumer lifestyle devices. As such, for FYE2023, the Group recorded a Loss Before Tax (LBT) of approximately RM21.4 million, and as compared to approximately RM8.3 million loss in the preceding year, there is an increased loss of approximately RM13.1 million.

The increase in LBT for FYE2023 can mainly be attributed to low order volume from existing products, higher line setup costs due to production inefficiencies resulting from low production volume, inefficient absorption of fixed overhead costs, an increase in Imbalance Cost Pass-Through ("ICPT") from RM0.037/kWh to RM0.20/kWh from January 2023 to June 2023, a voluntary separation scheme ("VSS") final payout of approximately RM0.5 million, an impairment loss of about RM0.5 million on property, plant, and equipment ("PPE"), and a provision for expected credit losses ("ECL") of approximately RM1.5 million related to a customer.

The impact arising out of such increase in loss was partially cushioned by government grant amounting to RM2.6 million received by the Group in December 2022.

As of FYE2023, the Group's equity attributable to the Company's owners (i.e shareholders' fund) stands at approximately RM118.0 million, reflecting approximately 19.5% decrease as compared to approximately RM146.5 million in FYE2022. The Group's gearing ratio remains low at around 0.05.

Moving Forward

Salutica Berhad remains steadfast in its commitment to leveraging its technical expertise to expand into new product categories particularly for the automotive, medical, and industrial segments, in addition to the consumer segment. We will continue our dedication to enhancing TWS headset offerings and will further expand the product range under our FOBO brand into new applications.

Acknowledgment

In closing, I would like to express our heartfelt gratitude to our valued customers, shareholders, partners, and regulatory authorities for their unwavering support and understanding during this challenging period. We also extend our appreciation to our CEO, Joshua Lim, and his management team for their continued dedication, hard work, and loyalty.

Sincerely,

Chia Chee Hoong
Chairman of the Board

CEO 'S MESSAGE

General overview

I want to express my heartfelt gratitude to the Salutica community for their unwavering support throughout the dynamic global economic landscape of 2023. This year has been marked by a myriad of economic events, from ongoing geopolitical tensions in Eastern Europe to surging inflation, rising global costs, and the rapid digital transformation reshaping industries. I am honoured to have our dedicated team standing by my side as we confront these multifaceted challenges.

In the backdrop of these economic events, we are currently undergoing the rigorous process of certification under IATF 16949, a critical step that will strengthen our position in the automotive industry. This certification effort reflects our commitment to ensuring the highest standards of quality and reliability in our products, aligning us with the demands of this pivotal sector.

Moreover, we are considering opportunities to expand the FOBO brand into new sectors, in addition to our current automotive audience. This strategic exploration is part of our ongoing commitment to diversification and innovation. While we are excited about the possibilities, we approach this endeavour with careful consideration and diligence, recognizing the unique challenges and opportunities each sector presents.

As businesses grapple with rising costs amidst the backdrop of economic uncertainty, our Group has implemented numerous efficiency improvement initiatives and strategic cost-cutting measures. Despite these challenges, it's worth noting that our commitment to delivering higher quality products remains unwavering.

A review of the fiscal year ending in 2023, though yielding mixed results, has positioned the Group to deliver more innovative products in the near future. Our ability to provide higher quality products that meet stringent medical and automotive standards continues to improve, even in the face of cost-cutting measures. We take great pride in our dedication to exceeding industry standards. At the same time, we have managed to engage new customers which we believe will broaden our base.

Joshua Lim Phan Yih
Managing Director/
Chief Executive Officer

CEO's Message
(Cont'd)

Operational Review

For a detailed operational review, please refer to the Management Discussion and Analysis (MDNA) section in the Annual Report.

Business Forward

Moving ahead, the Group will maintain its commitment to diversifying its product categories to create a robust portfolio. One of our primary objectives is to pursue essential certifications, like the recently acquired medical certification under ISO 13485 and our ongoing efforts with IATF 16949 certification. These certifications will enable us to venture further into the medical and automotive sectors, showcasing our unwavering dedication to quality and excellence.

The Group is dedicated to advancing its TWS (True Wireless Stereo) roadmap and enhancing product robustness to align with the ever-changing consumer lifestyle. Our customer base, along with potential new clients, will play a pivotal role in achieving this objective. As mentioned earlier, the role of TWS in modern life has evolved significantly, now enhancing lives with our hearable products.

Furthermore, we will continue to nurture our in-house FOBO brand and explore new opportunities for growth.

Alongside our unwavering commitment to cost control, quality enhancement, and timely delivery, these efforts will lay a stronger foundation for the Group's long-term growth, sustainability, and profitability – achievements that I look forward to sharing with all our stakeholders.

Conclusion

I maintain full confidence in the Group's capacity to adapt and thrive in the face of these challenging times, especially in the dynamic economic landscape of 2023. I extend my sincere appreciation to our customers, employees, shareholders, investors, suppliers, and stakeholders who have remained steadfast on this journey with us.

Joshua Lim Phan Yih
Managing Director / Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS (MDNA)

The information in the MDNA should be read in conjunction with the audited financial statements of the Group for FYE2023 as set out in the Reports and Statutory Financial Statements on pages 72 to 154 of the Annual Report.

CORPORATE OVERVIEW

Salutica Berhad was listed on the ACE Market of Bursa Malaysia Securities Berhad on 18 May 2016 before being transferred to the Main Market on 24 March 2017. The Group through its subsidiary in Ipoh, Salutica Allied Solutions Sdn. Bhd. ("Salutica Allied") which commenced its operations in 1990, to carry out full product development lifecycle, from product design, product development, product testing/prototyping, product commissioning to manufacturing and assembly as well as sales and marketing.

Our vertical integrated services have enabled us to be more responsive to the needs of our customers, allowing them to streamline their supply chain by reducing the number of suppliers/service providers that they have to engage. This strategy provides our customers with comprehensive value-added solutions which enhance our customers' effectiveness in product delivery, marketing and branding. At the same time, by providing these integrated services, we are able to benefit from multiple revenue-generating phases in the manufacturing value chain guided by our Six Sigma and lean manufacturing methodologies.

BUSINESS AND OPERATIONS OVERVIEW

The World Economic Outlook in January 2023 updated that global growth will fall to 2.9% in 2023 but will rise to 3.1% in 2024. Nonetheless, rising interest rates and the prolonged Russia-Ukraine conflict, continue to weigh on economic activities globally. Albeit, the re-opening of China has paved the way for a faster than expected economic recovery In an updated report in July 2023, global growth is projected to fall from an estimated 3.5% in 2022 to 3.0% in both 2023 and 2024 (source: World Economic Outlook January and July 2023, IMF). Uncertainties remain with our customers' demand for new models launches and uptake in current running models. Our customers continue to be cautious in their volume forecast.

Product diversification remains the Group's long-term strategy to diversify its revenue base to reduce its dependency on TWS and other lifestyle electronic products which are relatively short in their product lifecycle. With such plan in mind, the Group has been working toward obtaining IATF 16949 certification which is the global technical specification and quality management standard for the automotive industry. With this certification, the Group hopes to secure more orders from new customers in making the component parts for the automotive industry

As the Group continues to navigate through macroeconomic headwinds and work to reduce costs across the Group, we have undertaken Voluntary Separation Scheme ("VSS") to optimise our workforce to reduce costs in the long term and also adjustments to remuneration taking into account of the VSS. These changes are designed to impact our executive level more significantly and will help support the investments and overall workforce needed to accelerate our transformation and achieve our long-term strategy.

Sales for our own in-house brand FOBO tire pressure monitoring systems ("tpms") especially for bikes continues to grow. Efforts are on-going to secure more distributors to grow the tpms market. In FYE2023, FOBO sales contributed approximately 6% to total revenue for the Group.

FINANCIAL PERFORMANCE REVIEW

Revenue

The Group operates in Malaysia under one operating segment – Consumer Electronics. Operating segment information has therefore not been prepared as the Group's revenue and operating profit before taxation are mainly confined to this operating segment.

In presenting information on the operating segment, an analysis of the revenue by geographical regions is shown below where revenue is based on geographical markets where the goods are delivered rather than the origin of the customer.

Countries	FYE2023 (RM'000)	%	FYE2022 (RM'000)	%	Increase/ (Decrease) (RM'000)	%
America	27,817	43.5	93,128	64.8	(65,311)	(70.1)
Asia (excluding Malaysia)	15,117	23.7	10,452	7.3	4,665	44.6
Europe	14,485	22.7	24,233	16.8	(9,748)	(40.2)
Malaysia	4,873	7.6	11,782	8.2	(6,909)	(58.6)
Australia (including New Zealand and Oceania)	1,461	2.3	4,229	2.9	(2,768)	(65.4)
Africa (including Middle East)	100	0.2	12	^	88	733.3
TOTAL	**63,853**	**100**	**143,836**	**100**	**(79,983)**	**(55.6)**

^ negligible

For FYE2023, the Group recorded total revenue of approximately RM63.8 million compared to approximately RM143.8 million in the preceding year, a decrease of approximately RM80 million or 55.6%.

This was mainly attributable to the drop in current running Truly Wireless System ("TWS") headset models and cessation of production of the computer peripherals and embedded computing device.

For FYE2023 a substantial part of the Group revenue was derived from America region, of which, approximately 98% of revenue was attributable to the United States of America. The second country was from Netherlands, contributing approximately 83% to the Europe region.

Loss before Tax ("LBT")

	FYE2023	FYE2022	Increase
LBT (RM'000)	21,437	8,347	13,090
% over revenue	33.6	5.8	156.8

The Group posted LBT of approximately RM21.4 million for FYE2023 compared to LBT of approximately RM8.3 million for FYE2022. The increase in loss was mainly attributed, amongst others, by low order volume for current running products, VSS of RM0.5 million, impairment loss on property, plant & equipment of RM0.5 million and provision of expected credit loss ("ECL") of RM1.5 million. However, the impact arising out of such increase in loss was partially cushioned by government grant amounting to RM2.6 million received by the Group in December 2022.

Management Discussion And Analysis (MDNA)
(Cont'd)

FINANCIAL PERFORMANCE REVIEW (CONT'D)

Loss after Tax ("LAT")

	FYE2023	FYE2022	Increase
LAT (RM'000)	28,532	6,584	21,948
% over revenue	44.7	4.6	333.3

In tandem with the LBT, the Group recorded higher LAT of approximately RM28.5 million for FYE2023 compared to FYE2022 LAT of approximately RM6.6 million.

As at 30 June 2023, the Group's unabsorbed capital allowances and unutilised tax losses were approximately RM42 million and RM22 million respectively. The continued losses for FYE 2023 indicated the uncertainty for the Group to utilise the capital allowances and tax losses, hence, the deferred tax assets recognised in previous financial years of RM7.1 million had been reversed in the current FYE 2023.

Liquidity

The Group's trade and other receivables (included contract assets) as at 30 June 2023 stood at RM5.5 million compared to FYE2022 of RM18.8 million, a decrease of RM13.3 million or 70.7%. The decrease was in tandem with the decrease in revenue in quarter four of FYE2023 compared to the same quarter in the preceding FYE2022.

During the year, an impairment was made on trade receivables of RM1.5 million on one of our customer. Substantially all of the debts due have been collected subsequent to the financial year end.

The Group's trade and other payables as at 30 June 2023 stood at RM12.7 million compared to FYE2022 of RM28.4 million, a decrease of RM15.7 million or 55.3%. The decrease was mainly due to the low revenue from a decrease in volumes from customers. This was also the reason for the lower inventories as at 30 June 2023 of RM29.3 million compared to RM54.6 million as at 30 June 2022.

During FYE2023, the Group started repayment of its short-term revolving credit by RM0.5 million resulted in closing balance of RM3.5 million as at 30 June 2023. There was no new capital expenditure financing during the year. As at 30 June 2023, the hire purchase creditors balance was approximately RM2.0 million.

As at 30 June 2023, the Group's deposits, cash and bank balances amounted to RM52.3 million which also includes short term investments in respect of placements in Islamic money market instruments. As at 30 June 2022, the deposits, cash and bank balances were RM53.0 million.

Other key financial indicators are listed on the "Financial Highlights" of the Annual Report.

Capital Expenditure

During FYE2023, the addition to the Group's property, plant & equipment ("PPE") was RM2.5 million and the closing carrying amount of the Group's PPE for the FYE2023 was RM45.3 million. The major capital spending in FYE2023 comprising, amongst others, selective soldering systems, x-ray machine for SMT, testing/reliability equipment and computers hardware/software's purchases. The Group will continue to invest in capital expenditure to improve production efficiencies and new technology requirements in new products.

Potential Risks and Mitigating Factors

The Board is fully committed to a strong risk management framework. The current global economic situation creates uncertainties, complexities and unprecedented stresses and making it a challenge to manage risks effectively. Nonetheless, the Board is fully committed to ensure opportunities are seized as it arises so that business disruptions are mitigated.

Risk relating to our industry:

The market for telecommunications and electronic products is inextricably linked to the continuing evolution in technology and evolving industry standards. In addition, consumers demand more sophisticated technology, user-friendliness as well as comprehensive functionality of products to meet their needs and expectations. As such, it is imperative that our Group keeps abreast with the latest technology and respond to the market trends and development through the adoption, customisation and integration of new technology in a timely and cost effective manner. We risk our existing customers switching to other competitors if we are unable to keep up with the change in technology and market demand. This may adversely affect the operational and financial performance of our business.

Management Discussion And Analysis (MDNA)
(Cont'd)

FINANCIAL PERFORMANCE REVIEW (CONT'D)

Potential Risks and Mitigating Factors (Cont'd)

We believe that such risks may be mitigated as we have more than fifteen (15) years of experience in manufacturing capabilities. Hence, the Group is focusing on product diversification and this led to the Group working toward obtaining IATF 16949 certification which is the global technical specification and quality management standard for the automotive industry.

Risks relating to our business and operations:

(a) Dependence on our major customers

Our Group's major customers comprise mainly multinational corporations dealing in Bluetooth devices. The loss of any of these customers, if not replaced, may adversely affect our financial condition and results of our operations. However, our Board is of the view that these risks are mitigated to a certain extent, by the following:-

(i) Our Group being involved in the manufacture of other electronic products (non-Bluetooth related devices), precision parts and components for other customers. This provides us with additional sources of revenue and growth opportunities;
(ii) our continuous investment and upgrade of our technology and manufacturing processes to support our customers' needs as well as our R&D capabilities; and
(iii) our continued focus on R&D to extend our product range by developing Bluetooth devices and applications for use in other industries such as the automotive industry

In addition, our Group has maintained and will continuously strive to meet our customers' expectations by paying close attention to their feedback and working in tandem with their requirements to further improve our product and service quality.

(b) Credit risk of our customers

Our financial performance is dependent, to a certain extent, on the creditworthiness of our customers. If circumstances arise that affect our customers' ability or willingness to pay us, we may experience payment delays or in more severe circumstances, we may not be able to collect payment from our customers. Accordingly, we would have to make allowance for doubtful debts, or incur debt write-offs, which may have an adverse impact on our profitability.

The abovementioned credit risk may be mitigated on the basis that our major customers are mainly reputable multinational corporations with strong financial standing and these customers have maintained good payment records in their past dealings with us. In addition, we monitor the outstanding balance and collection of our trade receivables closely. If it exceeds the due date without justifiable reason, we may pursue legal recourse to recover our debt.

FORWARD-LOOKING STATEMENT

The uncertainties in the global economy have continued to pose challenges. As such the Group continues to intensify its effort to diversify its products for other industries into other consumer segments to bolster its product offerings. Furthermore, the Group continues to pursue diversification into the segments whereby part of it is the Group's process in obtaining its certification for IATF 16949 is underway.

The Board will continue to take proactive steps to manage the Group's financial resilience.

DIVIDEND PAYMENT POLICY

The Group have a dividend payment policy of not less than 30% of the Group's annual net profit attributable to shareholders but actual dividend payment may be varied depending on the Group's financial performance and cash flow and may be waived if the payment of dividends would adversely affect our cash flow and operations.

During the Eighth Annual General Meeting ("AGM") in November 2020, the Group received approval to established a dividend reinvestment plan ("DRP") to provide flexibility to shareholders with an opportunity to enhance and maximise the value of their shareholdings in the Company by using the cash dividends received to invest in new shares that may be issued at a discount to the prevailing market price.

SUSTAINABILITY **STATEMENT**

SCOPE OF THE STATEMENT

This Statement covers the Group which includes our subsidiary – Salutica Allied. Our subsidiary offers a 'one stop' vertically integrated solutions covering product design and development, and manufacturing of mobile communication products, wireless electronics, embedded computing devices and lifestyle devices.

OUR COMMITMENT TO SUSTAINABILITY

The Board is primarily responsible for the Group's sustainability practices and performance and is supported by the ARMC and Management in managing sustainability related activities including sustainability strategies, priorities and targets.

To achieve the sustainable development economically, the Group endeavours to carry out its activities in a sustainable manner and promote responsible and ethical practices. Through Sustainability Statement, we disclose our commitments across the Economic, Environmental and Social ("EES") pillars of sustainability and provides better understanding and balanced view on EES aspects to our stakeholders.

APPROACH

This Statement has been prepared according to Appendix 9C Part A (29) Practice Note 9 of the Main Market Listing Requirements ("MMLR") and guided by Sustainability Reporting Guide and Toolkits issued by Bursa Securities Malaysia Berhad and Global Reporting Initiatives ("GRI").

SUSTAINABILITY GOVERNANCE

Sustainability is embedded in the way we do business and an essential element of how we operate. The Group has incorporated sustainability factors into our investment decisions and strategy to ensure that they are aligned with our overall sustainability goals. We embrace a holistic approach to sustainability, which is focused on continuous improvement and meaningful positive economic, social and environmental impact through active engagement with both internal and external stakeholders. We have put together the principles of good governance standards, which are adopted throughout the Group's business operations, with the objective to strive and uphold good governance.

The Board oversees the Group's sustainability efforts to ensure that the Group's practices meet our corporate objectives and sustainability goals. We have established Sustainability Management Committee ("SMC") who is led by CEO as Sustainability Chairman and comprised of Senior Management and Heads of Department ("HOD"). The SMC oversees the formulation and champion the sustainability activities and report sustainability activities progress to the Board.

SUSTAINABILITY POLICY

The Group has established a Sustainability Policy ("Policy") and a committee has been established since 1 January 2018 to carry out the objectives of the Policy. The Policy is reviewed annually to remain consistent with changes in legislation and market.

The Sustainability Policy is developed to meet our customer and market needs in a responsible and holistic manner, by balancing the economic, environmental, and social needs of our stakeholders. Its aim is to achieve the following objectives:

- Comply with current environmental legislation;
- Consider, assess and take actions where necessary to continuously improve environmental practices;
- Emphasize to employees at all levels their own responsibility to the environmental well-being, giving training and information where applicable;
- Display and provide this policy to all employees including business partners;
- Audit environmental and sustainability performance; and
- Review this policy taking into consideration any audit findings annually as a minimum.

STAKEHOLDERS' ENGAGEMENT

The Board understands that our stakeholders contribute towards the success of our business. The Group constantly engage and update them on the Group's current and latest sustainability initiatives and also importantly, to receive feedback on how the Group can create a win-win situation for all involved. As such, we maintain an ongoing dialogue with our stakeholders to solicit their perspectives, feedback, and priorities on our focus key material issues. This engagement helps in formulating our business plans and in steering the strategic direction of the Group.

The table below summarises the Group's key stakeholders and the engagement platform used for the different stakeholders:

Stakeholders	Sustainability Topic	Engagement platform
Investors/Shareholders	• Financial performance • Ethical and responsible Management team • Corporate governance	• Continuously engaging in Investors/Analyst briefings • Annual reports and Annual General Meetings • Financial Statements and Bursa Malaysia announcements • Continuous update on the Company website
Customers	• Customer's satisfaction • Product Quality • Pricing • On-time delivery • Innovation	• Continuously engage in customer feedback • Regular meetings • Customer satisfaction survey form
Suppliers	• Supply chain management • Compliance with applicable standards on hazardous substances • Competitive pricing	• Annual supplier evaluation form • Annual supplier Declaration form • Ad-hoc meetings or when required
Regulators and government bodies	• Compliance with law and legislation • Audit matters • Climate change • Compliance with main market Listing Requirements	• Annual verification and compliance audit • Meetings/visits • Quarterly announcements • Regulatory disclosures as per listing requirement
Employee	• Career development • Salary & benefits scheme • Health, safety & environment • Job security	• Ad-hoc CEO communication sessions • Annual performance appraisals • Company events such as annual dinners, and off-site team building • Learning development programmes
Local community	• Community development projects • Social & environmental issues	• Ad-hoc community programs • Institution/University internship programme • Continuous update on the Company website • Annual report

MATERIALITY ASSESSMENT AND KEY SUSTAINABILITY MATTERS

To ensure the effectiveness of our sustainability efforts a materiality assessment was carried out to identify the sustainability matters that are of priority to our Group. The material sustainability matters identified are:

- Business Performance & Growth
- Quality and Customer Satisfaction
- Corporate Governance and Ethical Behaviour
- Environmental
- Workplace Management

ECONOMIC

Business Performance & Growth

The Group's financial performance and strategic growth are important to our sustainability journey as they have a direct beneficial impact to all our stakeholders such as our employees, business partners, government, local communities and investors.

The Board believes that financial strength and good sustainability practices are important in growing a profitable business. As such, the Group is committed to strengthening the financial position by strengthening the Group's market position with diversification and competitive advantage.

The Group is gaining traction with potential new customers which will provide additional business for plastic injection molding, SMT and box build projects. These potential businesses are currently in the quotation stage. The Group has been awarded a project from a new customer, Australian based, for a motorcycle vibration dampener.

Continuous innovations and process solutions have driven the Group's success. We develop our in-house FOBO products and solutions with the aim to create a positive impact on society. Environmental impact and social responsibility influence our product design and manufacturing processes. With this in mind, we continue to deliver smarter and faster solutions that increase value, reduce adverse environmental impact, enhance product safety and extend product life.

The Group's strong emphasis on expanding product innovation, saw the many evolutions of FOBO products starting from the World's first All Bluetooth Smart Tire Pressure Monitoring System ("TPMS") for cars before moving on to other applications such as bikes, trikes, heavy vehicles (more than 4 tires), trackers, wheel chairs and latest being sensors used in agriculture for monitoring soil nutrients which is currently at initial project development phase.

A summary of our key Financial Performance for FYE2023 are as follows:

Revenue: RM63.8 mil (FYE2022: RM143.8 mil)

Profit after tax: RM28.5 mil (FYE2022: (RM6.6 mil))

Loss per share: 6.74 sen (FYE2022: 1.57 sen)

Net assets per share: 27.86 sen (FYE2022: 35.01 sen)

ECONOMIC (CONT"D)

Business Performance & Growth (Cont'd)

The Group will continue to strive towards a long-term business profitability and sustainable growth to provide the most innovative and cost-effective products with excellent quality to our customers through technology and process innovation. Product & customer diversification will remain the focus for the Group's long-term growth. We are currently undergoing the rigorous process of certification under IATF 16949, a critical step that will strengthen our position in the automotive industry.

For more information on the Group's economic performance, please refer to the Management Discussion and Analysis ("MDNA") disclosed in this Annual Report.

Quality and Customer Satisfaction

The Group is committed to excellence across its operations in the effort to enhanced customers' satisfying experience in the products that we manufactured for them. We invest time and resources in our effort to ensure excellent product quality designs using innovative processes.

We take heed of the feedback and will strive to further improve our product quality by reviewing our quality control procedures and implementing more effective processes, improve our delivery times and provide training to our staff to improve their customer service and communication skills.

The Group strives to deliver quality service by adopting a culture that emphasises quality excellence. Keeping quality management at the forefront of our employees' mind, we have demonstrated our capability to successfully maintain the international accreditation certified by the following bodies:

- ISO 9001:2015 (Quality Management System)
- ISO 14001:2015 (Environmental Management System)
- ISO 45001:2018 (Occupational Health and Safety Management System)
- EN ISO 13485:2016 (Scope: Manufacture and Distribution of Hearing Aids)
- ANSI/ESD S20.20-2014 (Electrostatic Discharge Control program: Printed Circuit Board Assembly (SMT and Manual Insert)

We enforce stringent quality controls from product design and development to manufacturing processes. Our rigorous procurement and quality inspection processes involving incoming raw material, in-process control and finished goods ensures our products meet high quality specifications.

Great quality starts with prioritising our procurement of goods and services from local suppliers while taking into consideration the need to establish a secure, reliable and cost-effective supply chain management that conforms to the highest standards of quality and delivery. With this in mind, our Purchasing department carries out annual performance evaluation assessment on our suppliers to ensure they meet our Quality and On-Time-Delivery requirement. The result is presented in a score card to the suppliers.

We also place great importance on On-Job-Training ("OJT") as we believe that our workforce will be able to gain more from first hand technical experience. To ensure that our products are of the highest quality, we have annual training on quality improvement tools to educate our employees on latest development in quality management systems.

In our efforts to keep quality defects and issues at the lowest level possible, our Group place great importance on risk and impact analysis. Every potential process failure and risk is evaluated and procedures are developed to mitigate impact severity on the product.

Sustainability Statement
(Cont'd)

ECONOMIC (CONT"D)

Quality and Customer Satisfaction (Cont'd)

In the FYE2023, our Incoming Quality Control ("IQC") check for Defective Parts Per Million ("DPPM") on raw materials and parts from our suppliers are as follows:

IQC - DPPM (K)	FYE2023	FYE2022	FYE2021
Inspected Quantity	138,094	345,863	421,316
Rejected Quantity	3	6	32
DPPM (K)	0.02	0.02	0.08

The Group strive to achieve long-term growth through excellent customer relationships and the satisfaction from long-term customers while we continue to expand our customer base. Our quality policy plays an important role in guiding and enabling the Group to gain trust and confidence in our customers who demand high quality standard. The number of customer complaint is as follows:

Customer complaint	FYE2023	FYE2022	FYE2021
No of cases	5	4	9

Corporate Governance and Ethical Behaviour

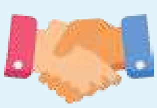
The Board believes that good Corporate Governance is important for the Group to build sustainable long- term value for earning the trust and confidence of our customers, suppliers, business partners, employees and shareholders. Therefore, the Board is guided by legislative and regulatory requirements, including corporate governance best practices published by relevant authorities. Details of the Group's corporate governance framework and practices are elaborated in the Corporate Governance Overview Statement contain in this Annual Report.

a. Code of Conduct and Ethics

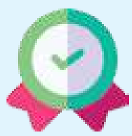
The Group's Code of Conduct & Ethics ("the Code") is aimed to enhance the standard of corporate governance and corporate behaviours with the intention of achieving the following objectives:

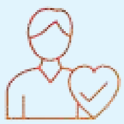
- To establish a standard of ethical behaviours for Directors based on acceptable beliefs and values; and
- To uphold the spirit of professionalism, objectivity, transparency and accountability in line with the legislation, regulations and environmental and social responsibility guidelines governing the Group.

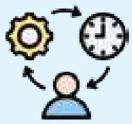
This Code provides guidance for proper standards of conduct and sound and prudent business practices and to promote ethical values and standards amongst employees based on the following principle.


Integrity


Responsibility


Trust


Sincerity


discipline


Diligence

ECONOMIC (CONT"D)

Corporate Governance and Ethical Behaviour (Cont'd)

b. Anti-Corruption and Bribery Policy

In view of the amendment to the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018) ("MACC Act") which introduces corporate liability in relation to the prevention of bribery for the purpose of obtaining or retaining business or business advantage, which came into effect in June 2020, the Group had adopted an Anti-Corruption and Bribery Policy ("the Policy") applicable to everyone within the Group to deal with improper solicitation, bribery and other corrupt activities that could arise in the course of business activities.

The Policy covers salient areas pertaining to corruption and bribery such as gift, entertainment, hospitality, facilitation payments, donation and political contribution. This necessitates strict adherence by all parties across the Group's supply chain and procurement process such as supplier selection, tendering process and due diligence of new suppliers to the system of internal controls and risk management.

The Group takes a zero-tolerance approach to bribery and corruption and the management is committed to act professionally, fairly and with integrity in all the Company's relationships and business dealings wherever we operate and to implement and enforce an effective system to counter bribery and corruption.

The Group's Anti-Corruption and Bribery Policy has been adequately communicated to all Directors, employees and associated third parties through various communication channels and is published on our corporate website at https://www.salutica.com/corporate-governance. We have conducted trainings and awareness on the Policy to the Directors, senior management and employees and also incorporated in our induction training program for all new employees.

There were no corruption-related cases and ethical concerns reported in FYE2023 (FYE2022: Zero incidents)

c. Whistle-blowing Policy

The Group does not tolerate any malpractice, impropriety, statutory non-compliance, or wrongdoing by its employees and directors in the course of their work. The Group's Whistleblowing Policy stated its commitment on maintaining the highest standards of integrity, openness and accountability in the conduct of its business and operations as well as promoting and supporting a culture of honest and ethical behaviour, corporate compliance and good corporate governance.

The Whistle-blowing Policy is designed to facilitate employees and other stakeholders to disclose any improper conduct or wrongdoing through internal channel. Responsible whistle-blowers are offered protection from adverse consequences. Employees and other stakeholders are encouraged to use the procedures set out in the Whistleblowing Policy to report any concerns regarding questionable conduct.

Our policies, which can be viewed on our website www.salutica.com, are reviewed regularly to ensure they reflect any changes in legislative requirements and the business environment.

No cases of breaches in ethics and integrity practices were reported during the FYE2023.

Sustainability Statement
(Cont'd)

ENVIRONMENT

Green initiatives

Our Group is committed to managing our operations in an environmentally sustainable way. Our employees are also trained to practise other conservation measures like recycling of office stationery and paper, switching off the lights and air conditioners when not in use. We also send such items to a social welfare organisation which collects items for recycling or charity purposes.

At our manufacturing facilities, we have established processes and procedures to conserve energy, handling of industrial waste comprising sludge, contaminated rags and containers and non-hazardous wastes such as food and office waste.

The Group has put in place several ways and measures adopted to reduce its carbon footprint to make our operations more sustainable. We monitor greenhouse gas ("GHG") emissions and energy reduction efforts, in order to play a meaningful role in the reduction of GHG emissions each year.

Our Group continues to focus on green initiatives as follows:

- Lightings in our office and production floor are installed with light-emitting diode ("LED") light bulbs which have a longer lifespan and more energy-efficient compare with iridescent or fluorescent lamps.
- "Last out – lights off" practices in our workplace.
- Adoption of 3Rs ("Reduce, Reuse and Recycle") practices by maintaining recycling bins around our offices to ensure proper segregation of non-hazardous waste such as paper, plastic, aluminium, and glass.
- Rain water harvesting for gardening purpose.
- For hazardous waste, we appointed a licensed disposal contractor to treat hazardous waste and dispose responsibly.
- Encourage our business operation to use electronic media whenever possible.
- Installation of solar photovoltaic ("PV") panels on the factory rooftops to harvest solar energy to power the factory electricity needs since August 2019. We have further installed new solar photovoltaic ("PV") panels to cover a bigger area and it's expected to be fully operational by November 2023. It has resulted in energy savings as follows:

	FYE2023	FYE2022
Electricity consumption(kWh)	4,558,789	6,570,302
Carbon dioxide reduction (tonne)	579.3	650.7

Note: in tandem with the reduction in electricity usage, the carbon dioxide emissions had also reduced accordingly.

Waste Management

The Group's environmental management system is certified with ISO 14001:2015 which is a structured waste management program with systematic monitoring and improved material utilisation, that promotes the principles of reuse, recovery and recycle method via its 3R program.

In FYE2023, there were no reported case of environmental violations or fines from the local authorities (FYE2022: zero incident) and we will continue to maintain such results. Robust management systems at our operations effectively monitor and manage hazardous and non-hazardous waste generated.

ENVIRONMENT (CONT"D)

Hazardous wastes

Hazardous waste comes from chemical-related sources that are harmful to humans and the environment. Therefore, the Group is committed to manage its waste efficiently by complying with all the required environmental regulatory rules. This includes ensuring our hazardous waste is properly stored and managed from its collection point to its final disposal according to the environmental regulatory requirement, by appointed third-party contractors licensed by the Department of Environmental.

The hazardous wastes generated by our production are as follows:

Hazardous Wastes	FYE2023 (kg)	FYE2022 (kg)	FYE2021 (kg)
Total	23,408.7	18,225	27,124

The increase in the hazardous waste in FYE2023 was attributed by the changes in the product mix which required more processes that generated the hazardous by-product. They were disposed through a waste collector with valid waste disposal and waste transport license issued by the Department of Environment ("DOE").

Non-Hazardous wastes

For the Group's non-hazardous wastes that do not exhibit any material toxic characteristics are collected for recycling or disposed in designated bins as general waste.

The non-hazardous wastes generated in the FYE2023 are as follows:

General waste generated
FYE2023:7,625kg
(FYE2022:9,450kg)

Recycling waste generated
FYE2023:30,683.6kg
(FYE2022:8,406kg)

The reduction in general waste and the increased in recycling waste for FYE2023 compared to FYE2022 are a testament to the continuous effort by the Group to be sustainable in all their operating activities.

Environmental compliance

The Group is dedicated to protecting the environment and abiding by all applicable environmental laws and regulations in its business operations. To practice environmental control and enhance its environmental performance, the group has an environmental policy in place that is in accordance with the Environmental Quality Act 1974 ("EQA") and ISO 14001:2015 Environmental Management System.

All our employees, suppliers and consultants are encouraged to be proactive in managing and reporting environment related issues and complaints. There was no incident of non-compliance reported during the period under review.

SOCIAL

Workplace Management

Our employees are our most crucial asset in our operational structure. Hence, our workplace management initiatives are aimed at securing the long-term sustainability of our human capital. We recruit and retain the best talent available in order to attain our strategic objectives. It is also crucial that we foster the right mindset and code of conduct to ensure that they fit in with our corporate culture and represent us well in their dealings with stakeholders.

The Group foster an inclusive and diverse work environment by adopting a management focus objective to nurture and develop its people by leveraging on the employees' unique skills and capabilities. By giving employees a greater sense of purpose and motivation, the Group will be in a better position to attract young talent and add to its diversity.

Occupational Health and Safety

The Board is committed to provide a safe and healthy workplace for its employees. We uphold strong health, safety and security standards within the Group's areas of operations, whether it is within the premises or offsite to reduce opportunities for health or safety hazards and prevent workplace fatalities.

We rigorously manage the potential risks associated with hazardous activities and processes, such as those activities with potential to result in injuries related to fire, explosions or sudden release of toxic materials. Therefore, we emphasis on preventive measures and have a robust safety management system in place.

The Group adhere strictly to the Environment, Occupational, Health and Safety Policy which guides our operations. We have established an Environment, Health and Safety ("EHS") committee comprising of the Chairman, Management Representatives, employee representatives and Health & Safety Officer, to safeguard, manage, discuss and report areas related to EHS performance and ensure our health and safety practices are according to the EHS Management system. Our EHS committee would identify and establish all safety and environmental related regulatory and rules that is applicable to the Group's operation.

On top of assisting in the development of safety and health systems and reviewing the effectiveness of safety and health programmes, the following are some of the key roles and responsibilities of the EHS committee:

- Prevention of Injury & ill health.
- To perform hazard identification, risk assessment and risk control of the business activities, process, products and services.
- To design and develop products that meets the environmental and safety requirements.
- To comply with regulations including stakeholders' requirements.
- To provide training and communication so that all our employees shall have the environmental, health and safety awareness and competency in whatever they do.
- To assign clear safety and environmental responsibilities to our employees as a fundamental part of their routine duties.
- To attain consultation & participation from employees to minimise hazards from environment, occupational health and safety.
- To establish and carry out environmental, occupational health & safety objectives/target based on evaluation of the environmental impacts and occupational health and safety hazard and risk assessed on our business activities, process, products and services.

SOCIAL (CONT"D)

Occupational Health and Safety (Cont'd)

The EHS Committee carried out meetings to discuss workplace condition matters, EHS programmes and EHS performance. Our health and safety performance have been reported with the following data from FYE 2021 to 2023:

Year	Fatality Case	Number of accidents	Lost time injury frequency ("LTI")	Incident rate	Severity rate
2021	0	0	0	0	0
2022	0	0	0	0	0
2023	0	1	8.54	2	10

For FYE2023, there was one accident case involving a worker who slipped and fell and fractured her left hand. She was promptly taken for treatment. Immediate action was taken to avoid such incident from happening again.

Overall, our EHS team has made progress in relation to the safety and health of our employees. During the audit conducted by Jabatan Keselamatan dan Kesihatan Pekerjaan Perak ("JKKP") in June 2023, we managed to obtained Compliance Level Grade A.

There were several activities carried out at our factory site in 2023 such as the following:

√ health screening
√ basic occupational first aid training
√ fire drill
√ chemical handling & spill control training
√ basic personal protective equipment ("PPE") and fit test training
√ Hazard Identification, Risk Assessment and Risk Control ("HIRARC") with ISO 45001:2018 requirements training
√ Understanding workplace & Ergonomic Risk Assessment & Occupational Injury

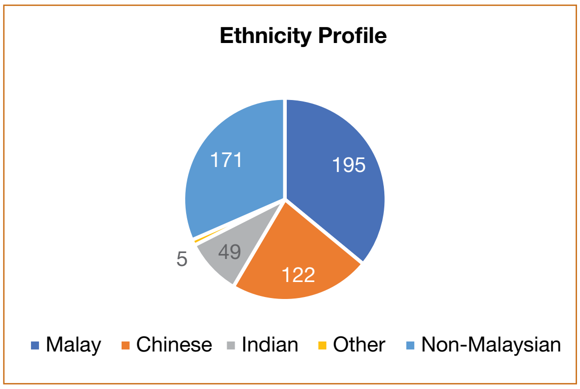
Human Capital Development

a. Diversity

The Group prioritises employment practices that are fair, non-discriminatory and merit-based. It upholds human rights, offers competitive remuneration and develops its employees, based on performance, ability and skills.

We value loyalty and dedication and reward employees who have displayed long-term commitment to us. To this end, we have in place Long Service Recognition Award that reward long-serving staff when they reach specific length of service with us.

Therefore, all employees and potential candidates are given equal opportunities in our hiring and selection practices for career growth and development, regardless of age, gender, race, ethnicity, or religion.



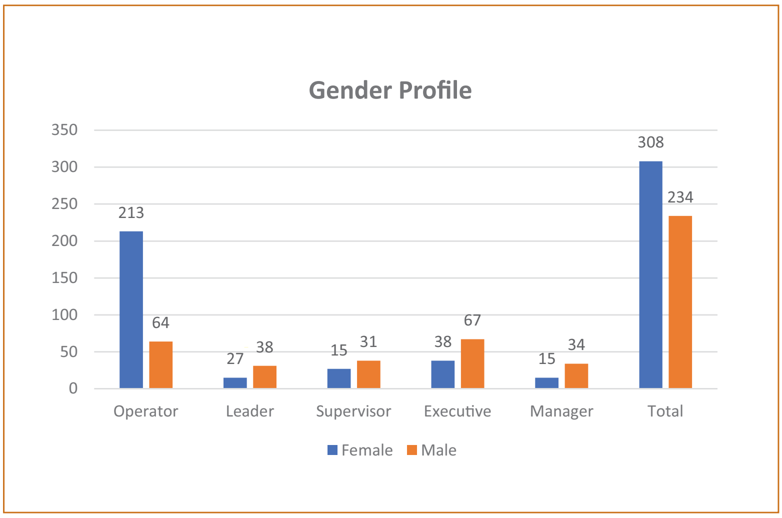
Note: Other refers to Malaysians of other races.

SOCIAL (CONT"D)

Human Capital Development (Cont'd)

a. Diversity (Cont'd)

In terms of gender balance, we do not set any targets. All employees are treated equally and given competitive salary regardless of gender. However, we do strive to achieve a balance of gender at departmental and Group level. We aim to build an inclusive environment for our employees and as such, there was no discrimination, bullying and harassment complaints received in FYE2023. (FYE2022: Zero case)



A performance-based appraisal system has been established to review our employees' performance against specific performance indicators. The Group has an annual Management by Objective ("MBO") programme which sets the key performance indicators to drive for success. Welfare compensation and benefits are strategically devised to promote the general well-being of our employees besides recognising their performance. Through these appraisals, we provide merit-based recognition and rewards which in turn will boost employees' morale and motivate the team for continuous improvement.

b. Training and Career Development

The Group respects and supports each and every employee's ambitions and enables them to make the most of their individual strengths and capabilities. It is crucial to ensure that employees are equipped with future-proof skills and capabilities to help them meet the challenges of an evolving and changing business landscape

Developing skills and competency for its employees are part of the Group's commitment towards its employees' well-being. All new employees are given Employee Handbook and undergo orientation programme as part of the initiation to the company's work culture.

We conduct annual Training Needs Analysis ("TNA") to understand the development needs of our employees. This allows us to identify the knowledge and skill gaps within the organisation against external factors such as employee expectation and latest technological advancement.

We regularly hold internal or in-house training that uses our own resources to deliver the training to our employees. These trainings include on-job structured training programs tailored to the employees' respective roles, which are usually led by experienced supervisors.

During the FYE2023, there was a total of 36 trainings conducted (FYE2022: 36) on various topics ranging from technical courses to health & safety including updates on Employment Act Amendment 2022 and also training on soft skills such as effective communications and negotiations skills. There were also several trainings on IATF16949 in preparation for the audit.

SOCIAL (CONT"D)

Human Capital Development (Cont'd)

c. Labour Practice

We believe that human capital is the greatest asset for any company. Therefore, we are committed to upholding the labour rights of our employees. Our Code of Conduct and other labour policies protect labour rights and is based on the Malaysian Employment Act 1955, and relevant industry standards such as the RBA Code of Conduct Version 7.0. Some of the labour rights we uphold include the following:

- No child labours
- No forced labour
- Worked hours
- Fair wages
- Non-Discrimination / Non-Harassment
- Safe workplace

The Employee Handbook with the latest revision 9 dated 23 March 2022 has been designed to incorporate the terms of conditions of employment for all employee outlining the Human Resource policies and procedures as well as the benefits and services available for the employees in accordance with the local regulations.

In FYE2023, there was no complaint received from our employees in regard to labour practices concern and non-compliance to the laws and regulations.

COMMUNITY INVESTMENT

The Board remain dedicated to fulfil its role as a responsible corporate citizen by ensuring the creation of sustainable value and benefits through our economic activities. We understand our role in economic development and believe that we have a responsibility in bringing a positive impact to the community and the areas in which we operate. We contribute to the development of local economies by creating jobs, boosting skills, sourcing supplies from local suppliers (wherever possible) and paying taxes to the Government.

In the FYE2023 we hired 35 interns (FYE2022: 42 interns). The Group continues to focus in developing the next generation of STEM graduates and business leaders through our internship programmes. Hiring interns have been a long focus for our Group because it provides employment opportunities for the local communities.

CONCLUSION

The Group will continue its efforts on improving its sustainability framework and assessment of the EES impacts in line with the guidelines of Bursa Malaysia Securities Berhad's Main Market Listing requirements on sustainability reporting. For each key material sustainability matter, the Group will endeavour, where applicable, to discuss the opportunities and to improve and enhance its existing practices, as appropriate, to enable the sustainable creation and preservation of long-term value to the Group's stakeholders.

COMPANY HIGHLIGHTS 2023

COMPANY ACTIVITIES

1) **Salutica 5km Fun Run 2022**
13 Nov 2022
Salutica Allied Solutions Sdn Bhd

2) **Lazada University MasterClass**
14 February 2023
Kuala Lumpur Convention Centre

3) **Management By Objectives Meeting (MBO)**
20 February 2023
WEIL Hotel, Ipoh

Company Highlights 2023
(Cont'd)

Company Activities (Cont'd)

4) MBO Meeting
14 July 2023
Meru Valley Golf Resort, Ipoh

5) Economic And Monetary Review (EMR) Briefing in The Northern Region
29 May 2023
St. Giles Wembley Hotel, Penang

6) Project Improvement Team (PIT 2023)
Six Sigma & Lean Manufacturing
18 September 2023

Company Highlights 2023
(Cont'd)

CORPORATE SOCIAL RESPONSIBILITIES

1) Hearing Conservation Training
10 November 2022
Conducted by external training provider

2) Fire Evacuation Drill
9 December 2022
Salutica Allied Solutions Sdn Bhd

3) Safe Forklift Driving & Attitude Training
17 December 2022
Conducted by external training provider

Company Highlights 2023
(Cont'd)

Corporate Social Responsibilities (Cont'd)

4) **Effective Emergency Response Plan Training**
19 December 2022
Conducted by external training provider

5) **Safe Operation of Overhead Crane at Workplace Training**
20 December 2022
Conducted by external training provider

6) **Health Screening**
20 January 2023
Salutica Allied Solutions Sdn Bhd

Company Highlights 2023
(Cont'd)

Corporate Social Responsibilities (Cont'd)

7) Schedule Waste Management Training
22 May 2023
Conducted by external training provider

8) Fire Evacuation Drill
24 May 2023
Salutica Allied Solutions Sdn Bhd

9) Chemical Handling & Spill Control Training
25 May 2023
Conducted by external training provider

Company Highlights 2023
(Cont'd)

EXHIBITION & TRADE SHOW

1) Carlist Drive 2022
25 – 28 August 2022
IOI Grand Exhibition & Convention Centre
(Putrajaya IOI City Mall)

2) Auto City Carnival 2022
7 – 9 Oct 2022
Bukit Mertajam, Penang

3) MSF SuperMoto 2022
27 November 2022
Sepang Go-Kart Circuit

4) Petronas Malaysian Cub Prix Championship 2022 – Round 10
3 – 4 December 2022
Batu Kawan, Penang

Company Highlights 2023
(Cont'd)

Exhibition & Trade Show (Cont'd)

5) Suzuki Big Bike Test Ride Day
10 March 2023
Guan How Superbike, Auto City, Juru

6) Terengganu Bike Week 2023 (TBW2023)
26 – 28 May 2023
Dataran Syahbandar, Kuala Terengganu

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

The Board of Salutica Berhad ("Salutica" or the "Company") is pleased to present the Corporate Governance Overview Statement for the FYE2023 which outlines the summary of application of corporate governance practices as recommended by the Malaysian Code on Corporate Governance ("MCCG").

The Statement provides an overview of the Group's application of the 3 principles of good corporate governance as set out in MCCG that have been in place during the FYE2023 as set out below:

Principle A: Board Leadership and Effectiveness
Principle B: Effective Audit and Risk Management
Principle C: Integrity in Corporate Reporting and Meaningful Relationship with stakeholders

The Group's Corporate Governance Report ("CG Report") base on the prescribed format is available on the Company's website www.salutica.com as well as on the website of Bursa Securities.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

PART 1 BOARD RESPONSIBILITIES

1.1 Board's Roles and Responsibilities

The Group is headed by an experienced and effective Board. The Board assumes overall responsibility in the strategic operations including overseeing the proper conduct of business of the Group. It enforces standards of accountability with the view of enabling Management to execute its duties and responsibilities efficiently and effectively to meet its corporate objectives.

The Board has also the overall responsibility for putting in place a framework of good corporate governance within the Group, including the processes for financial reporting, risk management, internal control and compliance.

The Company had complied with the requirement of the Paragraph 15.02 of the MMLR of Bursa Securities to have at least two (2) Directors or one third (1/3) of its Board members, whichever is higher, to be Independent Directors. The role of the Chairman is held by Mr. Chia Chee Hoong, who is an Independent Non-Executive Director.

The Board currently has seven (7) members, comprising the following:

Name	Directorship
Mr. Chia Chee Hoong	Chairman / Independent Non-Executive Director
Mr. Low Teng Lum	Senior Independent Non-Executive Director
Mr. Leow Chan Khiang	Independent Non-Executive Director
Mr. Joshua Lim Phan Yih	Managing Director / Chief Executive Officer
Mr. Lim Chong Shyh	Senior Executive Director
Ms. Chan Shook Ling	Executive Director / Chief Financial Officer
Mr. Joel Lim Phan Hong	Alternate Director to Mr. Lim Chong Shyh

Mr. Joel Lim Phan Hong was appointed on 3 March 2020 as an alternate director to Mr. Lim Chong Shyh.

The Board has established Nomination and Remuneration Committee ("NRC") and the Audit and Risk Management Committee ("ARMC) to enhance the efficiency of the Board Committees in discharging its duties and responsibilities. The Chairpersons of the respective NRC and ARMC report to the Board on key matters deliberated at the respective Board committee meetings and make recommendations to the Board for final decision, whenever necessary.

Corporate Governance Overview Statement
(Cont'd)

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

PART 1 BOARD RESPONSIBILITIES (CONT'D)

1.1 Board's Roles and Responsibilities (Cont'd)

The Independent Non-Executive Directors are persons of high credibility and integrity who provides professional and independent views, expertise and judgement in discharging their duties and responsibilities.

The Managing Director / Chief Executive Officer, Mr. Joshua Lim Phan Yih, is responsible for representing the views of the management of the Company. During the meetings, active discussion and deliberations were made to ensure that the intended outcome serves the best interest of the Group.

As provided for in the Principles of the MCCG and also in the Board Charter, the Board recognises the key role it plays in charting the strategic direction of the Group. The Board governance role has the following principal responsibilities in discharging its fiduciary and leadership functions:

- To review and approve business strategies, plans and significant policies and ensure that the Group's goals are clearly established, and to monitor implementation and performance of the strategy, policies, plans, legal and fiduciary obligations that affect the business by adopting performance appraisal measures;
- To ensure a competent management team by establishing clear policies and objectives for strengthening the performance of the Group with a view to proactively build the business through innovation, initiative, technology, new products and the development of its business capital;
- To evaluate whether the business is being properly managed and to ensure that the solvency of the Group and the ability of the Group to meet its contractual obligations and to safeguard the Group's assets;
- To ensure the adequacy of the Group's business risk management processes, including internal control systems and management information systems, systems for compliance with applicable laws, regulations, rules, directives and guidelines and controls in areas of significant financial and business risks. The Board has established the Anti-Corruption and Bribery Policy to emphasize its stand on ZERO-TOLERANCE on corruption and bribery;
- To establish various Board Committees and ensure their effectiveness to address specific issues, by considering recommendations of the various board committees and acting on their reports;
- To ensure that the financial statements of the Group and the Company are fairly stated and conform with the relevant regulations including acceptable accounting policies that result in balanced and understandable financial statements;
- To ensure appropriate succession planning for members of the Board and senior management;
- To establish appropriate ethical standards by ensuring that the Group adheres to high corporate behavior standard at all times including transparency in the conduct of business. In this regard, our Directors are required to comply with the Directors' Code of Best Practice which amongst others includes the declaration of any personal, professional or business interests, direct or indirect which may conflict with Directors responsibilities as a Board member and to refrain from voting on such transaction with the Group; and
- To ensure a full and transparent communication and investor relations policy are in place.

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

PART 1 BOARD RESPONSIBILITIES (CONT'D)

1.2 The Chairman

Our Chairman, Mr. Chia Chee Hoong, is an Independent Non-Executive Director. The Chairman's role is to facilitate the effective conduct of the business of the Board and ensure its smooth running. He has to ensure that the meeting agenda covers all matters required to be discussed, considered and resolved and that meetings convened are attended by all Directors who are given the opportunity to express their views and that decisions made during all meetings adequately reflect the views of the meeting as a whole.

He is committed to good corporate governance practices and has been leading the Board towards achieving the Company's strategic goals.

1.3 Clear functions of the Board and those delegated to Management

The Chairman is an Independent Non-Executive Director who is responsible for overseeing the effective discharge of the Board's supervisory role emphasising on governance and compliance while the Executive Directors and other management personnel are responsible for the day-to-day operation of the Group's business and implements the running of the financial and general business operations of the Group.

The Board is responsible for formulating the overall strategic directions and plans to deliver long term values to stakeholders and to enhance shareholders' value. These responsibilities include the Group's overall strategy, acquisition and divestment policies, capital expenditure, annual budget, review of financial and operational performance, and internal controls as well as investment and risk management processes.

Board meetings are held at least 5 times a year to ensure all Directors can discharge their fiduciary duties effectively.

The Board has to ensure a balance of authority so that no single individual has unfettered authority. The roles and responsibilities of the Chairman and Managing Director are clearly segregated to further enhance and preserve the balance of authority, power and accountability. Each Director has a duty to act in the best interests of the Group. The Directors, individually and collectively, are aware of their responsibilities to the shareholders and other stakeholders for the manner in which the affairs of the Group are managed.

1.4 Code of Conduct & Ethics

The Board has adopted the Code of Conduct for Directors, officers and employees of the Group to promote an environment of integrity and ethical behaviour within the Group. This Code is incorporated in the Board Charter, which sets out the standard of conduct expected of Directors, with the aim to cultivate good ethical conduct that permeates throughout the Group through transparency, integrity, and accountability behaviour.

Management and employees are expected to observe high standards of integrity and fair dealing to customers, suppliers, staff and regulators wherever the Company operates.

The Code of Conduct is available at the Company's website.

Corporate Governance Overview Statement
(Cont'd)

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

PART 1 BOARD RESPONSIBILITIES (CONT'D)

1.5 Board Charter

The Board has established a Board Charter in 2016 to promote high standards of corporate governance which is designed to provide guidance and clarity to Directors and the Management with regards to the role of the Board and its Committees. The Board Charter sets out the key values and principles of the Company as well as the duties and responsibilities of the Board, the Chairman, the Executive Directors, the Independent Director and the Board Committees. The Board Charter also includes a formal schedule of matters reserved for the deliberation of the Board.

The Directors are expected to maintain the highest level of integrity, honesty and accountability for sound corporate governance practices.

Directors are required to disclose any conflict of interest situations or any material personal interest that they may have in the affairs of the Group, as soon as they become aware of the interest and abstain themselves from deliberations on that matter.

The Board reviews the Board Charter periodically and updates the Charter in accordance with the needs of the Company and any new regulations that may have an impact to the discharge of the Board's responsibilities to ensure its effectiveness.

A copy of the Board Charter is available at the Company's website, www.salutica.com.

1.6 Company Secretaries and Access to Information and Advice

The Board and Board Committee are supported by three (3) Company Secretaries who are qualified to act as company secretary under Section 235(2) of the Companies Act 2016.

All Directors have unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties and responsibilities effectively. The Company Secretaries play an advisory role to the Board in relation to the Company's Constitution, Board's policies and procedures, corporate governance and compliance with the relevant regulatory requirements and legislations.

The Board is regularly updated and advised by the Company Secretaries who are qualified, experienced and knowledgeable. They facilitates the flow of information to the Board and its committee especially statutory updates.

The agenda, Board collaterals and minutes of previous meetings of the Board are circulated in advance to the Board, before the meetings. The agenda for every meeting permits Board members to review the contents of meetings and enable the Chairman to better and more efficiently conduct proceedings during Board meetings.

The Company Secretaries ensure that the deliberations and decisions at Board and its committee meetings are well documented in the minutes, including matters where Directors abstained from voting or deliberation.

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

PART 2 STRENGTHEN THE COMPOSITION OF THE BOARD

2.1 Nomination and Remuneration Committee ("NRC")

The role of the NRC is to assist the Board in ensuring that the Board comprises individuals with the requisite skills, knowledge, professional expertise and good character standing.

The NRC consists of three (3) Independent Non-Executive Directors as follows:

Name	Designation	Directorship
Mr. Low Teng Lum	Chairman	Senior Independent Non-Executive Director
Mr. Chia Chee Hoong	Member	Independent Non-Executive Chairman
Mr. Leow Chan Khiang	Member	Independent Non-Executive Director

The NRC reviewed the tenure of each Director and annual re-election of a Director are contingent upon satisfactory outcome of the annual assessment and evaluation of board members. All Directors seeking re-election are required to do Directors' Evaluation form as guided by the Directors' Fit & Proper Policy.

The Terms of Reference of the NRC and the Directors' Fit & Proper Policy are available for reference on the Company's website at www.salutica.com.

2.2 Appointment to the Board

During the financial year under review, the Board has adopted the Directors' Fit and Proper Policy, which serves as a guide to the NRC and the Board in conducting assessment on existing Directors seeking for re-election and to ensure the Directors possess the right blend of qualifications, expertise, track record, character and integrity, and time commitment to effectively discharge their roles and responsibilities as Directors of the Group.

Apart from assisting the Board in carrying out annual reviews on the mix of skills and experience, contributions and other qualities, including core competencies, which the Non-Executive Directors bring to the Board, the NRC also carries out the process of evaluating the effectiveness of the Board as a whole, the performance and contribution of the Chairman and other Directors, including Independent Non-Executive Directors, as well as the Managing Director / Chief Executive Officer and identifies areas for improvement and change. The Company Secretaries are responsible to ensure that relevant procedures relating to the appointment of new Directors are properly executed. New Directors are required to undergo familiarisation programmes and briefings to get a better understanding of the Group's operations and the overall industry. Nominations may come from a wide variety of sources, including current Directors, senior employees of Salutica, customers, shareholders, industry associations, recruiting firms and others.

Corporate Governance Overview Statement
(Cont'd)

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

PART 2 STRENGTHEN THE COMPOSITION OF THE BOARD (CONT'D)

2.2 Appointment to the Board (Cont'd)

Since the issuance of previous Annual Report, the NRC had convened one (1) meeting on 28 August 2023, attended by all of its members:

Name of directors	Attendance
Mr. Chia Chee Hoong	1/1
Mr. Low Teng Lum	1/1
Mr. Leow Chan Khiang	1/1

The agenda for the meetings was as follows:

- consider and recommend the re-election of the following Directors in accordance with Clause 76(3) at the forthcoming AGM of the Company to the Board :
  (a) Mr. Chia Chee Hoong; and
  (b) Ms. Chan Shook Ling
- review and recommend to the Board the remunerations of the Managing Director / Chief Executive Officer; and
- recommend to the Board the proposed Directors' fees for the FYE2023.

Directors' Remuneration

In discharging its duties, the NRC ensures that all recommendations and decisions made regarding remuneration and incentive packages are conducted in a transparent, fair and responsible manner.

To ensure its long term success throughout the recruitment and retention of Directors and Key Management personnel, remuneration packages are structured to ensure the Company attracts and retains the Directors needed to run the Company successfully.

The remuneration package of the Non-Executive Directors depends on their contribution to the Company in terms of their knowledge and experience. The committee recommends to the Board the policy framework of executive remuneration and its cost, and the remuneration package for each Executive Director. It is, nevertheless, the ultimate responsibility of the entire Board to approve the remuneration of these Directors.

(a) Details of Directors' remuneration as at FYE2023 for both the Company and the Group are disclosed in the CG Report.

For FYE 2023, Mr. Joel Lim Phan Hong did not receive any Director's remuneration.

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

PART 2 STRENGTHEN THE COMPOSITION OF THE BOARD (CONT'D)

2.2 Appointment to the Board (Cont'd)

Directors' Remuneration (Cont'd)

(b) The aggregate remuneration paid to key senior management including Executive Directors for the FYE2023 are as follows:

Range of Remuneration	No of persons
RM200,000 to RM250,000	1
RM350,001 to RM400,000	2
RM400,001 to RM450,000	1
RM1,050,000 to RM1,100,000	1
RM1,100,001 to RM1,150,000	1

The Board is of the view that it would not be in the best interest of the Group to disclose on a named basis the senior management's remuneration component because of industry competitiveness for skilful and experienced senior management staff.

2.3 Re-election of directors

Pursuant to Clause 76(3) of the Company's Constitution (the "Constitution") and Paragraph 7.26 of the MMLR, all Directors are required to retire by rotation such that each Director will retire at least once every three (3) years at the AGM. The Constitution also provide at least one third (1/3) of the Directors are subject to re-election by rotation at each AGM and retiring Directors can offer themselves for re-election.

Pursuant to Clause 78, new appointment is subject to retire in next AGM but shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at the AGM.

Directors seeking re-election for the forthcoming AGM are Mr. Chia Chee Hoong and Ms. Chan Shook Ling.

There were no new appointment of Directors during the financial year under review.

2.4 Gender Diversity

The Board recognises the value of a broad range of skills, experience, background and expertise. The Board does not have a formal policy on gender diversity due the size of the board composition but also because the Board is of the view that Board membership should be determined based on a candidate's character, competency, skills, experience and other qualities regardless of gender.

Despite there being no formal policy, but in line with Practice Note 5.9 of MCCG, the Board has adopted the practice to improve gender diversity on the Board. The Board is represented by one (1) female Director.

Corporate Governance Overview Statement
(Cont'd)

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

PART 3 REINFORCE INDEPENDENCE OF THE BOARD

3.1 Annual Assessment of Independent Directors

The NRC is responsible for reviewing recommendations of any new appointments to the Board. In reviewing these recommendations, the NRC considers the required mix of skills and experience which the Directors would bring to the Board and his or her time commitment. Any new nomination received, shall be reviewed by the NC and subsequently submitted to the Board for assessment and approval.

The Board, through the NRC, conducted evaluation on the effectiveness of the Board, its Committees and assess the independence of the Independent Directors annually. The criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Group and his involvement in any significant transaction with the Group. Among the criteria considered for independency includes the ability to exercise independent comments, judgment, and contribution constructively at all times to ensure that the Board functions effectively. The relationship between the Independent Directors with any substantial shareholders, any Executive Directors, any persons related to any Executive Director or major shareholder, business transactions with the Group and their tenure of office will also be reviewed.

The evaluation process involves individual Director completing separate assessment in questionnaire format regarding the processes of the Board and its Committees, their effectiveness and where improvements can be considered. The assessment form is guided by Corporate Governance Guide Pull-out I.

The NRC had performed the evaluation process for all of the Directors in July 2023. The NRC had reviewed the independence of the Independent Directors and performance of the Executive Directors and is satisfied with the independency and competency demonstrated. It is of the opinion that all the Independent Directors remain objective in expressing their views and in participating in deliberations and decision making process of the Board and its committees.

3.2 Tenure of Independent Directors

The Board has not adopted a nine-year policy for Independent Non-Executive Directors.

Should the tenure of an Independent Director exceed nine (9) years, shareholders' approval will be sought at an AGM for such Director to remain as an Independent Director or alternatively, the Director concerned will be re-designated as a Non-Independent Director if his or her services are still required. Nevertheless, none of the Independent Non-Executive Directors exceeded a cumulative term of nine (9) years with the Company.

3.3 Roles of Independent Non-Executive Chairman, CEO and Executive Directors

The Chairman, Mr. Chia Chee Hoong's role is to facilitate the effective conduct of business of the Board and ensure its smooth functioning. The CEO, Mr. Joshua Lim, ensures the smooth running of the day-to-day operations, monitors and evaluates the implementation of policies, strategies, business plans and sets the pace for its operations and future development of the Group. He is assisted by a group of senior, experienced Executive Directors and Senior Management.

The Chairman has the obligation to preside at various meetings, namely during the AGM and Board meetings in order to address issues to be highlighted by and to members independently.

Although all the Directors have equal responsibilities for the Company's operations, the role of the Independent Non-Executive Directors is particularly important in providing professional and independent views, expertise and judgement in exercising their duties and responsibilities taking into account the interests of the Company, the shareholders, the employees and other stakeholders.

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

PART 3 REINFORCE INDEPENDENCE OF THE BOARD (CONT'D)

3.4 Board Balance

The Board comprises a mix of qualified and experienced Directors with diverse experience, background and expertise.

The Executive Directors are primarily responsible for the day-to-day running of the Group's business, as well as implementing the policies and decisions of the Board. They each held different functions of the Company and contribute cohesively to the success of the Group.

The Independent Directors act independently of management, do not participate in any business dealings and are not involved in any business relationship with the Group that may impair their judgment and decision making.

Together the three (3) Executive Directors, three (3) Independent Directors and one (1) alternate Directors constitute a balanced Board comprised of professionals in diverse backgrounds, experience and wide mix of skills.

Currently, the Board consists of seven (7) members, as designated below:

Name	Directorship
Mr. Chia Chee Hoong	Chairman / Independent Non-Executive Director
Mr. Low Teng Lum	Senior Independent Non-Executive Director
Mr. Leow Chan Khiang	Independent Non-Executive Director
Mr. Joshua Lim Phan Yih	Managing Director / Chief Executive Officer
Mr. Lim Chong Shyh	Senior Executive Director
Ms. Chan Shook Ling	Executive Director / Chief Financial Officer
Mr. Joel Lim Phan Hong	Alternate Director to Mr. Lim Chong Shyh

A brief profile of each Director is presented in this Annual Report.

PART 4 FOSTER COMMITMENT OF DIRECTORS

4.1 Board Meeting and Attendance

Board meetings are held at least 4 times a year to ensure Directors can discharge their responsibility to manage and review the Group's overall performance, strategy and policy, and to monitor closely the exercise of any delegated authority, and for individual directors to report on their areas of responsibilities and duties. In addition to operational and financial issues, the Board also deals with challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics.

The Directors are aware of the time commitment expected from each of them to attend to Board and Committee meetings and other type of meetings. They do not hold directorship in more than five (5) public listed companies.

Corporate Governance Overview Statement
(Cont'd)

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

PART 4 FOSTER COMMITMENT OF DIRECTORS (CONT'D)

4.1 Board Meeting and Attendance (Cont'd)

During the FYE2023, the Board held five (5) meetings with the full attendance as follows:

Name of directors	No. of meetings held	Attendance
Mr. Chia Chee Hoong	5	5/5
Mr. Low Teng Lum	5	5/5
Mr. Leow Chan Khiang	5	5/5
Mr. Joshua Lim Phan Yih	5	5/5
Mr. Lim Chong Shyh	5	5/5
Ms. Chan Shook Ling	5	5/5

The Board, via the NRC committee, reviews the time commitment of the Directors annually and ensures they are able to carry out their duties and contributions to the Board.

The Board is satisfied that the Directors are committed to attend meetings in order to discharge their duties and responsibilities effectively and efficiently.

4.2 Supply of Information

The Board recognises that effective decision-making is highly dependent on the quality of information furnished. In furtherance of this, every Director has access to all information within the Group.

Each Director was provided with the agenda and a full set of the Board Papers prior to each Board Meeting with the aim of enabling the Directors to make fully informed decision at the Board Meetings.

All scheduled meetings held during the year were preceded by notice of meetings issued by the Company Secretaries. Senior management are invited to attend Board meetings, whenever necessary, to provide additional information on the relevant agenda items tabled at Board meetings.

The Directors may also engage independent professionals at the Company's expense on specialised issues to enable the Directors to discharge their duties with adequate knowledge on the matters deliberated.

The Board recognises that the Company Secretaries are suitably qualified and capable of carrying out the duties as required. All Directors have access to all information within the Company as well as the advices and services of the Company Secretaries who are responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulations are complied with.

The proceedings and resolutions passed at each Board Meeting are recorded in the minutes of the meetings, which are kept in the Minutes Book at the registered office. Besides Board meetings, the Board also exercises control on matters that require Board approval through the circulation of Director's written resolutions.

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

PART 4 FOSTER COMMITMENT OF DIRECTORS (CONT'D)

4.3 Directors' Training

The Group acknowledges the importance of continuous training and learning to enable the Directors to stay up-to-date with the state of the economy, technological advancements, legislation and regulations updates and corporate strategies affecting the Group so as to effectively discharge their duties and responsibilities.

All the Directors have successfully completed their Mandatory Accreditation Programme ("MAP") as required by Bursa Securities.

During the FYE2023, all Directors have attended the following training programmes as summarised below:

Name of directors	Seminar/Training Programmes attended	Date
Mr. Chia Chee Hoong	• Neuroscience Development Programme for Effective Business Leaders by Malaysia Institute of Accountants ("MIA") • Board and Senior Management on Task Force on Climate Related Financial Disclosures by Tricor Axcelasia	• 11 August 2022 • 12 December 2022
Mr. Low Teng Lum	• Board and Senior Management on Task Force on Climate Related Financial Disclosures by Tricor Axcelasia • Eastspring Public Symposium by Eastspring Investment Singapore • ESG Sustainability Reporting Workshop by Star Media Group • Malaysian Institute of Accountants 2023 Conference by MIA	• 12 December 2022 • 18 February 2023 • 13 April 2023 • 13-15 June 2023
Mr. Leow Chan Khiang	• Board and Senior Management on Task Force on Climate Related Financial Disclosures by Tricor Axcelasia • Understanding the Amendments to Listing Requirements 2022, guidelines on conduct of directors of listed corporation & their subsidiaries and issued by Securities Commission, and the application of Fit & Proper policy and effective business continuity management for business survival by Tricor Hive Sdn.Bhd • Payment to Non-Residents: Do we need to withhold tax? And Debt vs Equity funding – which is more tax efficient? by Tricor Hive Sdn. Bhd.	• 12 December 2022 • 28 March 2023 • 29 March 2023
Mr. Joshua Lim Phan Yih	• Neuroscience Development Programme for Effective Business Leaders by MIA • Board and Senior Management on Task Force on Climate Related Financial Disclosures by Tricor Axcelasia • Conduct of Directors and Common Breaches of Listing Requirements by MIA	• 11 August 2022 • 12 December 2022 • 28 March 2023

Corporate Governance Overview Statement
(Cont'd)

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

PART 4 FOSTER COMMITMENT OF DIRECTORS (CONT'D)

4.3 Directors' Training (Cont'd)

During the FYE2023, all Directors have attended the following training programmes as summarised below (Cont'd):

Name of directors	Seminar/Training Programmes attended	Date
Mr. Lim Chong Shyh	• Neuroscience Development Programme for Effective Business Leaders by MIA • Board and Senior Management on Task Force on Climate Related Financial Disclosures by Tricor Axcelasia • Conduct of Directors and Common Breaches of Listing Requirements by MIA	• 11 August 2022 • 12 December 2022 • 28 March 2023
Ms. Chan Shook Ling	• Neuroscience Development Programme for Effective Business Leaders by MIA • Key amendments to Listing Requirements 2022 by MIA • Capital Allowances Maximisation by MIA • Navigating the Ever-Evolving Tax Landscape by MIA • Board and Senior Management on Task Force on Climate Related Financial Disclosures by Tricor Axcelasia • Enhanced Sustainability Reporting and Amendments to Listing Requirements 2022 by Tricor Hive Sdn.Bhd. • Conduct of Directors and Common Breaches of Listing Requirements by MIA	• 11 August 2022 • 18 October 2022 • 10 November 2022 • 14 November 2022 • 12 December 2022 • 14 December 2022 • 28 March 2023

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

PART 5 UPHOLD INTEGRITY IN FINANCIAL REPORTING BY THE COMPANY

5.1 Audit and Risk Management Committee

The Board acknowledges its responsibility for maintaining a sound system of internal control and risk management for the Group. The terms of the Company's Audit and Risk Management Committee ("ARMC") and its activities during the financial year are outlined under the ARMC Report in this Annual Report.

5.2 Compliance with Applicable Financial Reporting Standards

The Board is assisted by the ARMC in reviewing the appropriateness of accounting policies applied by the Group by making sure the financial statements and quarterly announcements are prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The ARMC also assists the Board in scrutinising information for disclosure to ensure accuracy, adequacy and completeness. The Responsibility Statement by the Directors pursuant to the MMLR of Bursa Securities is set out in this Annual Report.

In addition to the above, the Company also undertook an independent assessment of the internal control system and the ARMC has been assured that no material issues or major deficiencies have been detected which pose a high risk to the overall internal controls under review.

Corporate Governance Overview Statement
(Cont'd)

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

PART 5 UPHOLD INTEGRITY IN FINANCIAL REPORTING BY THE COMPANY (CONT'D)

5.3 Assessment of Suitability and Independence of External Auditors

The Board through its ARMC maintains a good and transparent relationship with the external auditors, Crowe. The criteria for the external auditors' assessment include quality of service, sufficiency of resources, independence, objectivity and professionalism.

The ARMC has been explicitly accorded the power to communicate directly with the external auditors without the presence of the Executive Directors. They are also invited to attend the ARMC meetings to facilitate the exchange of view on issues requiring attention.

During the financial year under review, Crowe have presented its Audit Plan for FYE2023. The Audit Plan includes amongst others, audit strategy, audit approach towards financial statements as at and for the year ended 30 June 2023 and reporting timetable besides the updates on the developments in laws and regulations.

Crowe had also presented their Audit Committee Report to the Board which includes summary of significant matters identified during the audit of the Group. This includes significant auditing and accounting matters, internal control recommendations, key audit matters and communication of other matters such as audit responsibilities and scope, independence, fraud, development in laws and Crowe's views on the significant qualitative aspects of the Group's accounting practices.

In addition, Crowe are invited to attend the Company's AGM so that they are available to answer any questions from shareholders on the conduct of the statutory audit and the content of the audited financial statements.

PART 6 RECOGNISE AND MANAGE RISKS OF THE COMPANY

The Board acknowledges the significance of a sound system of risk management and internal control to manage the overall risk exposure of the Group. To achieve this, the Group has established an appropriate control environment and framework as well as reviewing its adequacy and effectiveness. The internal control system is designed to meet the Group's needs in managing risks.

The following represent the key elements of the Company's risk management and internal control structure:

a) setup a Risk Management Committee ("RMC") comprising the Managing Director and senior management;
b) ARMC reviews the findings of the RMC and risk register of the Group. Key risks identified are scored on likelihood of the risks occurring and the magnitude of its impact;
c) adopt clear and defined lines of responsibility and delegation of authority;
d) review and approve annual budget for the Group which sets out business prospects and opportunities;
e) review of the Group's business performance by the Board quarterly, which also covers the assessment of the impact of changes in business and competitive environment;
f) adopt active participation and involvement by the Managing Director / CEO and senior management in major business decisions; and
g) Adopt the Whistle Blowing Policy and the Anti-Corruption and Bribery Policy to identify, evaluate and manage key risks

The Board is committed towards improving the risk management to meet its corporate objectives with acceptable level of risks which are aligned to the Groups' risk appetite.

The feature of risk management and internal control framework to identify and manage the significant operational, financial and market risks associated with the Group's business are disclosed in the ARMC report, Corporate Governance Overview Statement and Statement on Risk Management and Internal Control ("SORMIC") in this Annual Report.

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

PART 7 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policies

The Board is mindful that information which is expected to be material must be announced immediately, and that the confidential information should be handled properly to avoid leakage and improper use of such information. With this in mind, the Board had established corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiary to be made to the regulators, shareholders and stakeholders.

The Company has put in place a Code of Conduct & Ethics on confidentiality to ensure that confidential information is handled properly by Directors, employees and relevant parties to avoid leakage and improper use of such information. The Board is mindful that information which is expected to be material must be announced immediately.

This corporate disclosure policy is available at our website: www.salutica.com

7.2 Leverage on Information Technology for Effective Dissemination of Information

The Board has established a dedicated section for corporate information, an Investor Relations section in the Company's website www.salutica.com which provides all relevant information such as financial information, annual reports, corporate governance report ("CG Report") and is accessible to the public.

This Investor Relations section enhances the Investor Relations function by including all announcements made by the Company. The announcements of the quarterly financial results are also made via Bursa LINK immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

This is also a section focusing on corporate governance that includes statements on Corporate Governance, Terms of Reference of the ARMC and NRC, Board Charter, Anti-Corruption and Bribery Policy, Code of Conduct and Ethics, Whistle Blowing Policy and Directors' Fit & Proper Policy.

The website also enable shareholders and investors to access information on the Group's products, awards recognition and business activities.

PART 8 STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encourage Shareholder Participation at General Meeting

The Board is responsible to ensure there is proper communication channel with its shareholders. The AGM is the principal forum for shareholders' dialogue which allows the shareholders to review the Company's performance via the Company's Annual Report and pose questions to the Board for clarification. At the AGM, the shareholders participate in deliberating resolutions being proposed or on the Company's operations in general.

The Notice of AGM is circulated to the shareholders at least twenty-eight (28) days before the date of the meeting to enable them to go through the Annual Report and papers supporting the resolutions proposed. The outcome of the AGM is then announced to Bursa Securities on the same meeting day. Minutes of AGM will be uploaded on our website no later than 30 business days after the AGM.

The 11th (FYE2023) AGM of the Company will be conducted fully virtual through online meeting platform.

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

PART 8 STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (CONT'D)

8.2 Voting by Poll

Pursuant to paragraph 8.29A of the MMLR, any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and its intended to be moved at the general meeting, is voted by poll.

Hence, all resolutions as set out in the notice of the Company's forthcoming AGM will be voted by poll.

The Board appoints an independent scrutineer to validate the votes cast at the AGM.

8.3 Investor Relations and Shareholder engagement

The Board recognises that transparency and accountability to its shareholders and investors are important. Therefore, the Board is committed to promote effective communication and proactive engagement with shareholders and investors.

The AGM and other general meetings are an opportunity to communicate directly with shareholders and encourages attendance and participation in dialogue Information on the Company's performance and any significant developments on all material business matters are disseminated in a timely manner.

The Board and management of Company communicate regularly with its shareholders and other stakeholders through the following mediums:

- **Announcements through Bursa Securities and Bursa LINK**

  The Board ensures timely announcements of financial results on a quarterly basis as well as significant corporate developments are made to Bursa Securities.

- **Analyst Briefings**

  Analyst briefings are held from time to time as a means of effective communication that enables the Board and the management to convey information relating to the Company's corporate strategy and other matters affecting the shareholders' interests, as well as provide clearer understanding of the Company's financial and operational performance.

- **One-to-One Meetings and conference calls**

  The Company aims to communicate fully with fund managers, investors and analysts upon request and availability. Regular, one-to-one meetings or conference calls with analysts and fund managers are held to provide updates on the Company's strategy and financial performance.

Corporate Governance Overview Statement
(Cont'd)

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

PART 8 STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (CONT'D)

8.3 Investor Relations and Shareholder engagement (Cont'd)

The Board and management of Company communicate regularly with its shareholders and other stakeholders through the following mediums (Cont'd):

- **Annual report**

  The Board ensures that the annual report are delivered within four months from the close of the financial year and at least twenty eight (28) days before the AGM to enable the shareholders to obtain the Group's past year performance and also to provide adequate time for the shareholders to review the report.

- **Official Company Website**

  The Company's website, www.salutica.com is updated with information on the Company and its business for both shareholders and the general public.

COMPLIANCE STATEMENT

The Board is of the view that the Group is substantially in compliance with the principles and practices set out in the MCCG and relevant Main Market Listing Requirements for the financial year under review.

This Statement is made in accordance with a resolution of the Board of Directors dated 16 October 2023.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

INTRODUCTION

The Audit committee was established by the Board on 5 April 2016 before changing its name to Audit and Risk Management committee ("ARMC") on 15 October 2018.

The ARMC key function is to review the adequacy and effectiveness of internal control and governance systems of the Group and present its findings to the Board.

The Terms of Reference of the ARMC can be found on the Company's website www.salutica.com/InvestorRelations.

1. Composition

The members of the ARMC are appointed by the Board from amongst the Non-Executive Directors and consist of three members, all of whom are Independent Directors.

The composition of the ARMC comply with the requirements of Paragraph 15.09 of the MMLR, with two members, Mr. Leow Chan Khiang and Mr. Low Teng Lum being Chartered Accountants registered with the Malaysia Institute of Accountants.

The composition of the ARMC is as follows:

Name	Designation	Directorship
Mr. Leow Chan Khiang	Chairman	Independent Non-Executive Director
Mr. Chia Chee Hoong	Member	Independent Non-Executive Chairman
Mr. Low Teng Lum	Member	Senior Independent Non-Executive Director

There is no alternate Director or current partner or employee of the Group's external auditor appointed as a member of the ARMC.

In the event of any vacancy in the ARMC resulting in non-compliance in respect of composition of ARMC, the Company shall fill the vacancy within three months.

2. Attendance at meetings

During the FYE2023, the ARMC held five meetings, in the presence of the Company Secretaries and the Executive Directors.

External Auditors and Internal Auditors were invited to certain meetings to present their audit plan and reports and respond to queries during the meetings.

The details of the attendance for the financial year under review are as follows:

Member	No. of meetings attended in FYE2023
Mr. Leow Chan Khiang	5/5
Mr. Chia Chee Hoong	5/5
Mr. Low Teng Lum	5/5

3. Chairman

The Chairman of the ARMC is Mr. Leow Chan Khiang who is an Independent Non-Executive Director. In the absence of the Chairman, the members shall elect any one of the members present at the meeting to be the Chairman of the meeting.

Audit and Risk Management Committee Report
(Cont'd)

4. Secretaries

The Company Secretaries shall be the Secretaries of the ARMC.

5. Quorum and Meeting Procedures

The quorum of the meeting of the ARMC shall be at least two members, a majority of whom must be Independent Directors.

At least four meetings shall be convened during a year. The meetings shall be scheduled regularly by the Secretaries and due notice shall be distributed to the members before the meeting together with the agenda and supporting papers. The minutes of the meeting shall be recorded for reference and inspection purposes. The Executive Directors, Accountants, or the representatives of the internal and external auditors may be present in any meeting upon the invitation of the ARMC.

6. Authority

The ARMC shall have the authority to do the following:

a. to carry out its function within its terms of reference. All employees of the Group shall be directed to co-operate as requested by the ARMC;
b. have full and unlimited/unrestricted access to all information, documents and resources which are required to perform its duties;
c. be able to obtain, at the expense of the Company, any other independent professional advice, if required;
d. be able to convene meetings with external auditors, internal auditors or both, excluding the attendance of the Executive Directors and employees of the Company, whenever deemed necessary;
e. be able to make relevant reports when necessary to the relevant authorities if any breach of the rules, regulations and/or Listing Requirements of the Bursa Securities has occurred; and
f. have direct communication channels with the external auditors and person(s) carrying out the internal audit function.

7. Functions

The ARMC shall discharge the following duties and responsibilities and report the same to the Board:

a. to review the following with the external auditors:

   i. held meetings with the external auditors during the year and reviewed and discussed their audit plan. One meeting was held without the presence of the management;
   ii. its evaluation of the system of internal control including their assessment of the financial reporting risk profile of the Group;
   iii. the audit report;
   iv. the assistance given by the employees and the management of the Company and the Group to the external auditors; and
   v. accounting and auditing findings and internal control recommendations presented during the audit committee meetings.

b. to review the following with the internal auditors:

   i. the adoption of a risks management framework and the annual approval of its mitigation plan to manage key strategic, financial and operational risks identified by the RMC;
   ii. the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work; and
   iii. the internal audit programs, processes, the results of the internal audit programs, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.

Audit and Risk Management Committee Report
(Cont'd)

7. Functions (Cont'd)

c. to review the quarterly unaudited financial results and audited financial statements, prior to the approval of the Board, particularly focusing on:

   i. changes in or implementation of major accounting policies;
   ii. significant and unusual events; and
   iii. compliance with approved accounting standards and other legal requirements.

d. to monitor any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;

e. to consider the appointment, resignation or dismissal of the external auditors of the Company;

f. to review and monitor the suitability and independence and evaluate the performance of the external auditors for re-appointment;

g. to obtain written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and

h. to review and report such other matters as may be delegated by the Board from time to time.

8. Activities of the ARMC

The main activities carried out by the ARMC during the FYE2023 in discharging their duties and responsibilities are summarized below:

i. reviewed and approved the Audit Planning Memorandum on the statutory audit of the Group for the FYE2023 prepared by external auditors;
ii. reviewed with the external auditors the result of the audit work performed, the Audit Summary Memorandum and the management letter or representation, including management response;
iii. held two meetings with the External Auditors and two meetings with the Internal Auditors and also one private sessions with the External Auditors without the presence of the Executive Directors.
iv. reviewed the independence and competency of the external auditors and recommended to the Board on their re-appointment and the fixing of its audit fees;
v. reviewed the terms of reference of the Audit and Risk Management Committee, the Board Charter, Code of Conduct and Ethics, Corporate Disclosure, Whistle Blowing and Anti-Corruption and Bribery Policies since the last financial year, a copy of which can be found on the Company's website www.salutica.com.
vi. reviewed and approved the internal audit plan for the Group which covered internal control system, risk register and update as per Risk Management Framework and follow-up of observations reported during the internal audit performed;
vii. reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group during each quarterly meeting;
viii. reviewed and recommended improvements to the existing internal controls, risk management as reported by internal auditor, Tricor Axcelasia Sdn.Bhd. ("Tricor Axcelasia");
ix. reviewed the quarterly and annual financial statements of the Company and the Group together with the Managing Director/Chief Executive Officer and Key Finance Personnel as well as the External Auditors, focusing particularly on significant changes to accounting policies and practices, going concern assumptions, review significant accounting estimates and management judgments, adjustments arising from the audits, compliance with the relevant accounting standards and other legal requirements to ensure that the financial statements presented a true and fair view of the Group's financial performance before recommending them to the Board for approval and release of the same to Bursa Securities;
x. reviewed the disclosure statements on the Statement on Corporate Governance, Audit and Risk Management Committee Report, Directors' Responsibility Statement, MDNA and Statement on Risk Management and Internal Control recommended for their adoption by the Board and Sustainability Statement for inclusion in this Annual Report; and
xi. reviewed the Corporate Governance report pursuant to Paragraph 15.25 of MMLR of Bursa Securities.

Audit and Risk Management Committee Report
(Cont'd)

9. Internal Audit Function

During the FYE2023, the Group had engaged an independent professional service provider, Tricor Axcelasia to provide independent assurance on the adequacy and effectiveness of the Group's system of internal controls and to advise the Group in areas that requires further improvement. The work performed is guided by the International Professional Practices Framework for Internal Auditing from the Institute of Internal Auditors ("IIA").

The internal audit team is headed by Mr. Chang Ming Chew who is the person responsible for the outsourced internal audit function of the Group. He is an executive director of Tricor Axcelasia and has the following qualifications and memberships:

i. Certified Internal Auditor and Certification in Risk Management Assurance from the IIA;
ii. Certified Information Systems Auditor from the ISACA;
iii. Professional Member of the Institute of Internal Auditors Malaysia;
iv. Member of the Association of Chartered Certified Accountants (UK); and
v. Member of the Malaysian Institute of Accountants.

Tricor Axcelasia assigned 3 to 4 staff per visit including the Engagement Director to perform internal audit for our Group. The staff of the internal audit team possesses professional qualifications and/or university degree. Most of them are members of the Institute of Internal Auditors Malaysia.

There were two internal control review cycles performed during FYE2023 as follows:

i) Review of the Sustainability Management Processes in December 2022; and

ii) Review of the Warehouse Management and Logistics functions in May 2023.

Tricor Axcelasia presented their internal audit reports to the ARMC in two separate meetings and concluded that the critical process risks have been identified and relevant control activities have been implemented with some improvements needed.

The professional fee incurred for the internal audit performed for the FYE2023 was RM25,000.

This Statement is made in accordance with a resolution of the Board of Directors dated 16 October 2023.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is pleased to provide the following Statement on Risk Management and Internal Control ("SORMIC") as required under Paragraph 15.26(b) of the Main Market Listing Requirements which outlines the nature and scope of the risk management and internal control of the Group during the financial year under review until the date of approval of this Statement.

1. Board's Responsibility

The Board recognises its responsibilities over the Groups' system of internal controls and are responsible for identifying principal risks, ensuring the implementation of appropriate systems to manage these risks and reviewing the adequacy and integrity of the Group's system of internal controls. In view of the limitations inherent in any system of internal controls, the system is designed to manage risks, rather than to eliminate them, to achieve the Group's objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatements, loss or irregularities.

The Audit and Risk Management Committee ("ARMC") recognises that internal control is an integral part of managing risks and their overall responsibilities to maintain a sound system of risk management and internal controls that covers not only financial controls but operational and compliance controls, and risk management practices throughout the Group. In this respect, the Board through its ARMC has established an ongoing process to identify, evaluate and manage risks. This includes enhancing the Group's risk management and internal control system as and when there are changes to the business environment and regulatory requirements.

The ARMC is supported by the outsourced Internal Audit Function, in relation to the provision of an independent assessment and evaluation of the Group's risk management while the Management assists the Board in the implementation of the Board's policies and procedures on risk management and internal control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to manage these risks.

The Board endeavours to maintain an adequate system of risk management and internal control to support the Group's operations.

2. Risk Management Framework

The Board recognises the importance of continuous review and improvement to its risk management process to keep abreast with the industry requirements and adapt to changes in its business environment.

In this regard, the Board has established the Enterprise Risk Management ("ERM") framework as an ongoing risk management commitment for identifying, evaluating and managing significant risks to which the Group is exposed. The ERM framework is established as follows:

(a) Structure

The Group adopts a decentralised approach to risk management, whereby all employees take ownership and accountability for risks at their respective levels. It uses key risk registers for identification of risk areas, possibility of risk occurring and its potential impact to the Group.

The process of risk management is overseen by the Heads of Department ("HOD"). Risk assessment is integrated into strategic planning and all other activities of the Group. Risk assessments are conducted on new ventures and activities, including projects, processes, systems and commercial activities to ensure that these are aligned with the Group's objectives and goals. Any risks or opportunities arising from these assessments will be identified, analysed and reported to the Risk Management Committee ("RMC").

The RMC's key function is to review the adequacy and effectiveness of risk management for the Group. It is responsible for identifying the key potential risks of all operating units within the Group. It also reviews the framework for risk identification, measurement, monitoring and control on a regular basis to ensure it remains effective and relevant. All employees are encouraged to contribute towards the identification of new risks and implementation of new controls.

Statement on Risk Management and Internal Control
(Cont'd)

2. Risk Management Framework (Cont'd)

(b) Risk Assessment

The Board is supported by the RMC headed by its Managing Director/Chief Executive Officer, based on the advice from the ARMC. The RMC, which comprises key persons from all departments, submits its reports to the ARMC and the Board on a quarterly basis.

The Group maintains a register of principal risks specific to the Group together with their corresponding controls, which are categorised as follows:

- Strategic: Which are risks that affect the overall direction of the business.
- Compliance: Which are risks associated with the laws and regulations.
- Financial: Which are risks associated with financial processing and reporting.
- Operational: Which are risks that impact the delivery of the Group's products and services.

The Group maintains a strategic risk register whilst all departments within the Group maintain their respective operational risk registers. The Group is committed to ensuring that all staff, particularly Heads of Department are provided with adequate guidance and training on the principles of risk management and their responsibilities in order to be in compliant with the risk management framework setup.

During the financial year, the Board reviews, on quarterly or when required, the design and monitors the operating effectiveness of the internal controls, including the development of an appropriate risk management culture across the Group.

- **ARMC**

  The ARMC reviews, monitors and evaluates the effectiveness and adequacy of the Group's internal controls and financial and risk management issues raised by the External and Internal Auditors, regulatory authorities and management. The review includes reviewing written reports from the Internal and External Auditors. As part of the ongoing control improvement process, management will take appropriate action to address the control recommendations made by the Internal and External Auditors.

  The ARMC also convenes meetings with External Auditors, Internal Auditors, or both without the presence of management. In addition, the ARMC reviews the adequacy of the scope, functions and competency of the Internal and External Auditors. The ARMC also reviews and evaluates the procedures established to ensure compliance with applicable legislation, the Listing Requirements and the Group's system of internal controls.

  The ARMC report included in this Annual Report contains further details on the activities undertaken by the ARMC in 2023.

- **The Board**

  The Board is committed to conduct business fairly and ethically, and in compliance with the law and regulations. The Board holds regularly discussions with the ARMC and management and considers their reports on matters relating to internal controls and deliberates on their recommendations for implementation. The Board's Charter and Code of Conduct and Ethics stipulates how Directors should conduct themselves in all business matters.

Statement on Risk Management and Internal Control
(Cont'd)

3. System of Internal Controls

The Board considers risk assessment and internal control to be fundamental to the Group in achieving its corporate objectives within reasonable risk profile and is committed to ensure effective and efficient internal control system is implemented across the Group.

The system of internal control incorporates risk management. This system encompasses a number of elements that together facilitate effective and efficient operations, enabling the Group to respond to a variety of operational, financial, compliance and strategic risks.

The key elements of the Group's internal control system are described below:

(a) Control Environment

The importance of a proper control environment is emphasised throughout the organisation. Focus is directed towards the quality and abilities of the Group's employees. They are provided with continuing education and training to enhance their skills and to reinforce qualities of professionalism and integrity. Such training also includes internal briefings and external seminars for selected employees to enhance the level of awareness and knowledge on matters relating to risk management and internal control.

(b) Control Structure

The Board has established an organisation structure with clearly defined lines of accountability and delegated authority. This includes well-defined responsibilities of Board committees and various management levels, including authorisation levels for all aspects of the business.

The key elements of the Group's control structure are as follows:

- **Management's responsibilities**

  Policies and Procedures: Internal control procedures are set out in a series of standard operating policies and procedures to govern the Group's various business processes. The procedures are periodically updated when the need arises to meet the changing environment to ensure its relevancy.

  Human Capital: Emphasis is placed on enhancing the quality and ability of employees through a wide variety of training programmes to enhance their knowledge and skills. The Group follows a set of recruitment guidelines for hiring and termination of staff and annual performance appraisals to enhance the level of staff competency in carrying out their duties and responsibilities. Each employee is given the Employee Handbook which defines the core principles, ethical standard and expected code of conduct which employees should follow in achieving the Group's vision and objectives.

  Code of Ethics and Conduct (the "Code"): The Group established the Code to ensure that working environments and conditions are safe where conflict of interests are avoided. Employees are treated with respect and dignity and business operations are conducted ethically.

  Limits of Authority: The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions within those limits to authorised personnel in order to facilitate operational efficiency.

Statement on Risk Management and Internal Control
(Cont'd)

3. System of Internal Controls (Cont'd)

(b) Control Structure (Cont'd)

- **Management's responsibilities (Cont'd)**

  Related Party Transactions: The Board ensures that related party transactions are undertaken in compliance with the Group's policy – that are carried out on terms agreed between both parties, which are in the best interest of the Group.

  Whistle Blowing Policy: The Board implemented the Whistle Blowing Policy in 2015 and review the policy annually to ensure relevance and adequacy. The aim of the policy is to provide an avenue for staff or any other persons including general public to raise concerns on any wrongdoing committed by staff of the Group relating to mismanagement or abuse of authority, corruption or any breach of laws and regulations. Additionally, it also provides for any complaint to be reported directly to the Chairman of the ARMC.

  Anti-Corruption and Bribery Policy: The Group and its management is committed to conduct its businesses with uncompromising integrity and professionalism and in this regard has established the Anti-Corruption and Bribery Policy in 2019. The policy sets out the principles and scope of responsibilities amongst others, ZERO TOLERANCE on corruption and bribery with all employees and business partners. Declaration of conflict of interests are sent to business partners annually.

  Communication: Information is communicated through circulars, emails, meetings and internal memos.

- **Internal Audit Function**

  The Group's internal audit function was outsourced to an independent professional service provider, Tricor Axcelasia Sdn. Bhd. ("Internal Auditors"), who assist the ARMC to review the control processes implemented by the management. They report the audit findings directly to ARMC.

  The scope of the internal audit focused on the key risk areas identified in the enterprise-wide risk management exercise in accordance with the internal audit plan approved by the Board.

  The internal audit work performed is in reference to the International Professional Practices Framework for Internal Auditing from the Institute of Internal Auditors.

  For any significant control deficiencies noted from the reviews will be documented, communicated and recommended to management for review and corrective actions. The Internal Auditors report to the ARMC all significant non-compliance, internal control weaknesses and actions taken by management to resolve the audit issues identified.

  The Internal Auditors carry out their functions independently with risk-based approach and provides the ARMC and the Board with the assurance on the areas to be tested during the financial year, the adequacy and effectiveness of the system of internal controls.

  During the financial year under review, the internal audit function conducted two internal audit reviews on the business operations based on an annually approved internal audit plan.

  The qualification, name and number of Internal Audit staff are disclosed in the ARMC report in this annual report.

Statement on Risk Management and Internal Control
(Cont'd)

4. Review of the Statement by External Auditors

As required by Paragraph 15.23 of the MMLR, the external auditors, Crowe Malaysia PLT, have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report 2023. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide 3 ("AAPG 3") issued by the Malaysian Institute of Accountants.

Based on the procedures performed, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe this Statement is not prepared in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers to be set out, nor is the same factually inaccurate.

5. Conclusion

The Board is of the view that the Group's systems of internal controls and risk management, which are in place for the year under review, and up to the date of approval of this Statement, is sound and sufficient and are adequate in achieving its business objectives. However, the Board is also cognizant of the fact that the Group's systems of risk management and internal controls must continuously evolve to meet the changes and challenges of the business environment.

The Managing Director/Chief Executive Officer and Chief Financial Officer have provided assurance to the Board that the Group's risk management and internal control systems, in all material aspects, have operated adequately and effectively. There were no major weaknesses in internal controls which resulted in material losses during the financial year under review until the date of approval of this Statement.

This statement was made in accordance with a resolution approved by the Board on 16 October 2023.

DIRECTORS' RESPONSIBILITY **STATEMENT**

Directors' Responsibility Statement in respect of the preparation of the Audited Financial Statements

The Directors are responsible for the preparation of the financial statements and to ensure that the audited financial statements give a true and fair view of the state of affairs of the Group and the Company as at 30 June 2023 and the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

During the preparation of the audited financial statements of the Group and the Company, the Directors have made reasonable judgements and estimates that are reasonable and prudent and prepared the financial statements on a going concern basis.

The Directors are responsible for ensuring that proper accounting records are kept which present fairly the financial positions of the Group and the Company. The Directors also have a general responsibility for taking necessary steps that are reasonably available to them to safeguard the assets of the Group and the Company.

The Directors acknowledge their overall responsibility for maintaining a system of internal controls that provides assurance of effective and efficient operations and compliance with laws and regulations and also its internal procedures and guidelines. The system of internal controls is designed to provide reasonable but not absolute assurance against the risk of material errors, frauds or other irregularities.

The Directors have considered and pursued the necessary actions to meet their responsibilities as set out in this Statement.

ADDITIONAL COMPLIANCE **INFORMATION**

1. **Utilisation of Proceeds from Private Placement exercise**

As at 30 June 2023, the Company has yet to fully utilised the Private Placement proceeds which was completed on 18 August 2021 amounting to RM21.56 million.

A summary of the status of the utilisation of proceeds from the Private Placement exercise is as follows:

Details of utilisation	Intended utilisation RM'000	Actual utilisation RM'000	Balance Unutilised RM'000	Intended timeframe for utilisation (from date of receipts of proceeds)	Extended timeframe for utilisation (from date of receipts of proceeds)
Working Capital [(1)]	17,710	17,710	0	Within 6 months	
Other Expenditure [(2)]	3,350	2,555	795	Within 12 months	Additional 18 months (i.e. 17 February 2024)
Estimated expenses in relation to the private placement	500	500	0	Upon completion of the private placement	
Total	**21,560**	**20,765**	**795**		

Note:

(1) Purchase of component materials used in production of TWS and other electronic products.
(2) Expenditure on R&D, production testers, medical certification and purchase of simulation software and equipment.

2. **Statutory and non-statutory audit fees**

The statutory audit and non-statutory audit fees incurred for services rendered by external auditors, Messrs. Crowe Malaysia PLT and its affiliates to the Group and the Company for the financial year ended 30 June 2023 are as follows:

FYE2023	Company (RM'000)	Group (RM'000)
Statutory Audit	50	128
Non-statutory Audit	5	8

The non-statutory audit fees included assurance services comprises, amongst others, fees related to the review of Statement on Risk Management and Internal Control and MIDA Grant audit.

Additional Compliance Information
(Cont'd)

3. Material Litigations

A) <u>Legal suit against Apple Malaysia Sdn. Bhd.</u>

On 11 January 2022, Salutica Allied Solutions Sdn. Bhd.("the Plaintiff"), a wholly-owned subsidiary of the Company had filed a Writ of Summons with the Statement of Claim dated 10 January 2022, at the High Court of Malaya in Kuala Lumpur against Apple Malaysia Sdn. Bhd. ("the Defendant"), (the "Suit").

The Plaintiff is the owner of the Malaysian Patent No. MY-172803-A (hereinafter the "MY'803 Patent"). The Crosspair Technology is the invention claimed by the Plaintiff in the MY'803 Patent.

Solicitors for both the Plaintiff and the Defendant in the suit have on 23 August 2023 attended the hearing of the Defendant's disqualification application. The Court has dismissed the Defendant's disqualification application with cost of RM15,000.00 to be paid forthwith. As such, the firm of Messrs. Joel & Mei will continue to represent the Plaintiff in this suit. The Court has also fixed the trial date for the main suit on 11 to 14 March 2024 and 18 to 21 March 2024.

Solicitors for both the Plaintiff and the Defendant have on 6 September 2023 attended case management. In respect of the Defendant's application for the protective order, the Court has directed for parties to file written submissions by 27 September 2023 and the respective submissions in reply by 11 October 2023. The Court has fixed the said application for hearing on 26 October 2023. In respect of the main suit, the Court has also directed parties to file any other witness statement by 19 February 2024.

B) <u>Legal suit against Paradigm Metal Industries Sdn. Bhd.</u>

On 11 August 2023, Salutica Allied Solutions Sdn. Bhd.("the Plaintiff"), a wholly-owned subsidiary of the Company had filed a Writ of Summons with the Statement of Claim dated 11 August 2023, at the High Court of Malaya in Penang against Paradigm Metal Industries Sdn. Bhd. ("PMI" or "Defendant").

The Plaintiff through a Framework Purchase Agreement dated 10 November 2021 ("Agreement"), has supplied to the Defendant various electronics products ("Products"). In year 2022, the Plaintiff had manufactured and delivered to the Defendant the Products to which the Plaintiff had issued invoices to the Defendant for a total amount of USD568,925.03. On 17 July 2023, the solicitors for the Plaintiff issued a letter of demand to the Defendant to which has yet to be satisfied in full by the Defendant.

After having taken into account certain reduction and late interest charges together with a partial payment from PMI of USD137,167.00 on 21 July 2023, the net amount owing to SAS is USD383,714.97, comprising principal sum of USD323,886.63 and late payment interest charges of USD59,828.34. Based on the Bank Negara Malaysia's exchange rate on 9 August 2023 of USD1.00 equals to RM4.5795, the total claim by the Plaintiff against the Defendant is RM1,757,222.71.

3. Material Litigations (Cont'd)

B) Legal suit against Paradigm Metal Industries Sdn. Bhd. (Cont'd)

The claim pursuant to the Writ and Statement of Claim is as follows:

(a) The sum of USD383,714.97 or alternatively the sum of RM1,757,222.71, to be paid by the Defendant to the Plaintiff;
(b) Late payment interest of 1% per month calculated from 1 August 2023 until the date of full settlement;
(c) Pre-judgement interest of 5% per annum on the amount of item (a) and (b) above calculated from the date of filing of this suit until the date of judgement;
(d) Judgement interest of 5% per annum on the amount of item (a), (b) and (c) above from the date of judgement until the date of full settlement;
(e) Cost of the suit; and
(f) Such further and other relief as the Honourable Court deems fit and proper to grant.

Solicitors for both the Plaintiff and Defendant in the suit have on 8 September 2023 attended case management for the Defendant's application to stay proceedings and to refer the matter to arbitration under Section 10 of the Arbitration Act 2005. The said application is fixed for case management on 29 November 2023 for parties to file affidavits in reply, written submissions and submissions in reply.

Save for the above, there is no litigation involving the Group which has a material effect on the financial position of the Group and the Board is not aware of any material litigation or any proceedings pending or threatened.

4. Material Contracts

There were no material contracts entered into by the Company or its subsidiary involving the interests of the Directors or major shareholders, either subsisting at the end of the financial year 30 June 2023 or, entered into since the end of previous financial year.

FINANCIAL STATEMENTS

DIRECTORS' **REPORT**

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2023.

PRINCIPAL ACTIVITY

The principal activities of the Company during the financial year is investment holding. The principal activities of the subsidiary are set out in Note 16 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM	The Company RM
Loss after taxation for the financial year	(28,531,981)	(173,230)

DIVIDENDS

No dividend was recommended by the directors for the financial year.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) there were no changes in the issued and paid-up share capital of the Company; and

(b) there were no issues of debentures by the Company.

TREASURY SHARES

As at 30 June 2023, the number of outstanding ordinary shares in issue after the setting off the 3,000,000 treasury shares against equity was 423,500,000 (2022 – 423,500,000). The treasury shares are held at a carrying amount of RM984,500. The details of the treasury shares are disclosed in Note 24 to the financial statements.

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.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

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 Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

(a) 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

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

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.

Directors' Report
(Cont'd)

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, 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.

SUBSIDIARY

The details of the subsidiary name, place of incorporation, principal activities and percentage of issued share capital held by the Company in the subsidiary are disclosed in Note 16 to the financial statements.

The available auditors' reports on the financial statements of the subsidiary did not contain any qualification.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND AFTER THE REPORTING PERIOD

The significant events during and after the reporting period are disclosed in Note 37 to the financial statements.

ULTIMATE HOLDING COMPANY

The ultimate holding company is Blue Ocean Enlightenment Sdn. Bhd., a company incorporated in Malaysia.

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:-

Lim Chong Shyh
Joshua Lim Phan Yih
Chia Chee Hoong
Low Teng Lum
Leow Chan Khiang
Chan Shook Ling
Joel Lim Phan Hong (Alternate director to Lim Chong Shyh)

The names of directors of the subsidiary are as follows:

Lim Chong Shyh
Joshua Lim Phan Yih
Goh Bee Chin @ Ooi Bee Chin
Ho Keat Soong

Directors' Report
(Cont'd)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings required to be kept under Section 59 of the Companies Act 2016 in Malaysia, none of the directors who held office at the end of the financial year held any interest in shares in, or debentures of, the Company and every other body corporate, being the Company's holding company or a subsidiary of the Company's holding company during the financial year except as follow:-

	Number of Ordinary Shares			
	At 1.7.2022	Acquired	Disposal	At 30.6.2023
Salutica Berhad (The Company)				
Direct interest				
Chia Chee Hoong	1,450,000	–	(1,150,000)	300,000
Low Teng Lum	700,000	–	(600,000)	100,000
Leow Chan Khiang	700,000	–	(700,000)	–
Chan Shook Ling	6,100,000	–	–	6,100,000
Indirect interest				
Lim Chong Shyh	214,500,000	–	–	214,500,000
Joshua Lim Phan Yih	214,500,000	–	–	214,500,000
Joel Lim Phan Hong	214,500,000	–	–	214,500,000
Low Teng Lum	30,000	–	(30,000)	–
Blue Ocean Enlightenment Sdn. Bhd. (Ultimate holding company)				
Direct interest				
Lim Chong Shyh	54	–	–	54
Joshua Lim Phan Yih	23	–	–	23
Joel Lim Phan Hong	23	–	–	23

Other than as disclosed above, none of the other directors of the Company who were in office at the end of financial year had any other interest in the shares or options over unissued shares or debentures of the Company or its related corporations during the financial year.

By virtue of their substantial interest in shares in Salutica Berhad as at 30 June 2023, Lim Chong Shyh, Joshua Lim Phan Yih and Joel Lim Phan Hong are deemed to have interest in the shares in Salutica Allied Solutions Sdn. Bhd., the wholly owned subsidiary of the Company.

Directors' Report
(Cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than directors' remuneration as disclosed in the "Directors' Remuneration" of this report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business as disclosed in Note 32(c) to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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	**The Company RM**
Fees	495,000	363,000
Salaries, bonuses and other benefits	1,922,638	–
Defined contribution benefits	340,527	–
	2,758,165	363,000

The estimated monetary value of benefits-in-kind provided by the Group to the directors of the Company were RM44,137.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS OR AUDITORS

During the financial year, the amount of indemnity coverage and insurance premium paid for the directors and management personnel of the Company and its subsidiary were limit of liability at RM10,000,000 in the aggregate and RM19,120 respectively.

No other indemnity given to or insurance effected for other directors, officers or auditors of the Company during the financial year and during the period from the end of the financial year to date of this report.

Directors' Report
(Cont'd)

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	The Company RM
Audit fees	128,000	50,000
Non-audit fees	7,800	5,000
	135,800	55,000

Signed in accordance with a resolution of the directors dated 16 October 2023.

Joshua Lim Phan Yih

Lim Chong Shyh

STATEMENT BY **DIRECTORS**

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

We, **Joshua Lim Phan Yih** and **Lim Chong Shyh**, being two of the directors of **Salutica Berhad**, state that, in the opinion of the directors, the financial statements set out on pages 85 to 154 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2023 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 16 October 2023.

Joshua Lim Phan Yih **Lim Chong Shyh**

STATUTORY **DECLARATION**

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

I, **Chan Shook Ling (MIA Membership Number: 17167)**, being the director primarily responsible for the financial management of **Salutica Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 85 to 154 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 abovementioned
Chan Shook Ling, NRIC Number: 701219-08-5902
at Ipoh in the State of Perak Darul Ridzuan
on this 16 October 2023.

Chan Shook Ling

Before me

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SALUTICA BERHAD (INCORPORATED IN MALAYSIA)
REGISTRATION NO: 201201040303 (1024781-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Salutica Berhad, which comprise the statements of financial position as at 30 June 2023, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 85 to 154.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2023, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Independent Auditors' Report
(Cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (Cont'd)

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

Revenue recognition on services rendered in respect of product development
Refer to Note 5.18(b) in the summary of significant accounting policies and Note 6 to the financial statements.

Key audit matters	How our audit addressed the key audit matters
The Group recorded the revenue on services rendered in respect of product development of RM2.8 million for the financial year ended 30 June 2023. The Group recognised revenue on services rendered for product development over time using the stage of completion method. We identified the revenue on the services rendered for product development as areas of audit focus as these areas involved significant management's judgement and estimates made in respect of the total budgeted time and total budgeted costs for product development projects (which represents a key input for the computation of percentage-of-completion of these development projects).	We performed the following procedures in relation to revenue recognition on services rendered in respect of product development on a sampling basis: • Obtained an understanding of the internal controls over the accuracy and timing of revenue recognised in the financial statements, including the controls performed by management in estimating the total contract costs, profit margin and percentage-of-completion of the contracts; • Obtained supporting evidence such as signed contracts, on sample basis, to obtain understanding of specific terms and condition; • Assessed the variations in development projects to approved variation order, if any; • Checked mathematical accuracy of the percentage of completion based on information on the actual time incurred up to the reporting date over the total budgeted time required to complete the project; • Assessed the management's assumptions in estimating contract costs by agreeing the budgeted costs to the awarded contracts and other documentary evidence such as approved purchase orders and quotations. We considered the historical accuracy of management forecasts for similar development projects in evaluating the estimated total costs in deriving gross profit margin; • Tested management's workings on the computation of percentage of completion; • Tested management's workings on the computation of revenue by agreeing the contract revenue to the signed contracts or purchase order from the customers; and • Evaluated the adequacy of presentation and disclosures of revenue recognition on services rendered in respect of product development in the financial statements, including significant accounting policies. Based on the procedures performed above, we did not find any material exceptions in the revenue recognised during the financial year.

Independent Auditors' Report
(Cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (Cont'd)

We have determined the matters described below to be the key audit matters to be communicated in our report (Cont'd).

Impairment assessment of property, plant and equipment, right-of-use ("ROU") assets and intangible assets (collectively "non-financial assets")
Refer to Note 5.6, 5.8 and 5.9 in the summary of significant accounting policies and Notes 13, 14 and 15 to the financial statements.

Key audit matters	How our audit addressed the key audit matters
The Group has property, plant and equipment, ROU assets and intangible assets with aggregate carrying amounts of approximately of RM45.3 million, RM5.1 million and RM0.9 million respectively as at 30 June 2023. As at 30 June 2023, the carrying amount of the non-financial assets represent 100% and 36% of the non-current assets and total assets of the Group respectively. The Group is required to perform impairment test of Cash Generating Unit ("CGU") whenever there is an indication that the CGU may be impaired by comparing the carrying amount with its recoverable amount. The continued losses in the financial year ended 30 June 2022 and financial year ended 30 June 2023 indicates that the carrying amount of the non-financial assets of the Group may be impaired. The Group estimates its recoverable amount of the non-financial assets at the higher of the CGU's fair value less costs of disposal ("FVLCD") and Value-In-Use ("VIU"). Estimating the VIU involves estimating the future cash inflows and outflows that will be derived from the CGU based on assumptions that are highly judgement and discounting them at an appropriate rate.	We performed the following procedures in relation to management's impairment assessment of non-financial assets of the Group: • Evaluated the assumptions and methodologies used in performing the impairment assessment; • Tested the basis of preparing the cash flow forecasts taking into account the historical evidence supporting the underlying assumptions; • Assessed the reliability of management's forecast by comparing financial performances against previous financial forecasted results; • Evaluated the key assumptions, in particular, revenue growth projections and operating profit margins by comparing against internal information, and external economic and market data; • Assessed the appropriateness of the weighted-average cost of capital discount rate assigned to the CGU; and • Assessed the adequacy of the presentation and disclosures in the financial statements. Based on the procedures performed, the results of management's impairment assessment are consistent with the outcome of our procedures.

Independent Auditors' Report
(Cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (Cont'd)

We have determined the matters described below to be the key audit matters to be communicated in our report (Cont'd).

Impairment assessment of investment in a subsidiary
Refer to Note 5.5 in the summary of significant accounting policies and Note 16 to the financial statements.

Key audit matters	How our audit addressed the key audit matters
The carrying amount of the Company's investment in a subsidiary is RM90 million as at 30 June 2023. The Company is required to perform impairment test on the Company's investment in a subsidiary whenever there is an indication that the carrying amount may be impaired. The continued losses the financial year ended 30 June 2022 and financial year ended 30 June 2023 of the subsidiary indicates that the carrying amount of the investment in a subsidiary of the Company may be impaired. The Company estimates its recoverable amount of the investment in a subsidiary at the higher of the subsidiary's fair value less costs of disposal ("FVLCD") and Value-In-Use ("VIU"). Estimating the VIU involves estimating the future cash inflows and outflows that will be derived from the subsidiary based on assumptions that are highly judgmental and discounting them at an appropriate rate.	We performed the following procedures in relation to management's impairment assessment of investment in a subsidiary of the Company: • Obtained an understanding of the management's business plan; • Evaluated the assumptions and methodologies used in performing the impairment assessment; • Tested the basis of preparing the cash flows forecasts taking into account the historical evidence supporting the underlying assumptions. • Assessed the reliability of management's forecast by comparing actual financial performances against previous financial forecasted results; • Evaluated the key assumptions, in particular, revenue growth projections and operating profit margins by comparing against internal information, and external economic and market data; and • Assessed the appropriateness of the weighted-average cost of capital discount rate assigned to the CGU. Based on the procedures performed, the results of management's impairment assessment are consistent with the outcome of our procedures.

Independent Auditors' Report
(Cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and 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.

Independent Auditors' Report
(Cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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 (Cont'd):-

- 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.

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

Choong Kok Keong
03461/11/2023 J
Chartered Accountant

Ipoh, Perak

16 October 2023

STATEMENTS OF
COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

		The Group		The Company	
	Note	2023 RM	2022 RM	2023 RM	2022 RM
Revenue	6	63,852,670	143,835,901	–	–
Other income		14,481,758	8,559,422	–	–
Raw materials and consumables used		(37,236,899)	(90,704,757)	–	–
Changes in inventories of work in progress and finished goods		(15,200,314)	(10,306,729)	–	–
Employee benefits costs	7	(26,408,292)	(30,703,166)	(363,000)	(363,000)
Contract workers		(2,428,129)	(6,176,514)	–	–
Depreciation of property, plant and equipment		(8,454,682)	(7,764,547)	–	–
Impairment loss of property, plant and equipment		(466,992)	–	–	–
Amortisation of intangible assets		(144,737)	(998,751)	–	–
Written off intangible assets		(16,390)	–	–	–
Utilities		(2,538,559)	(2,805,790)	–	–
Maintenance and upkeep		(3,101,018)	(3,731,577)	–	–
(Impairment loss)/reversal of allowance in trade receivables		(1,452,010)	48,979	–	–
Other gains – net	8	2,048,629	1,271,818	397,851	253,915
Other expenses		(3,993,558)	(8,379,138)	(208,517)	(811,946)
Loss from operations	9	(21,058,523)	(7,854,849)	(173,666)	(921,031)
Finance income – interest income		–	55,338	–	–
Finance costs		(378,243)	(546,686)	–	–
Finance costs – net	10	(378,243)	(491,348)	–	–
Loss before taxation		(21,436,766)	(8,346,197)	(173,666)	(921,031)
Income tax (expenses)/credit	11	(7,095,215)	1,762,564	436	(436)
Net loss for the financial year		(28,531,981)	(6,583,633)	(173,230)	(921,467)
Other comprehensive income, net of tax		–	–	–	–
Total comprehensive loss for the financial year		(28,531,981)	(6,583,633)	(173,230)	(921,467)

The annexed notes form an integral part of these financial statements.

Statements of Comprehensive Income
(Cont'd)

	Note	The Group 2023 RM	The Group 2022 RM	The Company 2023 RM	The Company 2022 RM
Net loss for the financial year/Total comprehensive loss for the financial year attributable to:					
Owners of the Company		(28,531,981)	(6,583,633)	(173,230)	(921,467)
LOSS PER SHARE (sen)					
Basic/Diluted	12	(6.74)	(1.57)		

The annexed notes form an integral part of these financial statements.

STATEMENTS OF **FINANCIAL POSITION**

AS AT 30 JUNE 2023

	Note	The Group 2023 RM	The Group 2022 RM	The Company 2023 RM	The Company 2022 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	13	45,323,733	51,913,696	2	2
Right-of-use assets	14	5,082,954	5,177,767	–	–
Intangible assets	15	929,143	1,051,670	–	–
Investment in a subsidiary	16	–	–	90,000,005	90,000,005
Deferred tax assets	17	–	7,096,000	–	–
		51,335,830	65,239,133	90,000,007	90,000,007
CURRENT ASSETS					
Inventories	18	29,259,698	54,584,473	–	–
Receivables, deposits and prepayments	19	7,581,528	18,342,747	10,998	10,998
Contract assets	20	11,996	2,043,899	–	–
Amount owing by a subsidiary	32(b)	–	–	15,000,000	16,000,000
Short-term investment	21	46,019,676	45,104,513	14,690,115	13,842,264
Current tax assets		2,763,898	2,735,852	3,479	2,510
Cash and bank balances	22	6,338,870	7,929,673	11,846	59,847
		91,975,666	130,741,157	29,716,438	29,915,619
TOTAL ASSETS		143,311,496	195,980,290	119,716,445	119,915,626

The annexed notes form an integral part of these financial statements.

Statements of Financial Position
(Cont'd)

	Note	The Group 2023 RM	The Group 2022 RM	The Company 2023 RM	The Company 2022 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	23	113,362,368	113,362,368	113,362,368	113,362,368
Treasury shares	24	(984,500)	(984,500)	(984,500)	(984,500)
Retained profits		5,590,026	34,122,007	6,836,257	7,009,487
TOTAL EQUITY		117,967,894	146,499,875	119,214,125	119,387,355
NON-CURRENT LIABILITIES					
Lease liability	25	76,955	100,424	–	–
Borrowings	26	14,924	1,966,076	–	–
		91,879	2,066,500	–	–
CURRENT LIABILITIES					
Payables and accrued liabilities	27	12,676,665	28,361,894	502,320	528,271
Contract liabilities	28	6,988,128	11,783,230	–	–
Provision for warranties	29	112,309	119,674	–	–
Lease liability	25	23,469	22,120	–	–
Borrowings	26	5,451,152	6,749,972	–	–
Derivative liabilities	30	–	377,025	–	–
		25,251,723	47,413,915	502,320	528,271
TOTAL LIABILITIES		25,343,602	49,480,415	502,320	528,271
TOTAL EQUITY AND LIABILITIES		143,311,496	195,980,290	119,716,445	119,915,626

The annexed notes form an integral part of these financial statements.

STATEMENTS OF
CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

	Note	Share Capital RM	Treasury Shares RM	Retained Profits RM	Total RM
The Group					
Balance at 1.7.2021		91,802,368	(991,600)	40,705,640	131,516,408
Issuance of shares	23	21,560,000	–	–	21,560,000
Resale of treasury shares	24	–	7,100	–	7,100
Total contributions by owners		21,560,000	7,100	–	21,567,100
Loss after taxation for the financial year		–	–	(6,583,633)	(6,583,633)
Other comprehensive loss for the financial year, net of tax		–	–	–	–
Total comprehensive loss for the financial year		–	–	(6,583,633)	(6,583,633)
Balance at 30.6.2022/1.7.2022		113,362,368	(984,500)	34,122,007	146,499,875
Loss after taxation for the financial year		–	–	(28,531,981)	(28,531,981)
Other comprehensive loss for the financial year, net of tax		–	–	–	–
Total comprehensive loss for the financial year		–	–	(28,531,981)	(28,531,981)
Balance at 30.6.2023		113,362,368	(984,500)	5,590,026	117,967,894

The annexed notes form an integral part of these financial statements.

Statements of Changes in Equity
(Cont'd)

	Note	Share Capital RM	Treasury Shares RM	Retained Profits RM	Total RM
The Company					
Balance at 1.7.2021		91,802,368	(991,600)	7,930,954	98,741,722
Issuance of shares	23	21,560,000	–	–	21,560,000
Resale of treasury shares	24	–	7,100	–	7,100
Total contributions by owners		21,560,000	7,100	–	21,567,100
Loss after taxation for the financial year		–	–	(921,467)	(921,467)
Other comprehensive loss for the financial year, net of tax		–	–	–	–
Total comprehensive loss for the financial year		–	–	(921,467)	(921,467)
Balance at 30.6.2022/1.7.2022		113,362,368	(984,500)	7,009,487	119,387,355
Loss after taxation for the financial year		–	–	(173,230)	(173,230)
Other comprehensive loss for the financial year, net of tax		–	–	–	–
Total comprehensive loss for the financial year		–	–	(173,230)	(173,230)
Balance at 30.6.2023		113,362,368	(984,500)	6,836,257	119,214,125

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

	Note	The Group 2023 RM	The Group 2022 RM	The Company 2023 RM	The Company 2022 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Loss before taxation		(21,436,766)	(8,346,197)	(173,666)	(921,031)
Adjustments for:-					
Depreciation of property, plant and equipment		8,454,682	7,764,547	–	–
Impairment loss of property, plant and equipment		466,992	–	–	–
Gains on disposal of property, plant and equipment		(169,372)	(236,413)	–	–
Written off of property, plant and equipment		4,032	6,766	–	–
Depreciation of right-of-use assets		94,813	94,813	–	–
Intangible assets					
- amortisation		144,737	998,751	–	–
- written off		16,390	–	–	–
Allowance for slow-moving and obsolete inventories		460,252	1,205,549	–	–
Trade receivables					
- impairment loss/(reversal of) allowance		1,452,010	(48,979)	–	–
- bad debt written off/(recovery)		118	(849)	–	–
Provision for warranties		83,457	83,094	–	–
Reversal of provision for warranties		(89,928)	(29,763)	–	–
Interest income		–	(55,338)	–	–
Interest expense		378,243	546,686	–	–
Net unrealised foreign currency exchange gains		(84,323)	(31,631)	–	–
Fair value (gain)/losses on derivative financial instruments		(377,025)	360,562	–	–
Operating (loss)/profit before working capital changes		(10,601,688)	2,311,598	(173,666)	(921,031)
Decrease in inventories		24,864,523	10,703,064	–	–
Decrease in trade and other receivables		11,547,846	22,042,495	–	–
(Decrease)/Increase in trade and other payables		(20,053,895)	(9,923,878)	(25,951)	42,529
CASH FROM/(FOR) OPERATIONS		5,756,786	25,133,279	(199,617)	(878,502)
Tax paid		(27,261)	(48,539)	(533)	(1,026)
NET CASH FROM/(FOR) OPERATING ACTIVITIES		5,729,525	25,084,740	(200,150)	(879,528)

The annexed notes form an integral part of these financial statements.

Statements of Cash Flows
(Cont'd)

	Note	The Group 2023 RM	The Group 2022 RM	The Company 2023 RM	The Company 2022 RM
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Purchase of plant and equipment	31(a)	(3,076,366)	(7,247,550)	–	–
Capitalisation of intangible assets		(38,600)	(35,360)	–	–
Proceeds from disposal of plant and equipment		302,878	237,308	–	–
Interest received		–	55,338	–	–
Repayment of amount due from a subsidiary		–	–	1,000,000	2,500,000
Subscription of additional shares issued by a subsidiary		–	–	–	(20,000,000)
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(2,812,088)	(6,990,264)	1,000,000	(17,500,000)
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Proceeds from issuance of shares under private placement		–	21,560,000	–	21,560,000
Proceeds from resale of treasury shares		–	7,100	–	7,100
Repayments to hire-purchase creditors	31(b)	(2,749,972)	(2,858,998)	–	–
Repayment of lease liabilities	31(b)	(22,120)	(20,848)	–	–
Interest paid	31(b)	(378,243)	(546,686)	–	–
Repayment of short term revolving credits	31(b)	(500,000)	–	–	–
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(3,650,335)	18,140,568	–	21,567,100
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(732,898)	36,235,044	799,850	3,187,572
EFFECTS OF CHANGES IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS		57,258	16,275	–	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		53,034,186	16,782,867	13,902,111	10,714,539
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	31(c)	52,358,546	53,034,186	14,701,961	13,902,111

The annexed notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and principal place of business are as follows:-

Registered office	:	No. 41, Jalan Medan Ipoh 6 Bandar Baru Medan Ipoh 31400 Ipoh Perak Darul Ridzuan
Principal place of business	:	No. 3 Jalan Zarib 6 Kawasan Perindustrian Zarib 31500 Lahat, Ipoh Perak Darul Ridzuan

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 16 October 2023.

2. PRINCIPAL ACTIVITY

The principal activities of the Company during the financial year is investment holding. The principal activities of the subsidiary are set out in Note 16 to the financial statements.

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

3. ULTIMATE HOLDING COMPANY

The ultimate holding companies are Blue Ocean Enlightenment Sdn. Bhd., a company incorporated in Malaysia.

4. BASIS OF PREPARATION

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

4.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)
Amendments to MFRS 3: Reference to the Conceptual Framework
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018 - 2020

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

4. BASIS OF PREPARATION (CONT'D)

4.2 The Group has not applied in advance the following accounting standards and/or 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/or IC Interpretations (Including The Consequential Amendments)	**Effective Date**
MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current of Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 112: International Tax Reform – Pillar Two Model Rules	1 January 2023
Amendments to MFRS 121: Lack of Exchangeability	1 January 2025

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

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:

(a) 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 factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amounts of property, plant and equipment as at the reporting date is disclosed in Note 13 to the financial statements.

Notes to the Financial Statements
(Cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(b) Impairment of Property, Plant and Equipment, Right-of-use Assets and Intangible Assets

The Group determines whether an item of its property, plant and equipment, right-of-use assets and intangible assets are impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of property, plant and equipment, right-of-use assets and intangible assets as at reporting date are disclosed in Notes 13, 14 and 15 to the financial statements.

(c) Impairment of Investment in a Subsidiary

The Company determines whether an item of its investment in a subsidiary is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of investment in a subsidiary as at reporting date are disclosed in Note 16 to the financial statements.

(d) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made. The carrying amount of current tax assets of the Group and of the Company as at the reporting date is RM2,763,898 and RM3,479 (2022 – RM2,735,852 and RM2,510) respectively.

(e) Impairment of Trade Receivables and Contract Assets

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and contract assets. The Group develops the expected loss rates based on the payment profiles of past and the corresponding historical credit losses, and adjusts 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 receivables and contract assets. The carrying amounts of trade receivables and contract assets as at the reporting date are disclosed in Notes 19 and 20 to the financial statements respectively.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(f) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates if a default happens (loss given default). It also requires the Group to assess whether there is a significant increase in credit risk of the non-trade financial assets at the reporting date. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking. The carrying amounts of other receivables as at the reporting date are disclosed in Note 19 to the financial statements.

(g) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgements and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 18 to the financial statements.

(h) Revenue Recognition for Development Contracts

The Group recognises development revenue based on over time using the stage of completion method. The stage of completion is measured by reference to the actual time incurred to date as a percentage of total budgeted time required to complete for the respective projects of the product development activities carried out for its customers.

The determination of the time incurred to date and total budgeted time required to complete the project is subjective in nature and involves estimation by management and customers' project timeline. Both are affected by changes in market demand, customers' request in specification, technical capabilities and technology advancement. The revenue from development projects and carrying amount of contract assets and contract liabilities as at the reporting date are disclosed in Notes 6, 20 and 28 to the financial statements.

(i) Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences could be utilised. Management 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. The carrying amount of deferred tax assets at the reporting date is disclosed in Note 17 to the financial statements.

(j) Discount Rates used in Leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain and asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

Notes to the Financial Statements
(Cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

Lease Terms

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

5.2 BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2 BASIS OF CONSOLIDATION (CONT'D)

(a) Non-controlling Interests

Non-controlling interest are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

(b) Changes in Ownership Interests in Subsidiaries Without Change of Control

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

(c) Loss of Control

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

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

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

5.3 FUNCTIONAL AND PRESENTATION CURRENCY

(a) FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency of the Group is the currency of the primary economic environment in which the entity operates.

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(b) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

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

Notes to the Financial Statements
(Cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 FINANCIAL INSTRUMENTS

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

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

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

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 5 - Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately on profit or loss.

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

(a) Financial Assets

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

<u>Debt Instrument</u>

(i) Amortised Cost

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

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

(ii) Fair Value through Other Comprehensive Income

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

Debt Instruments (Cont'd)

(iii) Fair Value through Profit or Loss

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

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

Equity Instruments

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

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

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

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

(ii) Other Financial Liabilities

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 FINANCIAL INSTRUMENTS (CONT'D)

(c) Equity Instruments

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

(i) Ordinary Shares

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

(ii) Treasury Shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchases that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

When treasury shares are reissued by resale, the difference between the sales consideration received and the carrying amount of the treasury shares is recognised in equity.

Where treasury shares are cancelled, their costs are transferred to retained profits.

(d) Derivative Financial Instruments

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

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

An embedded derivative is recognised separately from the host contract which is a financial liability as a derivative if, and only if, its risks and characteristics are not closely related to those of the host contract and the host contract is not measured at fair value through profit or loss.

(e) Derecognition

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 FINANCIAL INSTRUMENTS (CONT'D)

(f) Financial Guarantee Contracts

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

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

5.5 INVESTMENT IN A SUBSIDIARY

Investment in a subsidiary is stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

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

5.6 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Buildings on long-term leasehold land	2% - 20%
Factory extension	10% - 33%
Moulds, plant and machinery	10% - 33%
Furniture, fittings, equipment and electrical installation	10% - 50%
Motor vehicles	20%

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

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

Notes to the Financial Statements
(Cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.6 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

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

5.7 RESEARCH AND DEVELOPMENT EXPENDITURE

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as non-current assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if, an entity can demonstrate all of the following:-

(a) Its ability to measure reliably the expenditure attributable to the asset under development;

(b) The product or process is technically and commercially feasible;

(c) Its future economic benefits are probable;

(d) Its intention to complete and the ability to use or sell the developed asset; and

(e) The availability of adequate technical, financial and other resources to complete the asset under development

Capitalised development expenditure is measure at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

The development expenditure is amortised on a straight-line method over a period of 2 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

The amortisation method, useful life and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period.

5.8 INTANGIBLE ASSETS

(a) Patents

Separately acquired patents are shown at historical cost. Patents have a finite useful life and are carried at cost less accumulated amortisation and accumulated losses (if any). Amortisation is calculated using the straight-line method to allocate the cost of patents over their estimated useful lives of twenty years

(b) Golf Club Memberships

Golf club memberships are the rights to use golf clubs and are transferable. They are stated at cost less accumulated amortisation and accumulated impairment losses (if any). These golf-club memberships are amortised on a straight-line basis over the terms of membership which expire in year 2090 and 2093 respectively.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.9 LEASES

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

The Group has elected not to separate non-lease components from lease components of (type of right-of-use assets). Instead, the Group has accounted for the lease component and the associated non-lease components as a single lease arrangement.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

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

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

Long term leasehold land	Over 78 years
Factory equipment	Over 9 years

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

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

5.10 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first in, first out basis and comprises the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition. The cost of conversion includes cost directly related to the units of production, and a proportion of variable and fixed production overheads based on the normal capacity of the production facilities.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.11 CONTRACT ASSET AND CONTRACT LIABILITY

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment requirements of MFRS 9.

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

5.12 IMPAIRMENT

(a) Impairment of Financial Assets

(i) Impairment of debt instruments and financial guarantee contracts

The Group and the Company assess on a forward looking basis the expected credit loss ("ECL") associated with their debt instruments carried at 'amortised cost' and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Company have four types of financial instruments that are subject to the ECL model:

- Trade receivables;
- Other receivables (including non-trade amount due from a subsidiary) and deposits;
- Contract assets; and
- Financial guarantee contracts issued

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group or the Company expects to receive, over the remaining life of the financial instruments. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group or the Company expected to receive from the holder, the debtor or any other party.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Simplified approach for trade receivables and contract assets

The Group and the Company apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. Note 36.1 (b)(iii) to the financial statements sets out the measurement details of ECL.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.12 IMPAIRMENT (CONT'D)

(a) Impairment of Financial Assets (Cont'd)

(i) Impairment of debt instruments and financial guarantee contracts (Cont'd)

General 3-stage approach for other receivables (including non-trade amount due from a subsidiary), deposits and financial guarantee contracts issued

At each reporting date, the Group and the Company measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group if financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal lifetime ECL is required. Note 36.1 (b)(iii) to the financial statements set out the measurement details of ECL.

(ii) Significant increase in credit risk

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. They consider available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; or
- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtor in the group and changes in operating results of the debtor.

Macroeconomic information such as the expected Gross Domestic Product ("GDP") growth rates is incorporated when assessing whether there is a significant increase in credit risk.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

(iii) Definition of default and credit-impaired financial assets

The Group and the Company define a financial instrument as default, which is fully aligned with definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The Group and the Company define a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.12 IMPAIRMENT (CONT'D)

(a) Impairment of Financial Assets (Cont'd)

(iii) Definition of default and credit-impaired financial assets (Cont'd)

Qualitative criteria

The debtor meets unlikely to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Company consider the following instances:

- the debtor is in breach of financial covenants;
- concessions have been made by the lender relating to the debtor's financial difficulty;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

The Group and the Company define a financial instrument as default, which is fully aligned with definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The Group and the Company define a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

(iv) Level of aggregation for measurement of ECL

Individual Assessment

The Group measures ECL on its trade receivables and contract assets on an individual basis for its most major customer given the distinct credit profile of the customer, as well as for trade receivables and contract assets which are in default or credit-impaired. Other receivables (including non-trade amount due from a subsidiary), deposits and financial guarantee contracts issued are assessed on individual basis for ECL measurement as credit risk information is obtained and monitored separately.

Collective assessment

Other than its most major customer, the Group measures ECL on its trade receivables and contract assets on a collective basis given their shared credit risk characteristics and the days past due. The Group assessed that it is appropriate to assess the ECL for these customers collectively given the similar credit profiles and historical credit loss experience with these customers as well as current observable data and expectation of future economic conditions that could impact the industry of which these customers operate. The contract assets relate to revenue recognised exceeded the amounts billed and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.12 IMPAIRMENT (CONT'D)

(a) Impairment of Financial Assets (Cont'd)

(v) Write-off

Trade receivables and contract assets

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group or the Company, and a failure to make contractual payments for a period of greater than 1 year past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses as a separate line item in the profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other receivables (including non-trade amount due from a subsidiary), deposits and financial guarantee contracts issued

The Group and the Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

(b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets fair value less cost to sell and their value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

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

Notes to the Financial Statements
(Cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.13 INCOME TAXES

(a) Current Tax

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

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

(b) Deferred Tax

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

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

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.14 PROVISIONS

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

Warranties

A provision for warranties is recognised based on the best estimated liabilities to repair or replace the products when the underlying products or services are sold. The estimated liabilities are based on historical warranty data and a weighting of all possible outcome against their associated probabilities of returns.

5.15 CASH AND CASH EQUIVALENTS

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

5.16 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Company

(b) Defined Contribution Plans

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

5.17 BORROWING COSTS

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

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

Notes to the Financial Statements
(Cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.18 REVENUE FROM CONTRACT WITH CUSTOMERS

Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer net of sale of services tax, returns, rebates and discounts. The Group recognises revenue when it transfers control over a product or service to customer. An asset is transferred when the customer obtains control of the asset. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which maybe a point in time or over time.

(a) Sale of Goods

The Group involved in the manufacturing of mobile communication products, wireless electronics and lifestyle devices. Revenue are 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.

The Group's obligation to provide a replacement for faulty products under the standard warranty terms is recognised as a provision.

(b) Services Rendered in Respect of Product Development

The Group is involved in product design and development for its customers. The development of products for its customers is highly integrated, not individually distinct and hence they are recognised as a single performance obligation. Revenue from providing such service is recognised progressively over time in which services are rendered as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The progress towards performance of services is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation (i.e. reference to the actual time incurred up to the end of the reporting period as a percentage of total budgeted time required to complete the project) which best reflect the Group's performance in satisfying the performance obligation.

Estimates of the extent of progress towards completion are revised if circumstances change. Any resulting increase or decrease in estimated revenue is reflected in the profit or loss in the financial period in which the circumstances that give rise to the revision became known by management.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.19 REVENUE FROM OTHER SOURCES AND OTHER OPERATING INCOME

(a) Interest Income

Interest income on short-term deposits and advances are recognised on an accrual basis based on effective interest method.

(b) Other Income

Any other income is recognised on an accrued basis unless collectability is uncertain.

(c) Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grants received before the Group complies with all attached conditions are recognised as a liability owing to the government (and included in deferred income within the 'payables and accrued liabilities') and recognised as income when all attached conditions are met.

Government grants relating to costs are recognised net of the related expenditure in the profit or loss over the financial periods to match the related costs for which the grants are intended to compensate. The Group has opted to present on net basis between the government grants and the related costs incurred.

5.20 CONTINGENT ASSETS AND LIABILITIES

The Group do not recognised contingent assets and liabilities other than those arising from business combinations, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group, or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contract. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group do not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with MFRS 15 'Revenue from Contracts with Customers'.

Notes to the Financial Statements
(Cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.21 OPERATING SEGMENTS

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

5.22 EARNINGS PER ORDINARY SHARE

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

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

5.23 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a markets participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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

Notes to the Financial Statements
(Cont'd)

6. REVENUE

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Revenue recognised at a point in time				
Sales of goods	61,063,651	129,319,566	–	–
Revenue recognised over time				
Services rendered in respect of product development	2,789,019	14,516,335	–	–
	63,852,670	143,835,901	–	–

(a) The information on the disaggregation of revenue by geographical market is disclosed in Note 33 to the financial statements.

(b) The payment terms for the goods sold and services rendered are disclosed in Note 19 to the financial statements.

7. EMPLOYEE BENEFITS COSTS

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Directors' remuneration				
Directors of the Company:				
- fees	495,000	495,000	363,000	363,000
- allowances	123,480	108,480	–	–
- salaries and bonus	1,668,663	1,627,299	–	–
- defined contribution retirement plan	340,527	329,823	–	–
- other short term employee benefits	130,495	130,495	–	–
	2,758,165	2,691,097	363,000	363,000
Directors of the subsidiary:				
- allowances	16,320	16,320	–	–
- salaries and bonus	539,914	517,008	–	–
- defined contribution retirement plan	103,528	101,346	–	–
- other short term employee benefits	41,351	41,351	–	–
	701,113	676,025	–	–

Notes to the Financial Statements
(Cont'd)

7. EMPLOYEE BENEFITS COSTS (CONT'D)

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Other employees:				
- salaries, wages and bonus	19,775,709	23,236,757	–	–
- defined contribution retirement plan	2,068,267	2,224,403	–	–
- other short term employee benefits	1,106,238	1,976,521	–	–
Total other employee benefits costs	22,950,214	27,437,681	–	–
Total employee benefit costs	26,409,492	30,804,803	363,000	363,000
Government wages subsidy*	(1,200)	(101,637)	–	–
Total other employee benefit costs net of government wages subsidy	22,949,014	27,336,044	–	–
Total employee benefit costs net of government wages subsidy	26,408,292	30,703,166	363,000	363,000
Monetary value of benefits in-kind other than cash given to:				
- directors of the Company	44,137	71,076	–	–
- directors of the subsidiary who are not directors of the Company	31,654	31,697	–	–
	75,791	102,773	–	–

* The government wages subsidy is in relation to programme introduced under the Penjana Kerjaya 3.0 initiative which aims to support businesses affected by economic disruption, market volatility and uncertainty due to the global coronavirus ("COVID-19") pandemic.

8. OTHER GAINS – NET

	The Group 2023 RM	The Group 2022 RM	The Company 2023 RM	The Company 2022 RM
Net foreign currency exchange gains:				
- realised	32,746	794,146	–	–
- unrealised	84,323	31,631	–	–
Fair value gain/(loss) on derivative financial instruments	377,025	(360,562)	–	–
Gain on disposal of property, plant and equipment	169,372	236,413	–	–
Short-term investment:				
- gain on disposal	–	40,096	–	14,252
- fair value gain	1,385,163	530,094	397,851	239,663
	2,048,629	1,271,818	397,851	253,915

9. LOSS FROM OPERATIONS

	The Group 2023 RM	The Group 2022 RM	The Company 2023 RM	The Company 2022 RM
Loss from operations is stated after charging/(crediting) the following items:				
Auditors' remunerations:				
- statutory audit	128,000	128,000	50,000	50,000
- other assurance services:				
- auditors of the Company	7,800	7,800	5,000	5,000
- other auditors	–	16,800	–	–
Research expenses	311,971	103,408	–	–
Property, plant and equipment:				
- written off	4,032	6,766	–	–
Depreciation:				
- property, plant and equipment	8,454,682	7,764,547	–	–
- right-of-use assets	94,813	94,813	–	–
Amortisation of intangible assets	144,737	998,751	–	–
Intangible assets written off	16,390	–	–	–
Allowance for slow-moving and obsolete inventories	460,252	1,205,549	–	–
Bad debt written off/(recovery)	118	(849)	–	–
Provision for warranties	83,457	83,094	–	–
Reversal of provision for warranties	(89,928)	(29,763)	–	–
Lease expense for:				
- short-term leases (included in 'employee benefit costs')	143,237	190,700	–	–
- low-value assets (included in 'maintenance and upkeep expenses')	–	6,720	–	–

Notes to the Financial Statements
(Cont'd)

10. FINANCE COSTS – NET

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Finance income – interest income	–	55,338	–	–
Finance costs:				
- hire-purchase	(169,656)	(322,734)	–	–
- short term revolving credits	(201,907)	(216,000)	–	–
- lease interest	(6,680)	(7,952)	–	–
	(378,243)	(546,686)	–	–
Finance costs – net	(378,243)	(491,348)	–	–

11. INCOME TAX (EXPENSES)/CREDIT

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Current income tax:				
- current financial year	–	(14,436)	–	(436)
- overprovision in the previous financial year	785	–	436	–
	785	(14,436)	436	(436)
Deferred tax (Note 17):				
- current financial year	(7,096,000)	1,777,000	–	–
Income tax credit	(7,095,215)	1,762,564	436	(436)

11. INCOME TAX (EXPENSES)/CREDIT (CONT'D)

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

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Loss before taxation	(21,436,766)	(8,346,197)	(173,666)	(921,031)
Tax calculated at the Malaysian income tax rate of 24% (2022 – 24%)	5,144,824	2,003,087	41,680	221,047
- expenses not deductible for tax purposes	(474,181)	(632,542)	(137,164)	(282,423)
- income not subject to tax	952,694	312,901	95,484	60,940
- expenses eligible for double deductions	55,022	79,118	–	–
- deferred tax assets not recognised for the year	(12,774,359)	–	–	–
- overprovision of current tax in previous financial year	785	–	436	–
Income tax credit	(7,095,215)	1,762,564	436	(436)

Domestic income tax is calculated at Malaysian statutory tax rate of 24% (2022 – 24%) of the estimated assessable profit for the financial year.

12. LOSS PER SHARE

Basic loss per share of the Group is calculated by dividing the net loss for the financial year by the weighted average number of ordinary shares in issue during the financial year excluding ordinary shares purchased by the Company and hold as treasury shares (Note 24).

	The Group	
	2023	2022
Net loss for the financial year attributable to owners of the Company (RM)	(28,531,981)	(6,583,633)
Weighted average number of ordinary shares in issue during the financial year	423,500,000	418,435,863
Basic loss per share (sen)	(6.74)	(1.57)

No diluted loss per share calculated as the Company does not have potential ordinary shares.

Notes to the Financial Statements
(Cont'd)

13. PROPERTY, PLANT AND EQUIPMENT

The Group	Building on long term leasehold land RM	Factory extension RM	Moulds, plant and machinery RM	Furnitures, fittings, equipment and electrical installation RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
2023							
Cost							
At 1 July 2022	23,797,238	2,879,030	48,455,276	24,034,251	1,441,589	82,247	100,689,631
Additions	–	357,995	1,018,028	633,137	–	460,089	2,469,249
Reclassifications	–	–	234,850	64,236	–	(299,086)	–
Disposals	–	–	(179,301)	(118,506)	(268,372)	–	(566,179)
Written off	–	(46,291)	(172,756)	(114,501)	–	–	(333,548)
At 30 June 2023	23,797,238	3,190,734	49,356,097	24,498,617	1,173,217	243,250	102,259,153
Accumulated depreciation							
At 1 July 2022	7,564,909	1,071,770	24,264,905	13,681,188	1,441,578	–	48,024,350
Depreciation	789,013	254,223	4,094,722	3,316,724	–	–	8,454,682
Disposals	–	–	(124,291)	(40,011)	(268,371)	–	(432,673)
Written off	–	(46,280)	(172,739)	(110,497)	–	–	(329,516)
At 30 June 2023	8,353,922	1,279,713	28,062,597	16,847,404	1,173,207	–	55,716,843
Accumulated impairment losses							
At 1 July 2022	–	–	541,006	210,579	–	–	751,585
Additions	–	–	466,992	–	–	–	466,992
At 30 June 2023	–	–	1,007,998	210,579	–	–	1,218,577
Carrying amount							
At 30 June 2023	15,443,316	1,911,021	20,285,502	7,440,634	10	243,250	45,323,733

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	Building on long term leasehold land RM	Factory extension RM	Moulds, plant and machinery RM	Furnitures, fittings, equipment and electrical installation RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
2022							
Cost							
At 1 July 2021	23,797,238	1,897,580	46,649,442	18,518,658	1,830,912	1,197,484	93,891,314
Additions	–	887,590	1,572,174	3,093,737	–	1,793,596	7,347,097
Reclassifications	–	93,860	325,000	2,489,973	–	(2,908,833)	–
Disposals	–	–	(881)	(8)	(389,323)	–	(390,212)
Written off	–	–	(90,459)	(68,109)	–	–	(158,568)
At 30 June 2022	23,797,238	2,879,030	48,455,276	24,034,251	1,441,589	82,247	100,689,631
Accumulated depreciation							
At 1 July 2021	6,775,896	876,967	20,327,704	10,989,460	1,830,895	–	40,800,922
Depreciation	789,013	194,803	4,027,653	2,753,078	–	–	7,764,547
Disposals	–	–	–	–	(389,317)	–	(389,317)
Written off	–	–	(90,452)	(61,350)	–	–	(151,802)
At 30 June 2022	7,564,909	1,071,770	24,264,905	13,681,188	1,441,578	–	48,024,350
Accumulated impairment losses							
At 1 July 2021/At 30 June 2022	–	–	541,006	210,579	–	–	751,585
Carrying amount							
At 30 June 2022	16,232,329	1,807,260	23,649,365	10,142,484	11	82,247	51,913,696

Notes to the Financial Statements
(Cont'd)

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	RM
The Company	
Furniture, fittings, equipment and electrical installation	
Cost	
At 1 July 2022/30 June 2023	20,975
Accumulated depreciation	
At 1 July 2022/30 June 2023	20,973
Carrying amount	
At 1 July 2022/30 June 2023	2
Cost	
At 1 July 2021/30 June 2022	20,975
Accumulated depreciation	
At 1 July 2021/30 June 2022	20,973
Carrying amount	
At 1 July 2021/30 June 2022	2

The carrying amount of the Group's assets acquired under hire-purchase arrangements as at 30 June 2023 amounted to approximately RM5,631,973 (2022 – RM8,879,817).

14. RIGHT-OF-USE ("ROU") ASSETS

14.1 Amounts recognised in the statements of financial position

The Group	Long term leasehold land RM	Factory equipment RM	Total RM
Cost			
At 1 July 2022/30 June 2023	5,680,569	194,746	5,875,315
Accumulated depreciation			
At 1 July 2022	613,283	84,265	697,548
Depreciation for the financial year	72,342	22,471	94,813
At 30 June 2023	685,625	106,736	792,361
Net book value			
At 30 June 2023	4,994,944	88,010	5,082,954
Cost			
At 1 July 2021/30 June 2022	5,680,569	194,746	5,875,315
Accumulated depreciation			
At 1 July 2021	540,941	61,794	602,735
Depreciation for the financial year	72,342	22,471	94,813
At 30 June 2022	613,283	84,265	697,548
Net book value			
At 30 June 2022	5,067,286	110,481	5,177,767

14.2 Amounts recognised in the statements of comprehensive income

	The Group	
	2023 RM	2022 RM
Depreciation for ROU assets	94,813	94,813
Interest expenses included in the finance costs	6,680	7,952
Expense related to short-term leases (included in 'employee benefit costs')	143,237	190,700
Expense related to lease of low-value assets (included in 'maintenance and upkeep expenses')	–	6,720
Total	244,730	300,185

14. RIGHT-OF-USE ("ROU") ASSETS (CONT'D)

14.3 Amounts recognised in the statements of cash flows

	The Group	
	2023 **RM**	**2022** **RM**
Total cash outflows for leases consists of:		
Short-term lease payments	143,237	190,700
Payments for leases of low-value assets	–	6,720
Repayment of lease liabilities	22,120	20,848
Interest paid	6,680	7,952
Total	172,037	226,220

14.4 Nature of the Group's leasing activities

(a) The Group leases certain pieces of long term leasehold land and factory equipment of which the leasing activities are summarised below:-

(i) Long term leasehold land

Long term leasehold land comprises factory lot and 2 carpark lots. The Group made the upfront payment to secure the right-of-use of these long term leasehold land in Malaysia with the lease term of 78 years, which expires in the year 2092.

These leases were fully prepaid by the Group and no corresponding lease liabilities were recognised.

(ii) Factory equipment – liquid nitrogen storage tank

The Group also leases factory equipment i.e. liquid nitrogen storage tank for the gas supply for the production purpose. The lease is for a period of 4 years starting from 1 October 2018 with an option to further renew for another 4 years. The Group has included the lease period covered by the renewal option in the lease term as it was assessed that it is probable that the renewal option will be exercised.

(b) The long term leasehold land of the Group has been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 26 to the financial statements.

14. RIGHT-OF-USE ("ROU") ASSETS (CONT'D)

14.4 Nature of the Group's leasing activities (Cont'd)

(c) The Group also entered into rental agreements to lease the hostels for employees. Both the lessor and the lessee have the right to terminate for convenience at one month notice and as such the lease term for such contracts are determined to be only for one month. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The expenses associated with these lease agreements are recognised in the profit or loss when incurred as these are either leases of low-value assets or are considered short-term leases.

The future aggregate minimum lease payments under short-term leases in respect of office equipment and hostels for employees from the reporting date to the expiry of the leases are as follows:

	The Group	
	2023 RM	2022 RM
Not later than 1 year	10,300	15,100

Restriction or covenants by leases

The lease agreements do not impose any covenants except for the security interest in the leased asset is held by the lessors.

15. INTANGIBLE ASSETS

The Group	Patents RM	Development costs RM	Golf club membership RM	Total RM
2023				
Cost				
At 1 July 2022	1,062,113	6,402,673	118,900	7,583,686
Additions	38,600	–	–	38,600
Written Off	(20,382)	–	–	(20,382)
At 30 June 2023	1,080,331	6,402,673	118,900	7,601,904
Accumulated amortisation				
At 1 July 2022	195,893	6,331,212	4,911	6,532,016
Amortisation	71,640	71,461	1,636	144,737
Written Off	(3,992)	–	–	(3,992)
At 30 June 2023	263,541	6,402,673	6,547	6,672,761
Carrying amount	816,790	–	112,353	929,143

Notes to the Financial Statements
(Cont'd)

15. INTANGIBLE ASSETS (CONT'D)

The Group	Patents RM	Development costs RM	Golf club membership RM	Total RM
2022				
Cost				
At 1 July 2021	1,026,753	6,402,673	118,900	7,548,326
Additions	35,360	–	–	35,360
At 30 June 2022	1,062,113	6,402,673	118,900	7,583,686
Accumulated amortisation				
At 1 July 2021	137,515	5,392,476	3,274	5,533,265
Amortisation	58,378	938,736	1,637	998,751
At 30 June 2022	195,893	6,331,212	4,911	6,532,016
Carrying amount	866,220	71,461	113,989	1,051,670

Intangible assets of the Group comprise patents, development costs incurred on in-house developed products that meet the capitalisation criteria and golf club memberships. All expenditure relating to research activities of approximately RM311,971 (2022 – RM103,408) are recognised as an expense in the profit or loss as incurred.

	The Group 2023	The Group 2022
Remaining amortisation period (year):		
- patents	3 - 16	4 – 17
- development costs	–	*
- golf club memberships	67 – 70	68 – 71

* Less than one year

16. INVESTMENT IN A SUBSIDIARY

	The Company 2023 RM	2022 RM
Unquoted shares, at cost		
At 1 July	90,000,005	70,000,005
Subscription of additional shares	–	20,000,000
At 30 June	90,000,005	90,000,005

(a) The details of the subsidiary is as follows:

Name of Company	Country of incorporation	Effective interest as at 30 June 2023 %	2022 %	Principal activities
Salutica Allied Solutions Sdn. Bhd.	Malaysia	100	100	Comprises vertical integration processes covering product design and development, and manufacturing of mobile communication products, wireless electronics, embedded computing devices and lifestyle devices.

(b) In previous financial year, the Company subscribed for an additional 20 million units of ordinary shares at an issue price of RM1 per ordinary share issued by its wholly owned subsidiary, Salutica Allied Solutions Sdn. Bhd. for a cash consideration of RM20 million for the purpose of financing the expansion of the subsidiary's range of products.

17. DEFERRED TAX ASSETS

The continued losses for the financial year ended 30 June 2023 indicated the uncertainty for the Group to utilise the capital allowances and tax losses, hence, the deferred tax assets recognised in previous financial years of RM7.1 million had been reversed in the current financial year ended 30 June 2023.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	The Group 2023 RM	2022 RM
Subject to income tax:		
Deferred tax assets	–	7,096,000

Notes to the Financial Statements
(Cont'd)

17. DEFERRED TAX ASSETS (CONT'D)

The movements in deferred tax during the financial year are as follows:-

	The Group	
	2023 RM	2022 RM
At 1 July	7,096,000	5,319,000
Credited/(Charged) to profit or loss (Note 11)		
- property, plant and equipment	3,631,817	(841,727)
- intangible assets	178,486	66,307
- right-of-use assets	26,515	(29,021)
- accrued liabilities, provisions and allowances	(761,391)	383,615
- unutilised capital allowances	(8,198,281)	2,214,264
- unused tax losses	(1,973,146)	(16,438)
	(7,096,000)	1,777,000
At 30 June	–	7,096,000

The deferred tax assets and liabilities as at the end of the reporting period are as follow:

	The Group	
	2023 RM	2022 RM
Subject to income tax:		
Deferred tax assets (before offsetting):		
- accrued liabilities, provision and allowances	–	761,391
- unutilised capital allowances	3,672,599	8,198,281
- unused tax losses	–	1,973,146
	3,672,599	10,932,818
Offsetting	(3,672,599)	(3,836,818)
Deferred tax assets (after offsetting)	–	7,096,000
Deferred tax liabilities (before offsetting):		
- property, plant and equipment	(3,491,231)	(3,631,817)
- intangible assets	(160,246)	(178,486)
- right-of-use assets	(21,122)	(26,515)
	(3,672,599)	(3,836,818)
Offsetting	3,672,599	3,836,818
Deferred tax liabilities (after offsetting)	–	–

At the end of the reporting period, the Group has the following unutilised capital allowances and unused tax losses which can be utilised to set off against future taxable income.

17. DEFERRED TAX ASSETS (CONT'D)

	The Group	
	2023 RM	2022 RM
Unutilised capital allowances – no expiry date	42,409,551	34,159,503
Unused tax losses		
- Expiring YA 2030	4,668,416	4,693,137
- Expiring YA 2031	3,528,303	3,528,303
- Expiring YA 2033	13,783,058	–
Total unused tax losses	21,979,777	8,221,440

The unused tax losses are allowed to be utilised for 10 consecutive years of assessment while the unabsorbed capital allowances are allowed to be carried forward indefinitely.

At the end of the reporting period, the amounts of deferred tax assets not recognised (stated at gross) due to uncertainty of their realisation are as follows:-

	2023 RM	2022 RM
Accrued liabilities, provisions and allowances	4,139,666	–
Unutilised capital allowances	27,107,055	–
Unused tax losses	21,979,777	–
Total unused tax losses	53,226,498	–

18. INVENTORIES

	The Group	
	2023 RM	2022 RM
Raw materials	23,406,412	33,085,873
Work-in-progress	6,044,197	6,176,404
Finished goods	1,876,643	16,929,498
	31,327,252	56,191,775
Less: Allowance for slow-moving and obsolete inventories	(2,067,554)	(1,607,302)
	29,259,698	54,584,473

The cost of inventories recognised as an expense and included in the Group's profit or loss amounted to approximately RM74,647,350 (2022 – RM131,937,830).

Notes to the Financial Statements
(Cont'd)

19. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Trade receivables	6,712,571	16,649,880	–	–
Less: Allowance for impairment loss	(1,468,138)	(16,128)	–	–
	5,244,433	16,633,752	–	–
Non-trade receivables				
Other receivables	139,743	38,802	–	–
Deposits	67,105	75,715	1,000	1,000
Prepayments	2,130,247	1,594,478	9,998	9,998
	2,337,095	1,708,995	10,998	10,998
	7,581,528	18,342,747	10,998	10,998

The Group's normal credit terms ranged from 15 to 75 days (2022 – 15 to 75 days).

20. CONTRACT ASSET

	The Group		The Company	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
As at 1 July	2,043,899	3,822,611	–	–
Transfer to trade receivables	(2,043,899)	(3,822,611)	–	–
Revenue recognised during the financial year	67,675	9,936,162	–	–
Amount billed to customer during the financial year	(55,679)	(7,892,263)	–	–
As at 30 June	11,996	2,043,899	–	–

The contract assets primarily relate to the Group's right to consideration for work completed but not yet billed as at the reporting date. The amount will be transferred to trade receivables when the Group issues billing in the manner as established in the contracts with customers.

21. SHORT-TERM INVESTMENTS

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Investment unit trust funds quoted in Malaysia, at fair value	46,019,676	45,104,513	14,690,115	13,842,264

The short-term investment as at 30 June 2023 and 30 June 2022 are in respect of investment in an Islamic money market fund.

The quoted market prices of the Islamic money market fund as at 30 June 2023 is RM1.00 (2022 – RM1.00).

22. CASH AND BANK BALANCES

Certain of the Group's and the Company's bank balances totalling RM11,981 and RM11,668 (2022 – RM60,141 and RM59,758) are placed with a licensed Islamic bank as at 30 June 2023.

23. SHARE CAPITAL

	2023	2022	2023	2022
	Number Of Shares		RM	RM
Issued And Fully Paid-Up				
Ordinary shares with no par value				
At 1 July	426,500,000	388,000,000	113,362,368	91,802,368
Issuance of shares under Private Placement	–	38,500,000	–	21,560,000
At 30 June	426,500,000	426,500,000	113,362,368	113,362,368

(a) The holders of ordinary shares (except treasury 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.

(b) In the previous financial year, the Company announced the issuance and listing of 38,500,000 new ordinary shares at an issue price of RM0.56 per ordinary share pursuant to the Private Placement which further increased the number of ordinary shares (inclusive of 3,000,000 treasury shares) from 388,000,000 to 426,500,000 and the share capital from RM91,802,368 to RM113,362,368.

The new ordinary shares issued rank equally in all respects with the existing ordinary shares of the Company.

Notes to the Financial Statements
(Cont'd)

24. TREASURY SHARES

In previous financial year, the Company resold its treasury shares totalling 10,000 shares from its repurchased share capital in the open market at a price of RM0.71 per share. The total consideration received was RM7,100. The shares resale are offsetted against the existing treasury shares.

Of the total RM984,500 (2022 – RM984,500) issued and fully paid-up ordinary shares at the end of the reporting period, 3,000,000 ordinary shares (2022 – 3,000,000 ordinary shares) are held as treasury shares by the Company.

25. LEASE LIABILITY

	The Group	
	2023 RM	2022 RM
At 1 July	122,544	143,392
Interest expense recognised in profit or loss (Note 10)	6,680	7,952
Repayment of principal	(22,120)	(20,848)
Repayment of interest expense	(6,680)	(7,952)
At 30 June	100,424	122,544
Analysed by:-		
Current liability	23,469	22,120
Non-current liability	76,955	100,424
	100,424	122,544

26. BORROWINGS

	The Group	
	2023 RM	2022 RM
Non-current		
Hire purchase liabilities (Note a)	14,924	1,966,076
Current		
Hire purchase liabilities (Note a)	1,951,152	2,749,972
Short term revolving credits	3,500,000	4,000,000
	5,451,152	6,749,972

26. BORROWINGS (CONT'D)

(a) Hire purchase liabilities are denominated in Ringgit Malaysia.

(b) The details of the hire purchase liabilities of the Company are summaries below:-

	The Group	
	2023 RM	2022 RM
Minimum hire purchase payables		
- not later than 1 year	1,999,857	2,919,774
- later than 1 year and not later than 5 years	14,982	2,014,839
	2,014,839	4,934,613
Less: Future finance charges	(48,763)	(218,565)
Present value of hire purchase payables	1,966,076	4,716,048
Analysed by:-		
Current liabilities	1,951,152	2,749,972
Non-current liabilities	14,924	1,966,076
	1,966,076	4,716,048

(c) The borrowings of the Group are secured by the long term leasehold land of the Group as disclosed in Note 14.4(b) to the financial statements.

(d) The effective interest rates of the borrowings of the Group are summaries below:-

		Effective Interest Rate	
	Interest Rate	2023	2022
Short term revolving credits	Floating	5.45%	3.90%
Hire purchase liabilities	Fixed	4.94%	5.07%

Notes to the Financial Statements
(Cont'd)

27. PAYABLES AND ACCRUED LIABILITIES

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Trade payables	9,450,753	20,883,423	–	–
Accrued liabilities (trade)	316,854	1,403,559	–	–
	9,767,607	22,286,982	–	–
Other payables	491,444	1,203,351	9,100	6,625
Accrued liabilities (non-trade)	2,417,614	4,871,561	493,220	521,646
	2,909,058	6,074,912	502,320	528,271
	12,676,665	28,361,894	502,320	528,271

Credit terms of trade and other payables granted to the Group vary from 30 to 100 days (2022 – 30 to 90 days) from the invoice date.

Included in other payables of the Group are in respect of purchase of property, plant and equipment of approximately RM128,723 (2022 – RM735,840).

28. CONTRACT LIABILITIES

	The Group	
	2023 RM	2022 RM
As at 1 July	11,783,230	3,460,316
Revenue recognised that was included in the contract liabilities balance at the beginning of the financial year	(7,994,403)	(3,460,316)
Increase due to cash received, excluding amounts recognised as revenue during the financial year	3,199,301	11,783,230
As at 30 June	6,988,128	11,783,230

Included in contract liabilities are deferred revenue arising from services rendered in respect of product development amounted to approximately RM73,915 (2022 – RM421,944) and advances made by customers to fund the purchase of raw materials amounted to approximately RM6,914,213 (2022 – RM11,361,287).

29. PROVISION FOR WARRANTIES

	The Group	
	2023 RM	2022 RM
At 1 July	119,674	70,055
Provisions made during the financial year	83,457	83,094
Utilised during the financial year	(894)	(3,712)
Provisions reversed during the financial year	(89,928)	(29,763)
At 30 June	112,309	119,674

Provision for warranties is in respect of finished products manufactured and sold by the Group. The provision is measured at a percentage rate of historical replacement to the related revenue and a review of possible outcomes against the associated probabilities of returns.

30. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group	
	2023 RM	2022 RM
Derivative Assets		
Forward currency contracts	–	–
Derivative Liabilities		
Forward currency contracts	–	377,025

The Group does not apply hedge accounting.

In the previous financial year, forward currency contracts are used to hedge the Company's purchases denominated in United States Dollar (USD). The settlement dates of the forward currency contracts range between 29 to 111 days.

The notional principal amounts of the outstanding derivative financial instruments are as follows:

			The Group	
	Currency bought	Currency sold	2023 RM	2022 RM
Foreign currency forward exchange contracts	RM	USD	–	11,523,260

Notes to the Financial Statements
(Cont'd)

31. CASH FLOW INFORMATION

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

	The Group 2023 RM	The Group 2022 RM
Property, plant and equipment		
Additions during the financial year	2,469,249	7,347,097
Add: - payment made in current financial year related to purchases made in previous financial year	735,840	1,498,796
Less: - purchases included in other payables	(128,723)	(735,840)
Less: - purchases made under hire-purchase facilities	–	(862,503)
Cash paid	3,076,366	7,247,550

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

	Hire purchase liability RM	Lease liability RM	Short-term revolving credit RM	Total RM
The Group				
2023				
At 1 July	4,716,048	122,544	4,000,000	8,838,592
Changes in Financing Cash Flows				
Repayment of borrowings principal	(2,749,972)	(22,120)	(500,000)	(3,272,092)
Repayment of borrowings interest	(169,656)	(6,680)	(201,907)	(378,243)
	(2,919,628)	(28,800)	(701,907)	(3,650,335)
Non-cash Changes				
Interest expenses	169,656	6,680	201,907	378,243
At 30 June	1,966,076	100,424	3,500,000	5,566,500
2022				
At 1 July	6,712,543	143,392	4,000,000	10,855,935
Changes in Financing Cash Flows				
Repayment of borrowings principal	(2,858,998)	(20,848)	–	(2,879,846)
Repayment of borrowings interest	(322,734)	(7,952)	(216,000)	(546,686)
	(3,181,732)	(28,800)	(216,000)	(3,426,532)
Non-cash Changes				
Addition	862,503	–	–	862,503
Interest expenses	322,734	7,952	216,000	546,686
At 30 June	4,716,048	122,544	4,000,000	8,838,592

31. CASH FLOW INFORMATION (CONT'D)

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

	The Group		The Company	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Short-term investments	46,019,676	45,104,513	14,690,115	13,842,264
Cash and bank balances	6,338,870	7,929,673	11,846	59,847
	52,358,546	53,034,186	14,701,961	13,902,111

Short-term investments of the Group and of the Company are recognised as cash and cash equivalents due to their high credit rating and investment in extremely short-term deposits with licensed bank, undergo only minor value fluctuations and can be readily converted within three days into known amounts of cash.

32. RELATED PARTY DISCLOSURE

(a) Identities of Related Parties

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

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

(b) Related Party Balance

	The Company	
	2023	**2022**
	RM	**RM**
Amount owing by a subsidiary		
Non-trade balance	15,000,000	16,000,000

The non-trade balance represents dividend receivables. The amount owing is interest free and receivable on demand.

32. RELATED PARTY DISCLOSURE (CONT'D)

(c) Significant related party transactions

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Consultation fees paid/ payable to a person connected with certain directors of the Company	112,700	76,650	–	–
Meal expenses paid/ payable to a person connected with certain directors of the Company	–	920	–	–
Payment of expense on behalf by holding company	–	–	13,347	14,076
Repayment received from amount due by a subsidiary	–	–	1,000,000	2,500,000

The significant outstanding balances of the related parties (including the allowance for impairment loss made, if any) together with their terms and conditions are disclosed in the respective notes to the financial statements.

The above transactions were established based on terms and rates agreed between the related parties.

(d) Key management compensation

Included in the employee benefit costs are compensations paid to key management personnel as follows:

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Directors' remuneration:				
- directors of the Company	2,758,165	2,691,097	363,000	363,000
- directors of the subsidiary	701,113	676,025	–	–
	3,459,278	3,367,122	363,000	363,000
Other key management personnel:				
- salaries and other short term employee benefits	181,149	176,904	–	–
- defined contribution plan expenses	21,828	21,175	–	–
	202,977	198,079	–	–
	3,662,255	3,565,201	363,000	363,000
Monetary value of benefits-in-kind	82,790	109,773	–	–

Key management compensation includes directors' remuneration as disclosed in Note 7 to the financial statements.

33. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group only has one operating segment qualified as reporting segment under MFRS 8. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the Group's operating segment, has been identified as the Group's Managing Director, who makes strategic decisions.

The Group's operations are in Malaysia. Non-current assets by geographical segments are not disclosed as all operations of the Group are based in Malaysia.

The Group's single most major customer contributed to approximately 56% (2022 – 73%) of total revenue of the Group for the financial year ended 30 June 2023.

The basis of measurement of reported segment profit or loss, segment assets and segment liabilities are consistent with the basis used for the statements of comprehensive income of the Group for the financial year ended 30 June 2023 and 30 June 2022 and the statement of financial position as at 30 June 2023 and 30 June 2022. The components of the segment assets and liabilities include classes of assets and liabilities disclosed in the statement of financial position.

GEOGRAPHICAL INFORMATION

Although the Company and its subsidiary are located in Malaysia, the Group exports the goods to America, Europe, Asia, Australia and Africa.

The information on the disaggregation of revenue based on geographical region is summarised below:

	The Group	
	2023 RM	**2022 RM**
America	27,816,705	93,127,596
Asia (excluding Malaysia)	15,117,196	10,451,951
Europe	14,484,755	24,233,526
Malaysia	4,873,494	11,781,766
Australia (including New Zealand and Oceania)	1,460,609	4,228,711
Africa (including Middle East)	99,911	12,351
	63,852,670	143,835,901

Notes to the Financial Statements
(Cont'd)

34. CAPITAL COMMITMENTS

Capital commitments in respect of property, plant and equipment not provided for in the financial statements are as follows:

	The Group	
	2023 RM	2022 RM
Capital expenditure commitments:		
Approved and contracted for	867,439	812,011

35. CONTINGENT LIABILITIES

No provisions are recognised on the following matters as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement:-

	The Company	
	2023 RM	2022 RM
Financial guarantee contracts in relation to corporate guarantee given to a subsidiary	5,466,076	8,716,048

36. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency exchange risk, interest rate risk and equity price risk), credit risk and liquidity risk. Financial risk management is carried out through risk identification and review, internal control systems, benchmarking to industry's best practices and adherence to the Group's financial risk management policies. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

36.1 Financial Risk Management Policies

(a) Market Risk

(i) Foreign Currency Exchange 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.

The Group mitigates its foreign currency exchange risk through the natural hedge of operating foreign currency accounts using the deposits from its export proceeds to pay imported purchases where both are denominated in the same foreign currency. The Group also enters into foreign currency forward exchange contracts and currency options to hedge its receivables for export proceeds, wherever considered necessary.

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes.

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Exchange Risk (Cont'd)

The Group's exposure to foreign currency is as follows:-

	UNITED STATES DOLLAR RM	RINGGIT MALAYSIA RM	OTHERS RM	TOTAL RM
The Group				
2023				
Financial Assets				
Trade receivables	4,375,261	869,172	–	5,244,433
Other receivables and deposits	136,854	69,994	–	206,848
Short-term investments	–	46,019,676	–	46,019,676
Cash and bank balances	5,835,101	502,235	1,534	6,338,870
	10,347,216	47,461,077	1,534	57,809,827
Financial Liabilities				
Trade payables	8,325,246	1,436,893	5,468	9,767,607
Other payables and accruals	639,184	2,269,874	–	2,909,058
Revolving credit	–	3,500,000	–	3,500,000
Hire purchase liability	–	1,966,076	–	1,966,076
Lease liability	–	100,424	–	100,424
	8,964,430	9,273,267	5,468	18,243,165
Net financial assets	1,382,786	38,187,810	(3,934)	39,566,662
Less: Net financial assets denominated in the respective entities' functional currencies	–	(38,187,810)	–	(38,187,810)
Currency exposure	1,382,786	–	(3,934)	1,378,852

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Exchange Risk (Cont'd)

The Group's exposure to foreign currency is as follows (Cont'd):-

	UNITED STATES DOLLAR RM	RINGGIT MALAYSIA RM	OTHERS RM	TOTAL RM
The Group				
2022				
Financial Assets				
Trade receivables	16,520,065	113,687	–	16,633,752
Other receivables and deposit	16,587	93,333	4,597	114,517
Short-term investments	–	45,104,513	–	45,104,513
Cash and bank balances	6,846,717	1,080,430	2,526	7,929,673
	23,383,369	46,391,963	7,123	69,782,455
Financial Liabilities				
Trade payables	18,411,443	3,871,392	4,147	22,286,982
Other payables and accruals	1,976,856	4,098,056	–	6,074,912
Revolving credit	–	4,000,000	–	4,000,000
Hire purchase liability	–	4,716,048	–	4,716,048
Lease liability	–	122,544	–	122,544
Derivative liabilities	377,025	–	–	377,025
	20,765,324	16,808,040	4,147	37,577,511
Net financial assets	2,618,045	29,583,923	2,976	32,204,944
Less: Net financial assets denominated in the respective entities' functional currencies	–	(29,583,923)	–	(29,583,923)
Currency exposure	2,618,045	–	2,976	2,621,021

The Company does not have any transactions or balances denominated in foreign currencies and hence, is not exposed to foreign currency risk.

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Exchange Risk (Cont'd)

Foreign currency exchange risk sensitivity analysis

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

	Estimated % increase		Impact on loss after tax and equity (Favourable)/ Unfavourable	
	2023	**2022**	**2023**	**2022**
	%	**%**	**RM**	**RM**
The Group				
Foreign currency strengthens against RM				
- United States Dollar:	5.0	5.0	(54,000)	(116,000)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed rate borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

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

Interest rate risk sensitivity analysis

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

	2023 (Decrease)/ Increase RM	2022 (Decrease)/ Increase RM
Effects on profit after taxation and equity		
Increase of 25 basis point ("bp")	(6,650)	(7,600)
Decrease of 25 bp	6,650	7,600

(iii) Equity Price Risk

The Company does not have any quoted investments and hence, is not exposed to equity price risk.

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including short-term investment, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from loans and advances to subsidiary, and corporate guarantee given to financial institutions for credit facilities granted to a subsidiary. The Company monitors the results of the subsidiary regularly and repayments made by the subsidiary.

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amounts owing by 3 customers (2022 – 2 customer) which constituted approximately 70% (2022 – 88%) of the total trade receivables as at reporting date. Substantially all of the debts due have been collected subsequent to the financial year end.

(ii) Maximum Exposure to Credit Risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

(iii) Measurement of expected credit loss ("ECL")

Trade receivables and contract assets using simplified approach

The Group measures the loss allowance of trade receivables and contract assets as at the reporting date using a PD x LGD x EAD methodology as follows:

- PD ('probability of default') – the likelihood that the debtor would not be able to repay during the contractual period (lifetime);
- LGD ('loss given default') – the percentage of contractual cash flows that will not be collected if default happens; and
- EAD ('exposure at default') – the outstanding amount that is exposed to default risk.

The historical loss rates are adjusted to reflect current and forward-looking information based on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the expected GDP growth rate of the affected countries where the customers operate to be the most relevant factor, and accordingly adjust the historical loss rates based on expected changes in the GDP growth rate. No significant changes to estimation techniques or assumptions were made during the reporting period.

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Measurement of expected credit loss ("ECL") (Cont'd)

The following table contains an analysis of the credit risk exposure of financial instruments by groups of debtors for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets:

	Gross Amount RM	Loss Allowance For Impairment RM	Carrying Amount RM
The Group			
2023			
Current (not past due)	2,500,416	(26)	2,500,390
Past due	4,212,155	(1,468,112)	2,744,043
Trade receivables	6,712,571	(1,468,138)	5,244,433
Contract assets	11,996	–	11,996
	6,724,567	(1,468,138)	5,256,429
2022			
Current (not past due)	6,994,570	(217)	6,994,353
Past due	9,655,310	(15,911)	9,639,399
Trade receivables	16,649,880	(16,128)	16,633,752
Contract assets	2,043,899	–	2,043,899
	18,693,779	(16,128)	18,677,651

The movement in the loss allowances in respect of trade receivables is disclosed in Note 36.1(b)(iv) to the financial statements.

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Measurement of expected credit loss ("ECL") (Cont'd)

<u>Other receivables, deposits and financial guarantee contracts issued using general 3-stage approach</u>

The Group uses three (3) categories for other receivables, deposits and financial guarantee contracts issued which reflect its credit risk and how the loss allowance for impairment is determined for each of those categories. A summary of the assumptions underpinning the Group's ECL model is as follows:

CATEGORY	COMPANY'S DEFINITION OF CATEGORY	BASIS FOR RECOGNISING ECL
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows.	12-month ECL
Underperforming	Debtors for which there is a significant increase in credit risk or significant increase in credit risk is presumed if interest and/ or principal repayments are 30 days past due. See Note 5.12(a)(ii) to the financial statements.	Lifetime ECL
Non-performing	Interest and/or principal repayments are 90 days past due or there is evidence indicating the asset is credit-impaired. See Note 5.12(a)(iii) to the financial statements.	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. See Note 5.12(a)(v) to the financial statements.	Assets is written-off

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Measurement of expected credit loss ("ECL") (Cont'd)

Other receivables, deposits and financial guarantee contracts issued using general 3-stage approach (Cont'd)

Based on the above, loss allowance for impairment is measured on either 12 month ECL or lifetime ECL using a PD x LGD x EAD methodology as follows:

- PD ('probability of default') – the likelihood that the debtor would not be able to repay during the contractual period (12-months or life time depending on category);
- LGD ('loss given default') – the percentage of contractual cash flows that will not be collected if default happens; and
- EAD ('exposure at default') – the outstanding amount that is exposed to default risk.

In deriving the PD and LGD, the Group considers historical data by each debtor by category and adjusts for forward-looking macroeconomic data. The Group has identified the expected GDP growth rate of the country where the debtor operates in to be the most relevant factor, and accordingly adjust the historical loss rates based on the expected changes in GDP growth rates released by the government of the affected countries. Loss allowance for impairment is measured at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs. No significant changes to estimation techniques or assumptions were made during the reporting period.

Based on the assessment performed above, all other receivables, deposits and financial guarantee contracts of the Company are classified under the performing category and are evaluated for ECL based on 12-month ECL.

Based on management assessment of ECL as at 30 June 2023 and 2022, the identified loss allowance for impairment of other receivables, deposits and financial guarantee contracts as at 30 June 2023 and 2022 was immaterial and hence, it is not provided for.

Cash and Bank Balances

The Group and the Company considers these banks and financial institutions have low credit risks. Therefore, the Company is of the view that the loss allowance is immaterial and hence, it is not provided for.

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(iv) Reconciliation of loss allowance for impairment

There was no loss allowance for impairment that needs to be recognised for financial assets at amortised cost as at 30 June 2023, i.e. contract assets, other receivables, deposits and financial guarantee contracts issued.

Trade receivables using simplified approach

The loss allowance for impairment of trade receivables of the Group as at 30 June 2023 and 30 June 2022 is as follows:

	The Group	
	2023	**2022**
	RM	**RM**
At 1 July	16,128	65,107
Allowance for impairment loss	1,452,010	–
Reversal of allowance for impairment loss	–	(48,979)
At 30 June	1,468,138	16,128

2023

Based on management assessment on ECL as at 30 June 2023, the Group had reversed the loss allowance for impairment by RM16,128 for an outstanding debt which were partially settle by the particular customer during the current financial year. The Group had made an additional loss allowance for impairment of RM1,468,138 for which has defaulted on payments on the debt which has been overdue by more than 120 days.

2022

Based on management assessment on ECL as at 30 June 2022, the Group had reversed the loss allowance for impairment by RM65,107 for an outstanding debt which were fully settle by the particular customer during the current financial year. The Group had made an additional loss allowance for impairment of RM16,128 for which has defaulted on payments on the debt which has been overdue by more than 120 days.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practices prudent risk management by maintaining sufficient cash balances and the availability of funding through an adequate but flexible amount of credit facilities obtained from licensed banks in Malaysia.

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk (Cont'd)

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payment computed based on the rate at the end of the reporting period):-

	Contractual interest rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 2 Years RM	2 - 5 Years RM
The Group						
2023						
Non-derivative Financial Liabilities						
Payables and accrued liabilities	–	12,676,665	12,676,665	12,676,665	–	–
Hire-purchase liabilities	4.94	1,966,076	2,014,839	1,999,857	14,982	–
Lease liability	5.94	100,424	112,800	28,800	28,800	55,200
Short term revolving credits	5.45	3,500,000	3,500,000	3,500,000	–	–
Total undiscounted financial obligations		18,243,165	18,304,304	18,205,322	43,782	55,200
2022						
Non-derivative Financial Liabilities						
Payables and accrued liabilities	–	28,361,894	28,361,894	28,361,894	–	–
Hire-purchase liabilities	5.07	4,716,048	4,934,613	2,919,774	1,999,857	14,982
Lease liability	5.94	122,544	141,600	28,800	28,800	84,000
Short term revolving credits	3.90	4,000,000	4,038,893	4,038,893	–	–
Total undiscounted financial obligations		37,200,486	37,477,000	35,349,361	2,028,657	98,982

36. FINANCIAL INSTRUMENTS (CONT'D)

36.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

	Carrying amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM
The Group			
2023			
Derivative Financial Liabilities			
Gross settled currency forward			
- receipt	–	–	–
- payments	–	–	–
	–	–	–
2022			
Derivative Financial Liabilities			
Gross settled currency forward			
- receipt	11,523,260	11,523,260	11,523,260
- payments	(11,900,285)	(11,900,285)	(11,900,285)
	(377,025)	(377,025)	(377,025)
The Company			
2023			
Non-derivative Financial Liabilities			
Payables and accrued liabilities	502,320	502,320	502,320
Financial guarantee liabilities*	–	5,466,076	5,466,076
	502,320	5,968,396	5,968,396
2022			
Non-derivative Financial Liabilities			
Payables and accrued liabilities	528,271	528,271	528,271
Financial guarantee liabilities*	–	8,716,048	8,716,048
	528,271	9,244,319	9,244,319

* The contractual undiscounted cash flows represent the outstanding credit facility of a subsidiary at the end of the reporting period. The financial guarantee has not been recognised in the financial statements since its fair value on initial recognition was not material.

36. FINANCIAL INSTRUMENTS (CONT'D)

36.2 Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders, issuing new share, sell assets to reduce debt or secure additional debts.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	The Group	
	2023	**2022**
	RM	**RM**
Hire purchase liabilities	1,966,076	4,716,048
Lease liability	100,424	122,544
Short term revolving credit	3,500,000	4,000,000
Total debt	5,566,500	8,838,592
Total equity	117,967,894	146,499,875
Debt-to-equity ratio	0.05	0.06

There was no change in the Group's approach to capital management during the financial year.

Notes to the Financial Statements
(Cont'd)

36. FINANCIAL INSTRUMENTS (CONT'D)

36.3 Classification of Financial Instruments

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Financial Assets				
Fair Value Through Profit or Loss				
Short-term investments	46,019,676	45,104,513	14,690,115	13,842,264
Amortised Cost				
Trade receivables	5,244,433	16,633,752	–	–
Other receivables and deposits	206,848	114,517	1,000	1,000
Amount owing by a subsidiary	–	–	15,000,000	16,000,000
Cash and bank balances	6,338,870	7,929,673	11,846	59,847
	11,790,151	24,677,942	15,012,846	16,060,847
Financial Liabilities				
Fair Value Through Profit or Loss				
Derivative financial liabilities	–	377,025	–	–
Amortised Cost				
Trade payables	9,767,607	22,286,982	–	–
Other payables and accruals	2,909,058	6,074,912	502,320	528,271
Lease liability	100,424	122,544	–	–
Hire purchase liabilities	1,966,076	4,716,048	–	–
Revolving credit	3,500,000	4,000,000	–	–
	18,243,165	37,200,486	502,320	528,271

36. FINANCIAL INSTRUMENTS (CONT'D)

36.4 Fair Value Information

Other than those disclosed below, the fair values of the financial assets and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments. The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

		Fair Value of Financial Instruments Carried At Fair Value		Total Fair Value
	Level 1 RM	Level 2 RM	Level 3 RM	RM
The Group				
2023				
Financial Assets				
Short-term investment	–	46,019,676	–	46,019,676
2022				
Financial Assets				
Short-term investment	–	45,104,513	–	45,104,513
Financial Liability				
Derivative financial liabilities	–	377,025	–	377,025
The Company				
2023				
Financial Assets				
Short-term investment	–	14,690,115	–	14,690,115
2022				
Financial Assets				
Short-term investment	–	13,842,264	–	13,842,264

Notes to the Financial Statements
(Cont'd)

36. FINANCIAL INSTRUMENTS (CONT'D)

36.4 Fair Value Information (Cont'd)

(a) The fair values of financial instruments carried at fair value have been determined using the following basis:-

(i) The fair value of the investment in money market fund are determined by reference to statement provided by respective financial institutions, with which the investments were enter into.

(ii) The fair value of the derivative financial instruments are based on certain inputs which are not directly obtainable from quoted prices and are therefore classified in Level 2.

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

(b) Fair value of assets and liabilities that are not carried at fair value and whose carrying amounts are reasonable approximation of their fair value.

The carrying amounts of the current financial assets and financial liabilities of the Group that are not carried at fair value at the reporting date approximately their fair values because they are mostly short term in nature or are repaid frequently.

37. SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD

a) Legal suit against Apple Malaysia Sdn. Bhd.

On 11 January 2022, Salutica Allied Solutions Sdn. Bhd. ("SAS"), a wholly-owned subsidiary of the Company had filed a Writ of Summons with the Statement of Claim dated 10 January 2022, at the High Court of Malaya in Kuala Lumpur against Apple Malaysia Sdn. Bhd. ("Apple") ("the Defendant")("The Suit"). The Company is the owner of the Malaysian Patent No. MY-172803-A (hereinafter the "MY'803 Patent"). The Crosspair Technology is the invention claimed by the Company in the MY'803 Patent.

Solicitors for both the Plaintiff and the Defendant in the suit have on 23 August 2023 attended the hearing of Defendant's disqualification application. The Court has dismissed the Defendant's disqualification application with cost of RM15,000.00 to be paid forthwith. As such, the firm of Messrs. Joel & Meil will continue to represent the Plaintiff in this suit. The Court has also fixed the trial date for the main suit on 11 to 14 March 2024 and 18 to 21 March 2024.

Solicitors for both the Plaintiff and the Defendant have on 6 September 2023 attended case management. In respect of the Defendant's application for the protective order, the Court has directed for parties to file written submissions by 27 September 2023 and respective submissions in reply by 11 October 2023. The Court has fixed the said application for hearing on 26 October 2023. In respect of the main suit, the Court has also directed parties to file any other witness statement by 19 February 2024.

37. SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD (CONT'D)

b) Legal suit against Paradigm Metal Industries Sdn. Bhd.

On 11 August 2023, Salutica Allied Solutions Sdn. Bhd. ("SAS"), a wholly-owned subsidiary of the Company had filed a Write of Summons with the Statement of Claim dated 11 August 2023, at the High Court of Malaya in Penang against Paradigm Metal Industries Sdn. Bhd. ("PMI") ("the Defendant").

The Plaintiff through a Framework Purchase Agreement dated 10 November 2021 ("Agreement"), has supplied to the Defendant various electronics products ("Products"). In year 2022, the Plaintiff had manufactured and delivered to the Defendant the Products to which the Plaintiff had issued invoices to the Defendant for a total amount of USD568,925.03. On 17 July 2023, the solicitors for the Plaintiff issued a letter of demand to the Defendant to which has yet to be satisfied in full by the Defendant.

After having taken into account certain reduction and late interest charges together with a partial payment from PMI of USD137,167.00 on 21 July 2023, the net amount owing to SAS is USD383,714.97, comprising principal sum of USD323,886.63 and late payment interest charges of USD59,828.34. Based on the Bank Negara Malaysia's exchange rate on 9 August 2023 of USD1.00 equals to RM4.5795, the total claim by the Plaintiff against the Defendant is RM1,757,222.71.

The claim pursuant to the Writ and Statement of Claim is as follows:

(i) The sum of USD383,714.97 or alternatively the sum of RM1,757,222.71 to be paid by the Defendant to the Plaintiff;

(ii) Late payment interest of 1% per month calculated from 1 August 2023 until the date of full settlement;

(iii) Pre-judgement interest of 5% per annum on the amount of item (a) and (b) above calculated from the date of filing of this suit until the date of judgement;

(iv) Judgement interest of 5% per annum on the amount of item (a), (b) and (c) above from the date of judgement until the date of full settlement;

(v) Cost of suit; and

(vi) Such further and other relief as the Honourable Court deems fit and proper to grant.

Solicitors for both the Plaintiff and Defendant in the suit have on 8 September 2023 attended case management for both the Defendant's application to stay proceedings and to refer the matter to arbitration under Section 10 of the Arbitration Act 2005. The said application is fixed for case management on 29 November 2023 for parties to the file affidavits in reply, written submissions and submission in reply.

LIST OF **PROPERTIES**

Registered owner	Title details / address	Tenure / Expiry of lease	Description and existing use	Approximate age of building	Total built up area and land area (square meter)	Net book value as at 30 June 2023 (RM'000)	Date of Acquisition / Valuation
Salutica Allied	Lot 202124, PN 94442, Mukim Hulu Kinta, Daerah Kinta, Negeri Perak 3 Jalan Zarib 6 Kawasan Perindustrian Zarib, 31500 Lahat, Ipoh, Perak	99 years, expiring on 11 February 2092	Allocated parking space for employees	N/A	Land area: 4,551 Built-up area: N/A	569.3	12 October 2015 (Date of Acquisition)
Salutica Allied	Lot 202125, PN94443, Mukim Hulu Kinta, Daerah Kinta, Negeri Perak 3 Jalan Zarib 6 Kawasan Perindustrian Zarib, 31500 Lahat, Ipoh, Perak	99 years, expiring on 11 February 2092	Allocated parking space for employees	N/A	Land area: 4,314 Built-up area: N/A	600.2	12 October 2015 (Date of Acquisition)
Salutica Allied	Lot 381631, PN314266, Mukim Hulu Kinta, Daerah Kinta, Negeri Perak 3 Jalan Zarib 6 Kawasan Perindustrian Zarib, 31500 Lahat, Ipoh, Perak	99 years, expiring on 11 February 2092	Our manufacturing plant comprising a two (2)-storey office annexed to a two (2) storey warehouse ("Phase Three") and factory ("Phase One and Two") ("Buildings")	Phase One: 23 years Phase Two: 22 years Phase Three: 14 years	Land area: 30,130 Built-up area: Approximately 30,318	21,180.0	12 October 2015 (Date of Acquisition)

The above properties are charged as security for trade facilities with OCBC Bank (Malaysia) Berhad.

ANALYSIS OF **SHAREHOLDINGS**

AS AT 29 SEPTEMBER 2023

Total number of Issued Shares	:	426,500,000 ordinary shares
Total number of Treasury Shares	:	3,000,000 ordinary shares
Total number of Issued Shares net of Treasury Shares	:	423,500,000 ordinary shares
Issued Share Capital	:	RM113,362,368
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share
Number of shareholders	:	3,664

LIST OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		**Indirect Interest**	
Name	**Size of Holdings**	**% (#)**	**Size of Holdings**	**% (#)**
Blue Ocean Enlightenment Sdn. Bhd. ("**BOE**")	214,500,000	50.65	–	–
Lim Chong Shyh	–	–	214,500,000 [1]	50.65
Joshua Lim Phan Yih	–	–	214,500,000 [1]	50.65
Joel Lim Phan Hong	–	–	214,500,000 [1]	50.65
Cheong Siew Chyuan	19,369,300	4.57	16,130,700 [2]	3.81

Note:

1. Deemed interested by virtue of shareholdings in BOE pursuant to Section 8 of the Companies Act, 2016 (the "Act").
2. Deemed interested by virtue of the shares held by his spouse pursuant to Section 8 of the Act.

DIRECTORS' SHAREHOLDINGS

	Direct Interest		**Indirect Interest**	
Name	**Size of Holdings**	**% (#)**	**Size of Holdings**	**% (#)**
Chan Shook Ling	6,100,000	1.44	–	–
Chia Chee Hoong	300,000	0.07	–	–
Low Teng Lum	100,000	0.02	–	–
Leow Chan Khiang	–	–	–	–
Lim Chong Shyh	–	–	214,500,000 [1]	50.65
Joshua Lim Phan Yih	–	–	214,500,000 [1]	50.65
Joel Lim Phan Hong	–	–	214,500,000 [1]	50.65

Note:

1. Deemed interested by virtue of shareholdings in BOE pursuant to Section 8 of the Act.

ANALYSIS BY SIZE OF HOLDINGS

No. of Holders	**Size of Holdings**	**Total Holdings (#)**	**% (#)**
17	1 - 99	248	0.00
486	100 – 1,000	284,452	0.07
1,683	1,001 – 10,000	9,641,900	2.28
1,230	10,001 – 100,000	42,797,200	10.10
247	100,001 to less than 5% of issued shares	156,276,200	36.90
1	5% and above of issued shares	214,500,000	50.65
3,664	**TOTAL**	**423,500,000**	**100.00**

Analysis of Shareholdings
(Cont'd)

LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of shares held	% (#)
1.	BLUE OCEAN ENLIGHTENMENT SDN.BHD.	214,500,000	50.65
2.	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHEONG SIEW CHYUAN*	18,760,300	4.43
3.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TING SIEW PIN (8118995)*	9,726,900	2.30
4.	TAN BOOI CHARN	9,489,700	2.24
5.	LYE YHIN CHOY	7,000,000	1.65
6.	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN BOOI CHARN*	6,641,000	1.57
7.	CHAN SHOOK LING	6,100,000	1.44
8.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD *CIMB COMMERCE TRUSTEE BERHAD* *FOR KENANGA GROWTH OPPORTUNITIES FUND (50154 TR01)*	4,150,200	0.98
9.	LEE HOY VOON	3,870,000	0.91
10.	GOH BEE CHIN @ OOI BEE CHIN	2,864,800	0.68
11.	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR NUM SIEW YOKE (M03)*	2,575,800	0.61
12.	HO KEAT SOONG	2,400,000	0.57
13.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHONG SUI PING (MY2618)*	2,230,000	0.53
14.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *KHOO MING FONG*	2,046,000	0.48
15.	CARTABAN NOMINEES (TEMPATAN) SDN BHD *ICAPITAL.BIZ BERHAD*	1,700,200	0.40
16.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *SIEW KOON HOEE*	1,664,800	0.39
17.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TING SIEW PIN (8059095)*	1,452,900	0.34
18.	LYE THIM LOONG	1,450,000	0.34
19.	ONG BOO SAY	1,400,000	0.33
20.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WONG WAH PENG*	1,329,200	0.31

Analysis of Shareholdings
(Cont'd)

LIST OF THIRTY LARGEST SHAREHOLDERS (CONT'D)

No.	Name	No. of shares held	% (#)
21.	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR HO CHANG TIH*	1,222,900	0.29
22.	KONG CHIA LIANG	1,100,000	0.26
23.	TUNG YIN WAI	1,100,000	0.26
24.	ONG YOK ENG	1,030,000	0.24
25.	CHANG MEEI YAN	1,019,000	0.24
26.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT* *FOR TAN SIEW ENG @ TAN AING (MY0225)*	1,006,000	0.24
27.	GAN KUOK CHYUAN	1,000,000	0.24
28.	LOW POW YING @ TAN LUAN	1,000,000	0.24
29.	LEE SUI HOK @ LEE SOON HING	950,000	0.22
30.	LIEW POW YEONG	870,000	0.21
	TOTAL	**311,649,700**	**73.59**

Note:

(#) Excludes a total of 3,000,000 ordinary shares bought back by the Company and held as Treasury Shares as at 29 September 2023.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting ("11th AGM") of **SALUTICA BERHAD** ("**Salutica**" or the "**Company**") will be conducted fully virtual through online meeting platform via TIIH Online website at https://tiih.online or https://tiih.com.my (Domain registration number with MYNIC:D1A282781) provided by Tricor Investor & Issuing House Services Sdn. Bhd. in Malaysia on Friday, 24 November 2023 at 10.30 a.m. for the following purposes:-

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 June 2023 together with the Directors' and the Auditors' Reports thereon. — **Please refer to Explanatory Note 1**

2. To approve the payment of Directors' fees of RM495,000.00 for the financial year ended 30 June 2023. — **Ordinary Resolution 1**

3. To re-elect the following Directors who retire pursuant to Clause 76(3) of the Constitution of the Company and being eligible offered themselves for re-election:-

   (i) Mr. Chia Chee Hoong — **Ordinary Resolution 2**

   (ii) Ms. Chan Shook Ling — **Ordinary Resolution 3**

4. To re-appoint Messrs Crowe Malaysia PLT as Auditors of the Company for the financial year ending 30 June 2024 and to authorise the Directors to fix their remuneration. — **Ordinary Resolution 4**

SPECIAL BUSINESS

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

5. **AUTHORITY TO ISSUE AND ALLOT SHARES OF THE COMPANY PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** — **Ordinary Resolution 5**

   "**THAT** pursuant to Sections 75 and 76 of the Companies Act 2016 (the "Act"), Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and the approval of the relevant regulatory authorities, where such approval is required, the Directors of the Company be and are hereby authorised to issue and allot shares in the capital of the Company, grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer ("New Shares") from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution, when aggregated with the total number of any such New Shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares (excluding any treasury shares) of the Company for the time being ("Proposed General Mandate").

THAT such approval on the Proposed General Mandate shall continue to be in force until:

a. the conclusion of the next Annual General Meeting of the Company held after the approval was given;

b. the expiration of the period within which the next Annual General Meeting of the Company is required to be held after the approval was given; or

c. revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

THAT all and any pre-emptive rights of the shareholders of the Company pursuant to Section 85 of the Act, Clause 12(3) of the Constitution of the Company and/or Paragraph 7.08 of the Main Market Listing Requirements of Bursa Securities, to be offered new shares ranking equally to the existing issued shares of the Company arising from the issuance of New Shares pursuant to the Proposed General Mandate, be and are hereby waived or deemed to have been waived, in full, by the shareholders of the Company.

THAT the Directors of the Company be and are hereby also empowered to obtain the approval from Bursa Securities for the listing of and quotation for such New Shares on the Main Market of Bursa Securities.

THAT authority be and is hereby given to the Directors of the Company, to give effect to the Proposed General Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of the Company and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Company, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed General Mandate."

6. **PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY** **Ordinary Resolution 6**

"**THAT** subject always to the Companies Act 2016 (the "Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the best interest of the Company provided that:

i. the aggregate number of issued shares in the Company ("Shares") purchased ("Purchased Shares") and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at point of purchase; and

Notice of Annual General Meeting
(Cont'd)

ii. the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase,

("Proposed Share Buy-Back").

AND THAT the authority to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:

a. the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which this resolution was passed, at which time the said authority shall lapse unless by an ordinary resolution passed at the next AGM, the authority is renewed, either unconditionally or subject to conditions;

b. the expiration of the period within which the next AGM of the Company is required by law to be held; or

c. revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own Shares before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

AND THAT the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:

i. To cancel all or part of the Purchased Shares;

ii. To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;

iii. To distribute all or part of the treasury shares as dividends to the shareholders of the Company;

iv. To resell all or part of the treasury shares;

v. To transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and/or its subsidiaries;

vi. To transfer all or part of the treasury shares as purchase consideration;

vii. To sell, transfer or otherwise use the shares for such other purposes as the Minister charged with the responsibility for companies may by order prescribe; and/or

viii. To deal with the treasury shares in any other manners as allowed by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are authorised to take all such steps as are necessary or expedient [including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties] to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities."

7. **ISSUANCE AND ALLOTMENT OF NEW ORDINARY SHARES IN SALUTICA ("NEW SALUTICA SHARES") PURSUANT TO THE DIVIDEND REINVESTMENT PLAN ("DRP") THAT PROVIDES THE SHAREHOLDERS OF SALUTICA ("SHAREHOLDERS") WITH THE OPTION TO REINVEST THEIR DIVIDEND TO WHICH THE DRP APPLIES, IN NEW SALUTICA SHARES ("ISSUANCE OF NEW SALUTICA SHARES PURSUANT TO DRP")** **Ordinary Resolution 7**

"**THAT** pursuant to the DRP as approved by the Shareholders at the Eighth Annual General Meeting held on 23 November 2020, and subject to the approvals of relevant regulatory authorities, where required, and the provisions of the Companies Act 2016, approval be and is hereby given to the Company to issue and allot such number of new Salutica Shares from time to time as may be required to be issued and allotted pursuant to the DRP until the conclusion of the next Annual General Meeting, upon such terms and conditions and to such persons as the Directors, may in their absolute discretion, deem fit and in the best interest of the Company;

THAT the issue price of the said new Salutica Shares shall be fixed by the Directors at a discount of not more than ten per cent (10%) to the five (5)-day volume weighted average market price ("VWAMP") of Salutica Shares immediately prior to the price-fixing date, of which the VWAMP shall be adjusted ex-dividend before applying the abovementioned discount in fixing the issue price;

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and enter into all such arrangements and documents as may be necessary or expedient in order to give full effect to the DRP with full power to assent to any conditions, modifications, variations and/or amendments to the terms of the DRP as the Directors may deem fit, necessary and/or expedient in the best interest of the Company or as may be imposed or agreed to by any relevant authorities or consequent upon the implementation of the said conditions, modifications, variations and/or amendments and to take all steps as they consider necessary in connection with the DRP."

Notice of Annual General Meeting
(Cont'd)

8. To transact any other business for which due notice is given in accordance with the Companies Act 2016 and the Constitution of the Company.

BY ORDER OF THE BOARD

WONG YEE LENG (SSM PC NO. 202108000545) (LS 0010568)
CHAN SHOOK LING (SSM PC NO. 202008004150) (MIA 17167)
MASTURA BINTI MUHAMAD (SSM PC NO. 202308000517) (MACS 01875)
Secretaries

Ipoh
26 October 2023

Notes:-

1. **IMPORTANT NOTICE**

   Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at the 11th AGM using the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its TIIH Online website at https://tiih.online.

   Please read these Notes carefully and follow the procedures in the Administrative Guide for 11th AGM in order to participate remotely via RPV.

2. For the purpose of determining who shall be entitled to participate in this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at **17 November 2023**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM via RPV.

3. A member who is entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.

4. A member of the Company who is entitled to participate at a general meeting of the Company may appoint not more than two (2) proxies to attend and vote instead of the member at the general meeting.

5. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.

7. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

8. A member who has appointed a proxy or attorney or authorised representative to participate at the AGM via RPV must request his/her proxy or attorney or authorised representative to register himself/herself for RPV via TIIH Online website at https://tiih.online. Procedures for RPV can be found in the Administrative Guide for 11th AGM.

Notice of Annual General Meeting
(Cont'd)

Notes (Cont'd):-

9. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:

   (i) In hard copy form
   In the case of an appointment made in hard copy form, the form of proxy must be deposited with the Company's Share Registrar at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

   (ii) By electronics means
   The form of proxy can be electronically lodged with the Company's Share Registrar via TIIH Online at https://tiih.online.

10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Company's Share Registrar at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

11. Please ensure ALL the particulars as required in the form of proxy are completed, signed and dated accordingly.

12. Last date and time for lodging the form of proxy is **Wednesday, 22 November 2023 at 10.30 a.m.**

13. For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:

    i. If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.

    ii. If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:

       a. at least two (2) authorised officers, of whom one shall be a director; or
       b. any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

14. Shareholders are advised to check the Company's website at www.salutica.com and announcements from time to time for any changes to the administration of the 11th AGM that may be necessitated by changes to the directives, safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, the Malaysian National Security Council, Securities Commission Malaysia and/or other relevant authorities.

Notice of Annual General Meeting
(Cont'd)

Explanatory Notes on the Ordinary Business

1. Agenda item no. 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.

2. **Ordinary Resolution 1**
Directors' Fees for the Financial Year Ended 30 June 2023

The proposed Ordinary Resolution 1 is to facilitate the payment of Directors' fees for the Group for the financial year ended 30 June 2023.

3. **Ordinary Resolutions 2 and 3**
Re-election of Directors pursuant to Clause 76(3) of the Company's Constitution

Mr. Chia Chee Hoong and Ms. Chan Shook Ling, who are standing for re-election as Directors and being eligible, have offered themselves for re-election at the Eleventh Annual General Meeting.

The Board of Directors (the "Board") has through the Nomination and Remuneration Committee ("NRC"), considered the performance and contribution of each of the retiring Directors and collectively agreed that they meet the criteria prescribed by Paragraph 2.20A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") on skill, expertise, experience, professionalism, commitment, integrity, character, competence and time to effectively discharge their role as Directors.

The Board has endorsed the NRC's recommendation to seek shareholders' approval for the re-election of the retiring Directors.

The details and profiles of Directors seeking re-election are set out in the Profile of Directors section of the Company's Annual Report 2023 at pages 6 and 11.

4. **Ordinary Resolution 4**
Re-appointment of Messrs Crowe Malaysia PLT as Auditors of the Company

The Board and the Audit and Risk Management Committee had considered the experience, fee and engagement proposal, the suitability and independence of the auditors and recommended the re-appointment of Messrs Crowe Malaysia PLT as Auditors of the Company.

Explanatory Notes on the Special Business

1. **Ordinary Resolution 5**
Authority to issue and allot shares of the Company pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed ordinary resolution, if passed, will empower the Directors to issue and allot shares of the Company from time to time and to grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer, provided that the aggregate number of such shares allotted pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being ("Proposed General Mandate").

The authority for the Proposed General Mandate will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting ("AGM") or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

Explanatory Notes on the Special Business (Cont'd)

1. **Ordinary Resolution 5**
Authority to issue and allot shares of the Company pursuant to Sections 75 and 76 of the Companies Act 2016 (Cont'd)

This proposed resolution is a renewal of the previous year's mandate. The mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional costs and time.

The purpose of the Proposed General Mandate, if passed, will enable the Directors to take swift action in case of a need to issue and allot new shares in the Company for fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, acquisitions and/or for issuance of shares as settlement of purchase consideration, or other circumstances arise which involve grant of rights to subscribe for shares, conversion of any securities into shares, or allotment of shares under an agreement or option or offer, or such other application as the Directors may deem fit in the best interest of the Company.

As at the date of this notice, the Company did not implement its proposal for new allotment of shares under the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 which was approved by the shareholders at the Tenth AGM held on 25 November 2022 and will lapse at the conclusion of the Eleventh AGM to be held on 24 November 2023. As at the date of this notice, there is no decision to issue new shares. Should there be a decision to issue new shares after the general mandate is sought, the Company will make an announcement of the actual purpose and utilisation of proceeds arising from such issuance of shares.

2. **Ordinary Resolution 6**
Proposed Renewal of Share Buy-Back Authority

This proposed Ordinary Resolution 6, if passed, will empower the Directors to purchase up to ten per centum (10%) of the total number of issued shares of the Company through Bursa Malaysia Securities Berhad. Please refer to the Statement to Shareholders dated 26 October 2023 for further information.

3. **Ordinary Resolution 7**
To issue and allot shares in relation to the Dividend Reinvestment Plan

Dividend Reinvestment Plan would strengthen the Company's capital position. The reinvestment of dividend entitlements by shareholders for new Company shares will enlarge the Company's share capital and strengthen its capital position for future growth. Under Dividend Reinvestment Plan, the cash that would otherwise be paid out by way of dividend will be preserved to fund the working capital and/or capital funding requirements of the Company and the Group.

This resolution, if passed, will give the authority to the Directors to issue and allot new Salutica Shares pursuant to the Dividend Reinvestment Plan in respect of dividends that may be declared after this AGM out of profits of the Company available if the Company is solvent pursuant to Sections 131 and 132 of the Companies Act 2016, and such authority shall expire at the conclusion of the next AGM of the Company.

STATEMENT ACCOMPANYING NOTICE OF ELEVENTH ANNUAL GENERAL MEETING

(Pursuant to paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

Details of individuals who are standing for election as Directors (excluding directors standing for re-election)

No individual is seeking election as a Director at the forthcoming Eleventh Annual General Meeting of the Company.

ADMINISTRATIVE **GUIDE**

FOR ELEVENTH ANNUAL GENERAL MEETING ("11TH AGM") OF SALUTICA BERHAD ("THE COMPANY")

Date	:	**Friday, 24 November 2023**
Time	:	**10.30 a.m.**
Online Meeting Platform	:	TIIH Online website at https://tiih.online provided by Tricor Investor & Issuing House Services Sdn. Bhd.

MODE OF MEETING

- The 11th AGM of the Company will be conducted on a fully virtual basis through live streaming and online meeting platform at TIIH Online provided by Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") in Malaysia via Remote Participation and Electronic Voting ("RPV") facilities.

SHAREHOLDERS' PARTICIPATION AT THE 11TH AGM VIA REMOTE PARTICIPATION AND VOTING FACILITIES ("RPV")

- Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at the 11th AGM using the RPV provided by Tricor.
- The RPV are available on Tricor's TIIH Online website at https://tiih.online.
- We strongly encourage you to participate the 11th AGM via the RPV. You may also consider appointing the Chairman of the meeting as your proxy to attend and vote on your behalf at the 11th AGM.
- Kindly refer to Procedures for RPV as set out below for the requirements and procedures.

PROCEDURES FOR RPV

- Please read and follow the procedures below to engage in remote participation through live streaming and online remote voting at the 11th AGM using the RPV:-

Procedure	Action
BEFORE THE 11TH AGM DAY	
i. Register as a user with TIIH Online	• Using your computer, access the website at https://tiih.online. Register as a user under the "**e-Services**" by selecting "**Create Account by Individual Holder**". Refer to the tutorial guide posted on the homepage for assistance. • Registration as a user will be approved within one (1) working day and you will be notified via email. • If you are already a user with TIIH Online, you are not required to register again. • You will receive an email to notify you that the remote participation is available for registration at TIIH Online.

Administrative Guide
(Cont'd)

Procedure	Action
BEFORE THE 11TH AGM DAY (CONT'D)	
ii. Submit your request to attend 11th AGM remotely	• Registration is open from 10.00 a.m. Thursday, 26 October 2023 until the day of 11th AGM on Friday, 24 November 2023. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the 11th AGM to ascertain their eligibility to participate the 11th AGM using the RPV facilities. • Login with your user ID (i.e. email address) and password and select the corporate event: "**(Registration) Salutica Berhad 11TH AGM**". • Read and agree to the Terms & Conditions and confirm the Declaration. • Select "**Register for Remote Participation and Voting**". • Review your registration and proceed to register. • System will send an email to notify that your registration for remote participation is received and will be verified. • After verification of your registration against the Record of Depositors as at 17 November 2023, the system will send you an **email after 22 November 2023** to approve or reject your registration for remote participation. *(Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV).*
ON THE 11TH AGM DAY	
i. Login to TIIH Online	• Login with your user ID and password for remote participation at the 11th AGM at any time from 9.30 a.m., i.e. 1 hour before the commencement of meeting at 10.30 a.m. on Friday, 24 November 2023.
ii. Participate through live streaming	• Select the corporate event: "**(Live Stream Meeting) Salutica Berhad 11TH AGM**" to engage in the proceedings of the 11th AGM remotely. If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will try to respond to questions submitted by remote participants during the 11th AGM. If there is time constraint, the responses will be emailed to you at the earliest possible, after the meeting.
iii. Online remote voting	• Voting session commences from **10.30 a.m.** on **Friday, 24 November 2023** until a time when the Chairman announces the end of the voting session. • Select the corporate event: "**(Remote Voting) Salutica Berhad 11TH AGM**" or if you are on the live stream meeting page, you can select "**GO TO REMOTE VOTING PAGE**" button below the Query Box. • Read and agree to the Terms & Conditions and confirm the Declaration. • Select the CDS account that represents your shareholdings. • Indicate your votes for the resolutions that are tabled for voting. • Confirm and submit your votes.
iv. End of remote participation	• Upon the announcement by the Chairman on the conclusion of the 11th AGM, the live streaming will end.

NOTE TO USERS OF THE RPV:-

(i) Should your registration for RPV be approved, we will make available to you the rights to join the live stream meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.

(ii) The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.

(iii) In the event you encounter any issues with logging-in, connection to the live stream meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-4080 5616 / 011-4080 3168 / 011-4080 3169 / 011-4080 3170 or email to tiih.online@my.tricorglobal.com for assistance.

Administrative Guide
(Cont'd)

ENTITLEMENT TO PARTICIPATE AND APPOINTMENT OF PROXY OR ATTORNEY OR CORPORATE REPRESENTATIVE

- Only members whose names appear on the Record of Depositors ("ROD") as at **17 November 2023** shall be entitled to attend, speak (in the form of real time submission of typed texts) and vote in the 11th AGM or appoint a proxy(ies)/ corporate representative(s)/attorney(s) and/or the Chairman of the Meeting to attend and vote on his/ her behalf.

- In view that the 11th AGM will be conducted on a fully virtual basis, a member can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instruction in the Form of Proxy.

- If you wish to participate in the 11th AGM yourself, please do not submit any Form of Proxy for the 11th AGM. You will not be allowed to participate in the 11th AGM together with a proxy appointed by you.

- Accordingly, Form of Proxy and/or documents relating to the appointment of proxy/corporate representative/ attorney for the 11th AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than **Wednesday, 22 November 2023** at **10.30 a.m.**:-

(i) **In hard copy:-**

By hand or post to the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur;

(ii) **By electronic form:-**

All shareholders can have the option to submit Form of Proxy electronically via TIIH Online and the steps to submit are summarised below:-

Procedure	Action
I. Steps for Individual Shareholders	
Register as a User with TIIH Online	• Using your computer, please access the website at https://tiih.online. Register as a user under the "**e-Services**". Please refer to the tutorial guide posted on the homepage for assistance. • If you are already a user with TIIH Online, you are not required to register again.
Proceed with submission of Form of Proxy	• After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. • Select the corporate event: "**Salutica Berhad 11TH AGM - Submission of Proxy Form**". • Read and agree to the Terms & Conditions and confirm the Declaration. • Insert your CDS account number and indicate the number of shares for your proxy(ies) to vote on your behalf. • Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes. • Review and confirm your proxy(ies) appointment. • Print the Form of Proxy for your record.

Administrative Guide
(Cont'd)

Procedure	Action
II. Steps for Corporation or Institutional Shareholders	
Register as a User with TIIH Online	• Access TIIH Online at https://tiih.online. • Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects "**Create Account by Representative of Corporate Holder**". • Complete the registration form and upload the required documents. • Registration will be verified, and you will be notified by email within one (1) to two (2) working days. • Proceed to activate your account with the temporary password given in the email and re-set your own password. *Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar, Tricor, if you need clarifications on the user registration.*
Proceed with submission of Form of Proxy	• Login to TIIH Online at https://tiih.online. • Select the corporate exercise name: "**Salutica Berhad 11TH AGM - Submission of Proxy Form**" • Agree to the Terms & Conditions and Declaration. • Proceed to download the file format for "**Submission of Proxy Form**" in accordance with the Guidance Note set therein. • Prepare the file for the appointment of proxies by inserting the required data. • Proceed to upload the duly completed proxy appointment file. • Select "**Submit**" to complete your submission. • Print the confirmation report of your submission for your record.

VOTING AT MEETING

- The voting at the 11th AGM will be conducted on a poll pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The Company has appointed Tricor to conduct the poll voting and Coopers Professional Scrutineers Sdn. Bhd. as Independent Scrutineers to verify the poll results.

- Shareholders or proxy(ies) or corporate representative(s) or attorney(s) can proceed to vote on the resolutions before the end of the voting session which will be announced by the Chairman of the Meeting and submit your votes at any time from the commencement of the 11th AGM at 10.30 a.m. Kindly refer to "**Procedures for RPV**" provided above for guidance on how to vote remotely via TIIH Online website at https://tiih.online.

- Upon completion of the voting session for 11th AGM, the Scrutineers will verify the poll results followed by the Chairman's declaration whether the resolutions are duly passed.

RESULTS OF THE VOTING

- The resolutions proposed at the 11th AGM and the results of the voting will be announced at the 11th AGM and subsequently via an announcement made by the Company through Bursa Malaysia at www.bursamalaysia.com.

Administrative Guide
(Cont'd)

NO DOOR GIFT

- There will be no distribution of door gifts for the 11th AGM.
- The Company would like to thank all its shareholders for their co-operation and understanding in these challenging times.

PRE-MEETING SUBMISSION OF QUESTIONS TO THE BOARD OF DIRECTORS

- In order to enhance the efficiency of the proceedings of the 11th AGM, shareholders may in advance, before the 11th AGM, submit questions to the Board of Directors via Tricor's TIIH Online website at https://tiih.online no later than **Wednesday, 22 November 2023 at 10.30 a.m.** The Board of Directors will endeavor to address the questions received at the 11th AGM.

ANNUAL REPORT

- The Annual Report is available on the Company's website at www.salutica.com and Bursa Malaysia's website at www.bursamalaysia.com under Company's announcements.
- You may request for a printed copy of the Annual Report at https://tiih.online by selecting "**Request for Annual Report / Circular**" under the "**Investor Services**".
- Kindly consider the environment before you decide to request for the printed copy of the Annual Report. The environmental concerns like global warming, deforestation, climate change and many more affect every human, animal and nation on this planet.

ENQUIRY

- If you have any enquiry prior to the meeting, please call our Share Registrar, Tricor at +603-2783 9299 during office hours, i.e. from 8.30 a.m. to 5.30 p.m. (Monday to Friday).

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SALUTICA

SALUTICA BERHAD
(Registration No. 201201040303 (1024781-T))
(Incorporated in Malaysia)

FORM OF **PROXY**

No. of shares held

CDS Account No. (Nominees Account Only)
_ _ _ – _ _ _ – _ _ _ _ _ _ _ _ _

I/We ____
(FULL NAME IN BLOCK LETTERS)

(NRIC No./ Company Registration No./ Passport No. ________________________)

of ____
(FULL ADDRESS)

____

being a member/members of **SALUTICA BERHAD**, hereby appoint

Name of Proxy	NRIC No./Passport No.	% of Shareholdings to be Represented

and/or failing him/her

Name of Proxy	NRIC No./Passport No.	% of Shareholdings to be Represented

or failing him/her, *the Chairperson of the Meeting, as my/our proxy/proxies to vote for me/us and on my/our behalf at the Eleventh Annual General Meeting ("11^{th} AGM") of the Company, which will be conducted fully virtual through the online meeting platform via TIIH Online website at https://tiih.online or https://tiih.com.my (Domain registration number with MYNIC:D1A282781) provided by Tricor Investor & Issuing House Services Sdn. Bhd. in Malaysia on **Friday, 24 November 2023** at **10.30 a.m.** or any adjournment thereof, and to vote as indicated below:

* *Please strikethrough the words "the Chairperson of the Meeting" if you wish to appoint some other person to be your proxy.*

Resolution	Agenda	FOR	AGAINST
1	To approve the payment of Directors' fees		
2	To re-elect Mr. Chia Chee Hoong as Director		
3	To re-elect Ms. Chan Shook Ling as Director		
4	To re-appoint Messrs Crowe Malaysia PLT as Auditors and to authorise the Directors to fix their remuneration		
5	Authority to Issue and Allot Shares of the Company pursuant to Sections 75 and 76 of the Companies Act 2016		
6	Proposed Renewal of Share Buy-Back Authority		
7	Issuance and Allotment of Shares pursuant to Dividend Reinvestment Plan		

(Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.)

Signed this ________ day of ________________ 2023

____
Signature/Common Seal of Member^

^ Manner of execution:

(a) If you are an individual member, please sign where indicated.
(b) If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
(c) If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:
(i) at least two (2) authorised officers, of whom one shall be a director; or
(ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

Notes:-

1. **IMPORTANT NOTICE**

   Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at the 11th AGM using the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its TIIH Online website at https://tiih.online.

   Please read these Notes carefully and follow the procedures in the Administrative Guide for 11th AGM in order to participate remotely via RPV.

2. For the purpose of determining who shall be entitled to participate in this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a **Record of Depositors as at 17 November 2023**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM via RPV.

3. A member who is entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.

4. A member of the Company who is entitled to participate at a general meeting of the Company may appoint not more than two (2) proxies to attend and vote instead of the member at the general meeting.

5. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.

7. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

8. A member who has appointed a proxy or attorney or authorised representative to participate at the AGM via RPV must request his/her proxy or attorney or authorised representative to register himself/herself for RPV via TIIH Online website at https://tiih.online. Procedures for RPV can be found in the Administrative Guide for 11th AGM.

9. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:

   (i) In hard copy form
   In the case of an appointment made in hard copy form, the form of proxy must be deposited with the Company's Share Registrar at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

   (ii) By electronics means
   The form of proxy can be electronically lodged with the Company's Share Registrar via TIIH Online at https://tiih.online.

10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Company's Share Registrar at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

11. Please ensure ALL the particulars as required in the form of proxy are completed, signed and dated accordingly.

12. Last date and time for lodging the form of proxy is **Wednesday, 22 November 2023 at 10.30 a.m.**

13. For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:

   i. If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.

   ii. If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:

      a. at least two (2) authorised officers, of whom one shall be a director; or
      b. any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

14. Shareholders are advised to check the Company's website at www.salutica.com and announcements from time to time for any changes to the administration of the 11th AGM that may be necessitated by changes to the directives, safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, the Malaysian National Security Council, Securities Commission Malaysia and/or other relevant authorities.

Fold this flap for sealing

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AFFIX
STAMP

Share Registrar
Tricor Investor & Issuing House Services Sdn. Bhd.
(Registration No. 197101000970 (11324-H))

Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia

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SALUTICA

SALUTICA BERHAD
Registration No. 201201040303 (1024781-T)

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