



SALUTICA BERHAD
(Registration No. 201201040303 (1024781-T))

Saluting the Extraordinaire™
ANNUAL REPORT 2021

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™

Existed since ancient times, the cymbals have been used across civilizations, culture, and religion. The pair of cymbals is used especially to accentuate musical climaxes and from the Romantic period it has played an important role in the orchestra. Its powerful sound can rise above the entire orchestra. As how we in Salutica envisage our products to be able to deliver powerful performance that are memorable for you. Through products which performance that impacts people's lives is how we salute the extraordinaires.



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CORPORATE INFORMATION

BOARD OF DIRECTORS

CHIA CHEE HOONG

*Chairman / Independent
Non-Executive Director*

LOW TENG LUM

*Senior Independent
Non-Executive Director*

LEOW CHAN KHIANG

Independent Non-Executive Director

JOSHUA LIM PHAN YIH

*Managing Director /
Chief Executive Officer*

LIM CHONG SHYH

Senior Executive Director

CHAN SHOOK LING

*Executive Director /
Chief Financial Officer*

JOEL LIM PHAN HONG

*Alternate Director to
Lim Chong Shyh*

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

YENG SHI MEI

*(SSM PC No.202008001282)
(MAICSA 7059759)*

CHONG LAY KIM

*(SSM PC No.202008001920)
(LS 0008373)*

CHAN SHOOK LING

*(SSM PC No.202008004150)
(MIA 17167)*

REGISTERED OFFICE

41, Jalan Medan Ipoh 6
Bandar Baru Medan Ipoh
31400 Ipoh, Perak
Tel : (05) 548 0888
Fax : (05) 545 9222

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

PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF1146)
Chartered Accountants
1st Floor, SCB Chambers
21-27, Jalan Dato' Maharaja Lela
30000 Ipoh, Perak
Tel : (05) 220 2500
Fax : (05) 253 2366

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

Our company, Salutica Berhad was incorporated in Malaysia under the Companies Act, 1965 on 19 November 2012 as a private limited company under the name of Blue Ocean Genius Sdn. Bhd.

The principal activity of the Company is that of investment holding.

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

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.

Group structure as at 30 June 2021 is as follows:-



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.

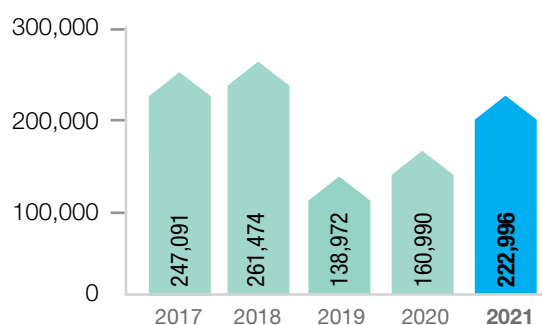




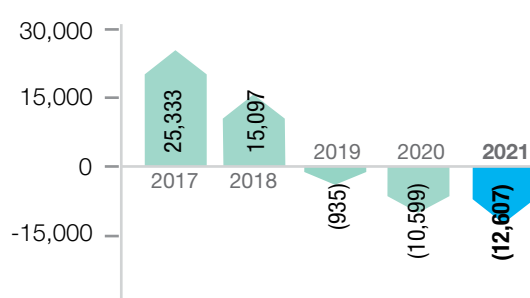
FINANCIAL HIGHLIGHTS

Financial Year Ended 30 June	2017	2018	2019	2020	2021
Revenue (RM'000)	247,091	261,474	138,972	160,990	222,996
Profit/(Loss) Before Tax (RM'000)	25,333	15,097	(935)	(10,599)	(12,607)
Profit/(Loss) After Tax (RM'000)	19,354	11,362	(550)	(8,060)	(9,724)
Weighted average number of ordinary shares in issue ('000)	388,000	388,000	387,565	384,993	384,990
Total Assets (RM'000)	202,657	192,747	171,987	191,494	193,099
Total Liabilities (RM'000)	37,634	25,674	15,066	50,254	61,584
Total Assets/Liabilities	5.38	7.51	11.42	3.81	3.14
Earnings/(Loss) per share ("EPS") (sen)	4.99	2.93	(0.14)	(2.09)	(2.53)
Net assets per share (sen)	42.53	43.06	40.49	36.69	34.16

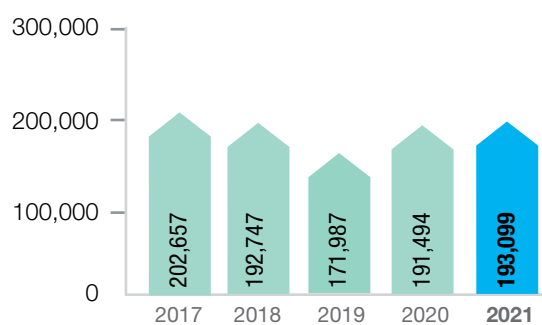
Revenue (RM'000)



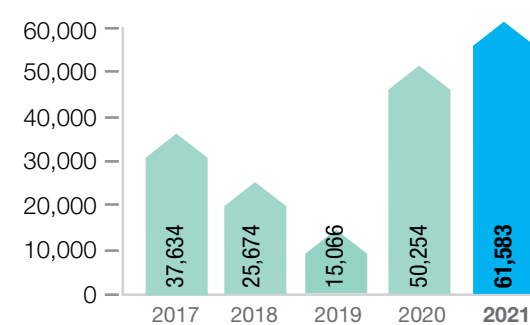
Profit/(Loss) Before Tax (RM'000)



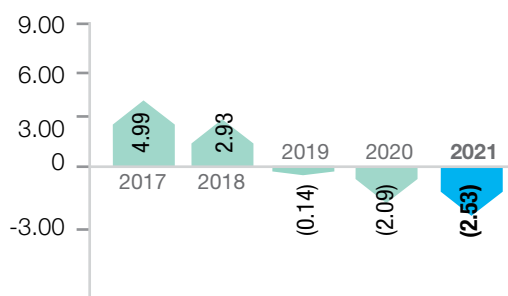
Total Assets (RM'000)



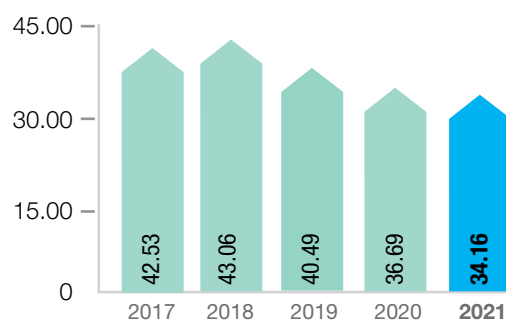
Total Liabilities (RM'000)



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



Net assets per share (sen)





PROFILE OF DIRECTORS



CHIA CHEE HOONG

CHAIRMAN/INDEPENDENT NON-EXECUTIVE DIRECTOR

AGE	GENDER	NATIONALITY
44	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.

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
37	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 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
63	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.

In 2013, he led a management buyout of Salutica Allied from Balda AG Group when the latter intended to focus on its core business in medical precision plastic parts and solutions. He remained as the Chief Executive Officer ("CEO") of Salutica Allied upon the completion of the management buyout.

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
67	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
55	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 Ni Hsin Group Berhad, 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
51	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 corporations.

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
35	Male	

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. Presently, he is also a director and shareholder of Joel Mei IP Consulting Sdn. Bhd.

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 2021.

Directors' Shareholding

The details of the Directors' interest in securities of the Company are set out in the Analysis of Shareholding on page 58 of the Annual Report.



KEY SENIOR MANAGEMENT



HO KEAT SOONG

Aged 55 | 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 was headhunted to join 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 the plant-wide sourcing, purchasing, planning, logistics, quality and key account functions.

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

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.



TAN WEE YEOH (CHEN WEIYAO) KEVIN

Aged 37 | Male | Malaysian
Director - Operations

Mr. Kevin graduated with a Bachelor of Computer Science from University of Melbourne, Australia.

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 also one of the pioneer of our FOBO team, involving in product innovation and his works has also resulted in filing of some key technologies patent used in FOBO products.

He assumed his current position as our Operations Director in 2020, where he is responsible for plant-wide operations, engineering and key account management.

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

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.



GOH BEE CHIN @ OOI BEE CHIN

Aged 56 | 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, insurance and the security and safety aspects of the assets and properties of our Group.

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

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.

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 2021.



CHAIRMAN'S STATEMENT



Chia Chee Hoong
*Chairman/Independent
Non-Executive Director*

“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 2021 (“FYE2021”). As the global economy continues to grapple with the Covid-19 pandemic, it is necessary for businesses to continue to adapt to a whole new environment where Covid-19 becomes endemic.”

Furthermore, the dynamics of the workplace will no longer be the same as working from home has become the norm rather than the exception as in the past. As such, the Company and its subsidiary, Salutica Allied Solutions Sdn Bhd (together with the Company, the “Group”) have to balance the need to meet its commercial endeavours and the necessity of providing a safe working environment for its people.

Much efforts have been made throughout FYE2021 to ensure that the Group is resilient and is able to serve its customers despite the implementation of various forms of Movement Control Order (“MCO”) which has adversely affected the manufacturing industry generally through various stages of operational restrictions.

BUSINESS OVERVIEW

Despite the challenges in the current Covid-19 environment, the Group manages to keep up with its efforts to innovate and develop products throughout such unprecedented times. This ever continuous effort is fundamental for the Group to widen its offerings of product as well as expanding its customer base. At the same time, all aspects of cost improvement are monitored to increase cost efficiency, to optimise use of resources and ultimately to improve the resilience of the Group throughout such uncertain period.

It is heartening to see that our customers and strategic partners continue and deepen their collaboration with our Group as we transition to our new CEO, Joshua Lim and his team. This demonstrates the trust and confidence that our customers and strategic partners have entrusted in our Group.



Chairman's Statement (Cont'd)

FINANCIAL OVERVIEW

As at FYE2021, the Group recorded a higher revenue of RM223.0 million compared to FYE2020 of RM161.0 million. This was mainly attributable to the higher demand for the Group's computer peripheral products. However, the Group has incurred a loss before tax ("LBT") of RM12.6 million compared to a LBT of RM10.6 million in FYE2020 due the change in the product mix with lower margin products contributing more to the revenue compared to the previous year. Furthermore, the Group having to manage Covid-19 including compliance with various SOPs and operational restrictions throughout the various stages of MCO, has resulted in higher overall cost of operation.

As at FYE2021, the Group has RM131.5 million of equity attributable to the owners of the Company (also known as shareholders' fund) which is 6.9% lower compared to RM141.2 million for FYE2020. The Group's gearing ratio is approximately 0.08.

The Group continues its efforts to strengthen financial position as it continues to develop innovative products within the Group's product and technology roadmap. On 18 August 2021, the Group successfully completed a private placement of 38,500,000 new ordinary shares at a fixed price of RM0.56 per Placement share to selected investors raising a gross proceed of RM21.56 million.

MOVING FORWARD

The Group will continue its R&D efforts to build a stronger product and technology roadmap. We expect to see development of more applications of Truly Wireless System ("TWS") headset into the field of sport, hearable and gaming moving forward as well as added capabilities in our manufacturing facility, with the aim of expanding our customer base and also our product and service offerings. This is a time where having our own homegrown technology and home brand like FOBO adds to the resilience of the Group in facing unprecedented challenges.

My fellow directors and I are confident in the leadership of the management as it steers the Group back to profitability and growth in the future.

ACKNOWLEDGMENT

Last but not least, I would like to take this opportunity to thank our customers, shareholders, partners and regulatory authorities their continuing support to the Group. The Board would also like to thank Joshua Lim and his team of people in the Group for their hard work, dedication and loyalty to the Group.

Chia Chee Hoong

Chairman / Independent Non-Executive Director





CEO'S MESSAGE



Joshua Lim Phan Yih
*Managing Director/Chief
Executive Officer*

GENERAL OVERVIEW

I would like to first thank the people in Salutica for having to go the extra mile during one of the toughest times in the 21st century. In keeping the operations of the Group to meet customers' demand and continue developing innovative products all in a Covid-19 pandemic is no easy feat. It is a constant balancing act between the Group's commercial interest and the safety of our people whereby our people are often faced with difficult questions and decisions.

Through this period, we have implemented various operation Standard Operating Procedures ("SOPs") in accordance with government guidelines as well as managing potential outbreaks as soon as possible to minimise the impact on our operation. One of our main tools in managing Covid-19 in Salutica is through our own in house developed close contact tracing system, otherwise known as FOBO Trace. This has allowed us to identify close contacts in a timely manner with objective data.

One of the major impacts of Covid-19 is on the timeline for product development. As we develop products for customers from ground up, it requires constant work with our customers, partners, and suppliers. However, with the restriction of travelling and business operation, this has impeded the rate in which the development can proceed. As such, it is a time where a lot more effort is needed to achieve what is ordinarily expected in a world before this pandemic.

Despite the MCO and disruption caused by the Covid-19 pandemic, many in Salutica has risen to the occasion to ensure the continuity of operations and the development of new product launches slated for our next fiscal year. This has certainly shown the resilience of the Group in dealing with new challenges and at the same time not backing down but moving forward with our plans on hand.

A review of FYE2021 although bringing mixed results has allowed for the Group to improve its capability to deliver more innovative products soon. Despite the challenging environment, the Group was able to launch new products in FYE2021.

The Group has also added additional capacity with an addition of a dual lane SMT Line. This brings us to a total of 6 SMT Lines to cater for our product line up in the next fiscal year. At the same time, many areas of focus have improvement projects in place that not only improve the manufacturing process but also having an upgraded internal traceability system which will prepare the Group for certification under ISO13485 for medical devices in the next fiscal year.

These are some of the major improvements which are critical for the Group's continue growth to produce innovative products. At the same time, all this will be balanced with prudence and overall cost maintenance of the current business to build further resilience of the business in face of today's challenges.



Ceo's Message (Cont'd)

OPERATIONAL REVIEW

The operational review is presented under the Management Discussion and Analysis ("MDNA") section of the Annual Report.

BUSINESS FORWARD

With the diversification of product application in TWS headset into sport, hearable, and gaming, it will provide additional model line up to the Group's product roadmap. Also, the additional complexity in these products allows the Group to provide additional value to our customer as well as creating a higher barrier of entry for our competitors.

TWS has grown more than just allowing people to listen to music and to take a phone call, it can now truly improve lives such as with hearables and provide a higher level of entertainment for serious gamers. At the same time, the quality and robustness of our products can withstand the needs that active lifestyle users demand from their sports TWS.

At the same time, we see an expansion of our customer base for TWS products which I believe will provide a strong impact to our product line up moving forward whilst Salutica continues to build a niche in specific applications of its TWS products. This is where we can capitalize on the effort which we have made with our technology partners to be able to deliver more variants of our products.

In addition, the Group will continue its focus on its home grown FOBO brand as it was through our own platform that we were able to develop a close contact tracing system within months. By continuing to build on our own BLE platforms, we will be able to spawn products to extend from TPMS and trackers into new sensor application for home as well as commercial use.

Furthermore, once we are successful in obtaining certification for medical devices, it will open a door of new opportunities for the Group to venture into a new market. This will diversify the Group's product line up for the future to create a stronger and sustainable business.

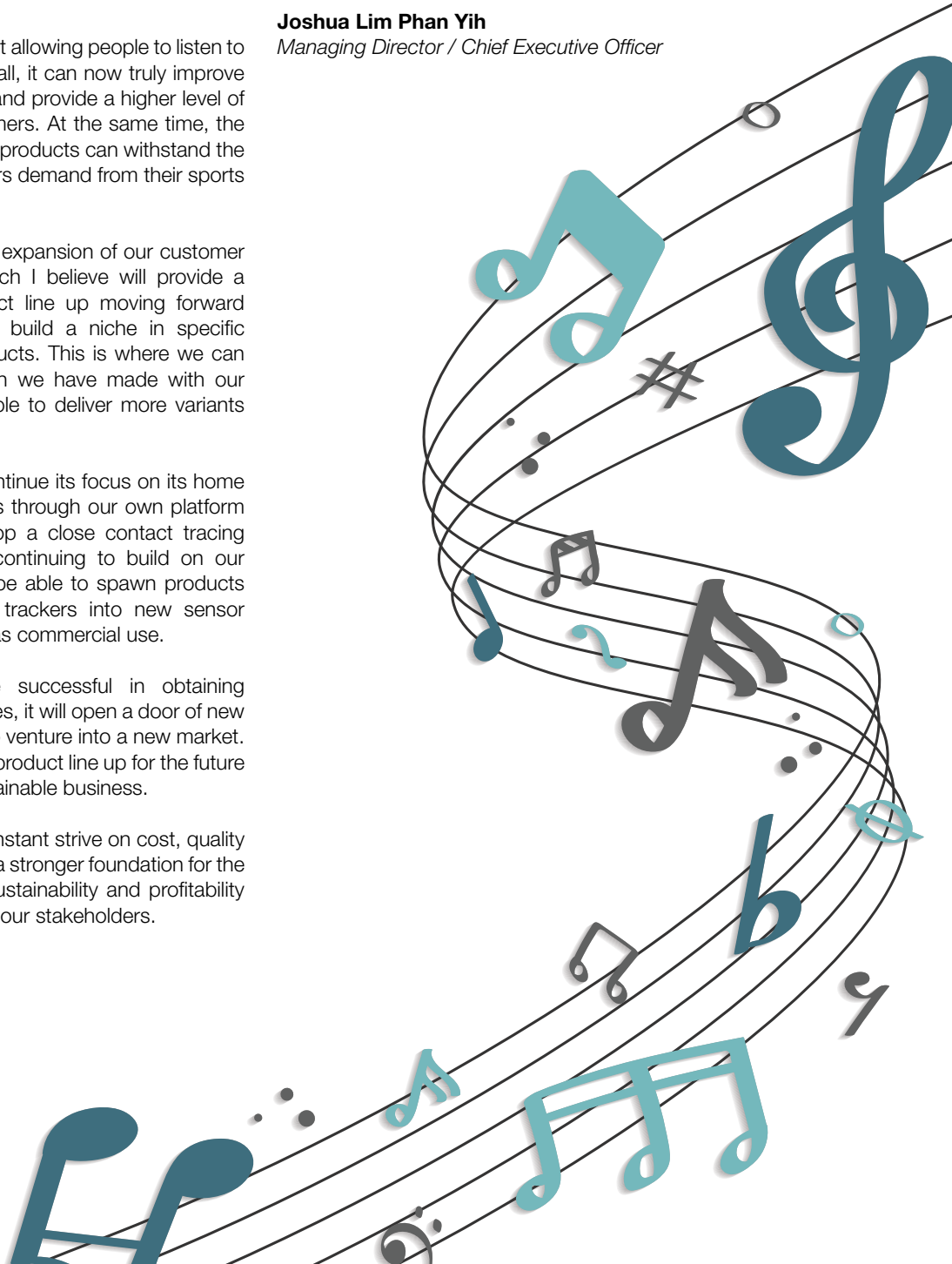
Together with the Group's constant strive on cost, quality and delivery, this will become a stronger foundation for the Group's long-term growth, sustainability and profitability which I hope to share with all our stakeholders.

CONCLUSION

In spite of the extreme challenges for this fiscal year, I believe that the Group's resilience and ability to adapt will continue to bring us forward in meeting our goals and strategies. Rest assure that as our valued shareholders, you shall have my dedication with my team at Salutica to bring the growth and value creation for the coming years. As such, I am always grateful for the support by our customers, employees, shareholders, investors, suppliers and stakeholder alike who have continued to be with us in this journey.

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 FYE2021 as set out in the Reports and Statutory Financial Statements on page 57 of the Annual Report.

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

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.

The uncertainties arising from the Covid-19 pandemic on the global economy remains a challenge for the Group in its performance. The Group had a Covid-19 outbreak in November 2020 which had affected several of its production floors. We had to immediately closed the affected production areas for deep cleaning and sanitization and affected production workers have been quarantined accordingly. During this quarantine period, the Group's idle production costs amounted to approximately RM2.9 million and this cost was charged out to FYE2021.

During the re-implementation of the MCO in 2nd quarter of 2021, the Group had received approval from the MITI on 7 June 2021 to operate at 60% capacity, with strict adherence to workplace and production floor SOPs. Subsequent to the announcement of the National Recovery Plan ("NRP") which commenced on 29 June 2021, the Group obtained approval from the MITI to operate at 80% capacity.

The Group is proactively monitoring the situation and take necessary steps to mitigate the impact of the pandemic on our operation and product development milestones. As at September 2021, the Group resumed operation in full when 80% of its workforce has received two (2) doses of the Covid-19 vaccination under the Program Immunisasi Industri Covid-19 Kerjasama Awam Swasta (PIKAS).

Product diversification is important for the Group to always stay one step ahead of competitors. Since 2018, the Group has been transforming itself into making hearables products. The consumer electronics industry is a market that continues to grow year on year and consumers are demanding for better performing products from the last. Ever since the popularization of TWS in recent years, the TWS market is evolving into a unique application of its products to serve more than just phone calls or audio listening.

TWS catered for sport continues to demand product that are robust and sweat resistant for users with active lifestyles indoors or outdoors and keeping healthy is one of the key to stay safe in the current COVID-19 pandemic.

Therefore, in August 2021, the Group has embarked on a private placement exercise to raise funds to expand its product range. The Group has successfully completed a private placement exercise on 18 August 2021 to expand the Group's product range with the placement of 38,500,000 new ordinary shares at a fixed price of RM0.56 per Placement share raising gross proceeds of RM21.56 million.

In FYE2021, Bluetooth headsets revenue has been overtaken by computer peripherals which has a lower product margin. FOBO, our home-grown brand, especially FOBO Bike generated good market reviews and contributed to the overall FOBO revenue for FYE2021. The R&D team continues to incorporate innovative design and user-friendly apps to FOBO to ease user's interface and make for a great user experience. The FOBO sensors now came in smaller size compared to its predecessors to cater to the market's demand for small-size products without sacrificing functionality.



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

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	FYE2021 (RM'000)	%	FYE2020 (RM'000)	%	Increase/ (Decrease) (RM'000)	%
America	189,089	84.8	120,579	74.9	68,510	56.8
Europe	19,283	8.6	18,091	11.2	1,192	6.6
Asia (excluding Malaysia)	5,919	2.7	18,582	11.6	(12,663)	(68.1)
Australia (including New Zealand and Oceania)	4,980	2.2	2,431	1.5	2,549	104.8
Malaysia	3,718	1.7	1,301	0.8	2,417	185.8
Africa (including Middle East)	7	^	6	^	1	16.7
TOTAL	222,996	100	160,990	100	62,006	38.5

^ negligible

For FYE2021, the Group recorded total revenue of approximately RM223.0 million compared to approximately RM161.0 million in the preceding year, an increase of RM62.0 million or 38.5%.

Other than United States of America which contributed approximately 99% of the revenue derive from North America, the other countries that contributed to significant portion of revenue of the Group are Netherlands and Australia, where their revenue made up of approximately 70% and 100% of the respective sales of Europe and Australia (including New Zealand, Oceania) regions.

Loss before Tax ("LBT")

	FYE2021	FYE2020	Increase
LBT (RM'000)	12,607	10,599	2,008
% over revenue	5.6	6.6	18.9

The Group posted LBT of approximately RM12.6 million for FYE2021 compared to LBT of approximately RM10.6 million for FYE2020. The loss, amongst others, was mainly attributed to the following:

- The change in demand cycles and pause in economic activities globally due to the Covid-19 pandemic have affected development phases and product launches;
- Change in sales mix with lower margin product contributing more to the revenue for FYE 2021 compared to FYE2020;
- The Group received MITI's approval to operate at 60% capacity before increasing to 80% in line with the government announcement of the re-implementation of the MCO lockdown in June 2021. During this MCO period, the Group's idle production costs amounted to approximately RM2.9 million; and
- Compliance costs for working during MCO period as per Ministry of Health ("MOH") SOPs guidelines such as factory sanitisation, social distancing setup, and provision of face masks to all employees.



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

FINANCIAL PERFORMANCE REVIEW (CONT'D)

Loss after Tax ("LAT")

	FYE2021	FYE2020	Increase
LAT (RM'000)	9,724	8,060	1,664
% over revenue	4.4	5.0	20.6

In tandem with the LBT, the Group recorded LAT of approximately RM9.7 million for FYE2021 compared to FYE2020 LAT of approximately RM8.1 million.

Liquidity

The Group's trade and other receivables as at 30 June 2021 stood at RM40.1 million compared to FYE2020 of RM22.4 million, an increase of RM17.7 million or 79.0%. The increase was mainly due to higher sales in quarter four of FYE2021 compared to the same quarter in the preceding FYE2020. There are no material trade receivables that are impaired during the financial year under review. 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 2021 stood at RM47.2 million compared to FYE2020 of RM44.7 million, an increase of RM2.5 million or 5.6%. The increase was mainly due to the higher trade purchases to cater for higher orders and new product launch in the coming months. The new TWS products have higher bills of materials ("BOM"). These was also the reason for the high inventories as at 30 June 2021 of RM66.5 million compared to RM57.9 million as at 30 June 2020.

During FYE2021, the Group had obtained short term loan revolving credits for its working capital needs amounted to RM10.0 million and the utilisation as at 30 June 2021 amounted to RM4.0 million. Capital expenditure financing was on moulding machines, reliability test

system and automatic inspection equipment amounted to approximately RM7.9 million. As at 30 June 2021, the hire purchase creditors balance was approximately RM6.7 million.

As at 30 June 2021, the Group's deposits, cash and bank balances amounted to RM16.8 million which also includes short term investments in respect of placements in Islamic money market instruments.

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

Capital Expenditure

During the current financial year, the addition to the Group's property, plant & equipment ("PPE") was RM12.5 million and the closing carrying amount of the Group's PPE for the FYE2021 was RM52.3 million. The major capital spending in FYE2021 comprising, amongst others, surface mount modular placement, UV laser cut machine, moulding machines, computer numerical control ("CNC") machine, testing/reliability equipment and computers hardwares/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

FYE2021 was a tough year for the Group – with the re-implementation of full MCO ("FMCO") in June 2021 and having experienced temporary production halt due to outbreak of Covid-19 at production floors. While the Group quickly obtained MITI approval to operate during the FMCO period, it still imposed challenges in orders fulfilment and new product launches.

The National Covid-19 Immunisation Programme ("PICK") which was launched in February 2021 is a national vaccination campaign to curb the spread of Covid-19 and to achieve herd immunity. Nonetheless, the resumption of business activities is expected to be gradual and cautious to avoid sudden spike in Covid-19 cases that will have a devastating impact on the economy.

Risk relating to our industry:

Our in-house R&D team supports our business activities where our engineers collaborate with our customers to conceptualise, refine and complete the product design; which includes mechanical, hardware and firmware designs. Product conceptualisation/idea generation involves defining and understanding the product's purpose and function. When developing concepts for a new product, this product must meet various requirements in terms of potential market demand and the availability of raw materials and technology. The product blueprint developed in this stage may be subject to further design changes during the function/technical development stage based on materials to be used and/or processes to be applied.



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

FINANCIAL PERFORMANCE REVIEW (CONT'D)

Potential Risks and Mitigating Factors (Cont'd)

Risk relating to our industry: (Cont'd)

For the past three years, the Group has been transitioning from corded wireless headsets towards TWS as part of the product diversification strategy. The production of TWS, a range of wireless earphones utilising latest technologies, with unique applications in sport, hearables, gaming and custom fit, which would serve as an extension to the Group's existing range of Bluetooth products and capabilities offered. The Group is presently in advanced stages of preparation for mass production of TWS for sport and hearables, and in advanced stages of development of TWS for gaming and custom fit.

Despite the slowdown in market expansion caused by the Covid-19 pandemic, there are still strong demand for connectivity among people through electronic gadgets and devices especially when lockdowns happened and social interactions are restricted. Market growth continues to shift towards peripheral devices such as hearables in line with the current consumer demand where people spend more time at home.

As we have more than ten years of experience in the manufacture of consumer electronic products and with the support and collaboration with our European design partner, we are confident that the new TWS which has a wider application such as hearing assist and gaming will transform our business growth for the future.

Nonetheless, the Group will remain cautious amid the Covid-19 pandemic and will further enhance the Group's core competencies by improving manufacturing efficiencies and controlling costs. We will continue to build on our relationship with our main customer as the preferred partner and at the same time focus on customer and product diversification to further mitigate the industry risk.

Risks relating to our business and operations:

The challenges and uncertainties arising from the Covid-19 pandemic on the global economy remains a challenge for the Group in its performance. We will continue to monitor the current situation and take necessary steps to mitigate the impact of the pandemic on operation and product development milestones.

The Group remains resilient in its focus for prudent cost management. However, expenses were necessary for the product development in preparation for new product models to be launched in the current year and beyond. Due to the Covid-19 outbreak, the Group had also incurred expenses to adhere to the Health Ministry SOPs to safeguard the wellbeing of its employees and to ensure minimum disruption to its production output.

World-wide shortage of component materials such as electronic chips have caused further challenge to our supply chain team. This was further aggravated by the disruption to logistic flows where vessels are delayed due to ports lockdown in certain countries. Difficulties have been increased in matching supply and demand. The component materials shortage coupled with the logistic constraint resulted in higher manufacturing costs and longer delivery time to our customers. Raw material procurement involves planning, purchasing and expediting delivery of components and materials used in our manufacturing processes. Therefore, we employ various inventory management techniques such as just-in-time and ship-to-stock programmes. We have developed direct relationships with our suppliers to ensure that we receive our supplies regularly, on time and of the required quality. Further, we carry out audits on the components and materials purchased from our suppliers to ensure conformance to quality standards. All these have affected the Group's margin and partly resulted in loss for FYE2021.



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

FORWARD-LOOKING STATEMENT

The Group's future growth and success would depend on our ability to keep abreast with the latest technology to develop new products and services to meet the needs of our customers. We will continue to manage the business with diligence and remain focus on cost management while ensuring timely product development activities to meet customers' mass production timeline.

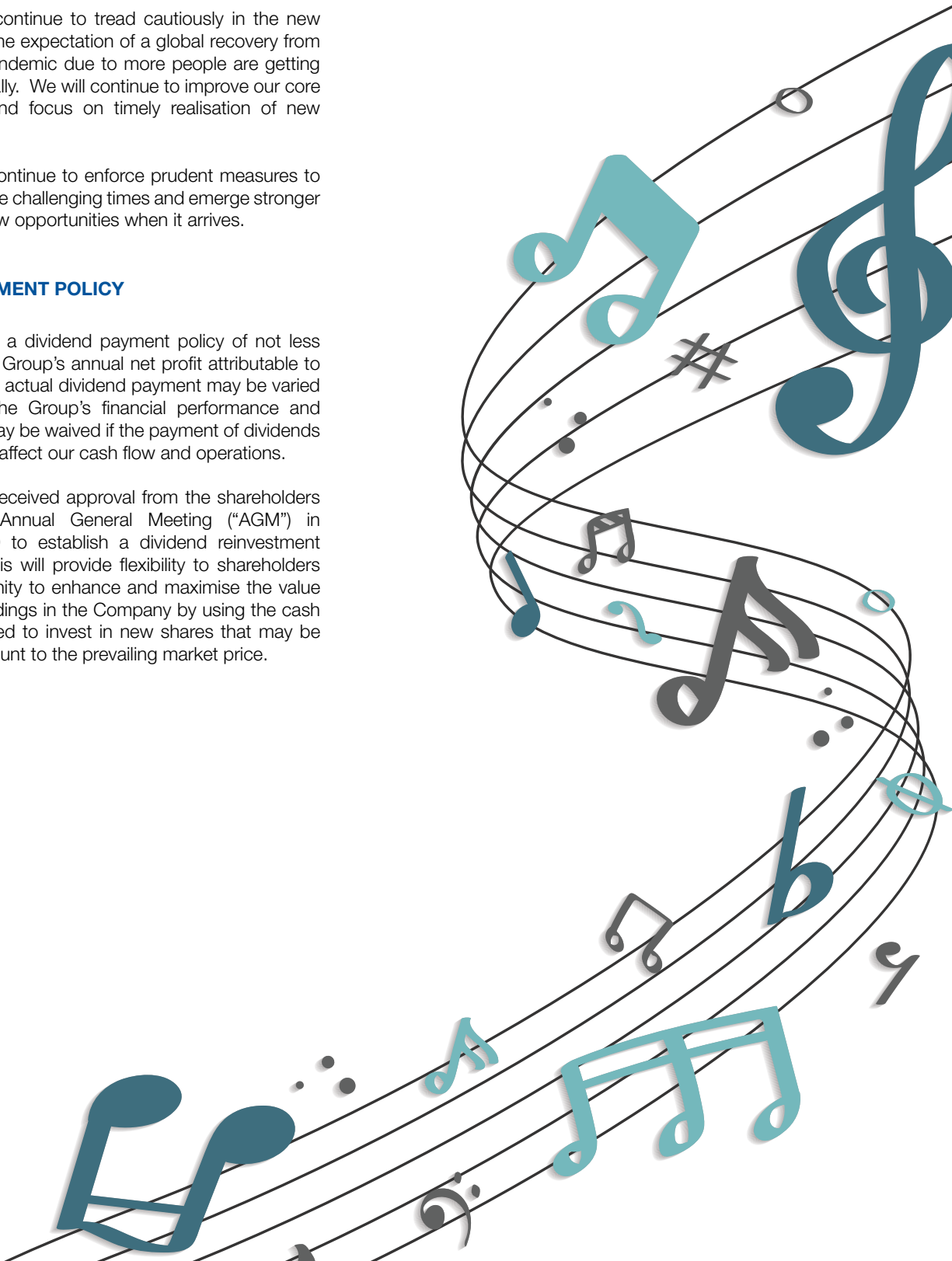
The Group will continue to tread cautiously in the new FYE2022 amid the expectation of a global recovery from the Covid-19 pandemic due to more people are getting vaccinated globally. We will continue to improve our core competencies and focus on timely realisation of new products.

The Board will continue to enforce prudent measures to tide through these challenging times and emerge stronger and ready for new opportunities when it arrives.

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.

The Board has received approval from the shareholders in the Eighth Annual General Meeting ("AGM") in November 2020 to establish a dividend reinvestment plan ("DRP"). This will 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

The Board is committed to its role in delivering long term economic growth in a sustainable and responsible manner. In this regard, the Board is pleased to present the Sustainability Statement ("Statement") which was prepared in pursuant 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.

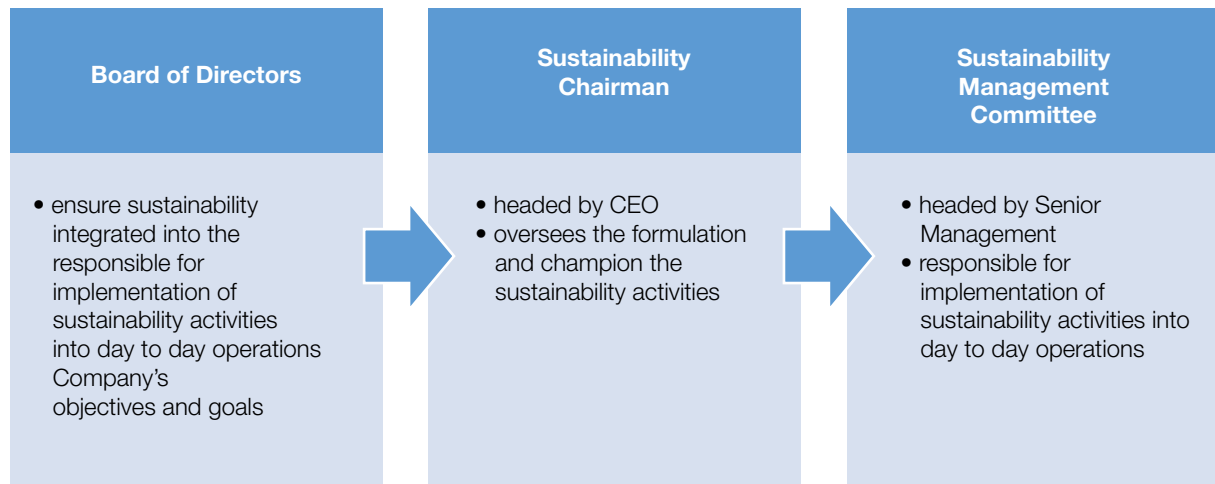
Therefore, the Group aims to maintain a sustainable business to continue its contribution to Malaysia's economic development. To achieve the sustainable development economically, the Group endeavours to carry out its activities in a sustainable manner and promote responsible and ethical practices.

Through Sustainability Statement, we provide our stakeholders a better understanding on our approaches to create a sustainable long term values to our stakeholders. The Board is cognizant of the fact that expectations from stakeholders are changing with them placing increasing importance on the wider impact companies have on people and planet.

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.

This Statement covers the sustainability activities for the FYE2021, unless otherwise stated.

The Board oversees the Group's sustainability efforts and is assisted by the Sustainability Chairman and sustainability management committee who are responsible for the formulation and implementation of the Group's sustainability activities.



The sustainability framework of this Policy is to develop, identify, evaluate and manage the Group's Economic, Environmental and Social ("EES") risks and opportunities in order to generate long term benefits and business continuity.

MANAGING SUSTAINABILITY

The Board is committed to be accountable and transparent in its sustainability effort and incorporate environmental, social and governance factors in its business objectives and strategies. This will ensure that the Group, in its pursuit of profitability, is also driven to doing it ethically right, and develop a positive impact to the environment and the communities at large.

The Group is continuously enhancing the transparency on disclosure of material matters relating to EES aspects.

Sustainability Statement (Cont'd)

MATERIALITY ASSESSMENT

Our materiality assessment entails a process of identifying and prioritising key sustainability issues. This will enable the Group to review material matters that are most relevant to the Group and its stakeholders.

Sustainability is considered material if it has significant economic, environmental and social impact on the Group.

We have categorised our Group's key sustainable matters into three main areas as follows:



The following are the results of the review of the sustainability matters taking into consideration the importance of the matters to the stakeholders and the strategic relevance of these matters to the Group:





Sustainability Statement (Cont'd)

MATERIALITY ASSESSMENT (CONT'D)

Economic

The Group is principally involved in the product design and development, and manufacturing of mobile communication products, wireless electronics and lifestyle devices.

To be sustainable, the Group have to be prudent in managing its spending and investments. The Board ensures that principles and core concepts of environmental sustainability are a key factor in every aspect of our operations and implementations including our products throughout its life cycle; from design, procurement, production, distribution, product use through end-of-life, thus optimizing use of natural resources.

The Group is committed to conduct all its businesses in a fair and ethical manner. We abide by our Code of Ethics and Conduct in our dealings with our business partners. Furthermore, the Group through the establishment of the Anti-Corruption and Bribery Policy is committed to conduct its business with integrity.

(i) Customers

To ensure timely delivery of our products to customers, the Group regularly conducts manufacturing planning and scheduling which includes involvement of procurement and inventory planning department. Manufacturing and logistics arrangements are regularly updated to the customers to ensure customers' expectations are well managed. Products are manufactured "right the first time, all the time" to reduce wastages.

(ii) Suppliers

All new suppliers are evaluated and assessed on their capability and integrity before they are registered as approved vendors in our purchasing system. This assessment is important to ensure ethical procurement practices are followed through the supply chain. Whenever possible, we seek to source locally to improve speed and delivery. This would help in reducing carbon footprint because of less handling and lower fuel consumption due to shorter distance compared to overseas.

Raw materials and parts supplied are in accordance with the Group's materials requirements to avoid unnecessary wastage and scraps. The raw materials are in compliance with Restriction of Hazardous Substances ("ROHS"), Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH") and halogen-free, amongst others, wherever applicable.

(iii) Quality

The Group's Quality Control ("QC") department is responsible for quality checks on incoming raw materials quality inspection and finished products quality inspections for each shipment before they are cleared for shipment to customers. The QC department is guided by a set of stringent criteria on product quality besides ensuring customers' technical/quality specifications are met. The Group demonstrates continuous commitments towards quality control and quality management system.

Environment

We support global initiatives in reducing carbon footprint through our own sustainable business operations and practices. We are focusing on reducing packaging waste, water usage and energy consumption. Our design team will minimise the amount of material used on the packaging during design stage so that overall spending on packaging materials can be reduced.

Among the approaches that the Group had embarked on to drive towards a clean and sustainable energy for a better future are as follows:

- (i) Solar energy. The Group had installed solar photovoltaic ("PV") panels on the factory rooftops to harvest solar energy to power the factory electricity needs since August 2019. The increase in electricity tariff hike is a concern as it translates to an increased in factory operating costs. Based on the data captured for FYE2021, the solar usage have helped to reduce approximately 650.5 tonne carbon dioxide and equivalent tree planting of 35,557 trees.
- (ii) Efficient use of energy. The Group has installed LED lightings at production floor and office areas. Besides, we also encourage "TURN OFF power" practices for all lightings, air-conditioning, computers and other equipment during lunch time or when they are not at their workplace, during weekends and also during long festive seasons to save energy.



Sustainability Statement (Cont'd)

MATERIALITY ASSESSMENT (CONT'D)

Environment (Cont'd)

- (iii) The implementation of ongoing product wastage elimination by process engineering to optimise materials usage, ie, automate processes wherever applicable. Our scheduled waste such as chemical waste and paint sludge are collected by licenced scheduled waste collector.
- (iv) The practice of 3Rs (Reduce, Recycle & Reuse) at the workplace. Employees are encouraged to go “paper-less” and used electronic media whenever possible. Printouts are done double-sided or done on re-cycled papers, if possible.
- (v) We complied with the relevant occupational health, safety and environment requirements as follows:
 - ISO45001:2018 which specifies requirements for an organisation to develop and implement occupational health and safety management system;
 - ISO14001:2015 which specifies requirements for an organisation to develop and implement an environmental management system; and
 - ISO 9001:2015 which specifies requirements for an organisation to develop and implement a quality management system.

Social

A sustainable business should have the support and approval from its employees, other stakeholders and the community it operates in. The Group has its Code of Conduct and Ethics which focus on the principles of integrity, responsibility sincerity and corporate social responsibility. This policy reflects the Group’s stance in promoting, amongst others, good labour practice, respect for human rights and conservation of environmental resources. This Code also sets out the prohibited activities or misconduct involving gifts, bribes and corruption.

The Group complies with the Responsible Business Alliance (“RBA”) which establishes standards to ensure that working conditions in the electronic industries in which electronics is a key component and its supply chain are safe, that workers are treated with respect and dignity, and that business operations are environmentally responsible and conducted ethically.

The Group aims to create a healthy and diverse workforce through diversity and inclusion efforts and enhance employees engagement at workplace to ensure staff stays loyal and grow with the Group. In pursuing this objective, we provide, amongst others, the following:

- (i) Since the outbreak of Covid-19 early last year, the Group has abide by the SOPs issued by the Ministry of Health to ensure a safe and healthy environment for its workers. Production floors and office areas were re-layout to comply with social distancing rule, wearing of face mask and perform regular sanitisation cleaning work. All these measures are important to ensure the safety of our employees.
- (ii) Our Group complies with all applicable legal and other requirements and strives to continuously improve our Labour and Ethics management system to be in compliance with applicable standards and regulations. We also have Employees’ Helpdesk, Employee Suggestion Scheme (“ESS”), Whistleblowing policy and a Collective Agreement with the workers(in-house union) to ensure that the workers have an avenue to voice their concern and provide suggestions to further improve their working conditions.
- (iii) We focus on developing employees skills and competency and are committed to ensure that each person involved in their respective work areas has a meaningful opportunity to contribute to the success of our Group. The training section of the Human Resources department prepares Training Needs Analysis (“TNA”) yearly to assess and identify the needs of the employees. We contributes monthly to the Human Resources Development Fund (“HRDF”) and utilises it for employees’ training.
- (iv) For the community that we operates in, we collaborate with local universities and institutions via sponsorships and participation in implementing academic hybrid programme in the academic syllabus so as to match with the industry needs and growth.
- (v) Anti-Corruption and Bribery Policy that inculcate sustainable behaviour and helps to regulate ethical behaviour among employees and also business partners. The Group has a ZERO TOLERANCE on Corruption and Bribery with all our business partners.



Sustainability Statement (Cont'd)

MATERIALITY ASSESSMENT (CONT'D)

Social (Cont'd)

Whistleblowing is a mechanism established by the Group to receive feedback internally or externally to escalate any concerns regarding ethical issues or engaging in non-environmental friendly practices or activities, in a safe and confidential manner.

CONTINUOUS ENGAGEMENT WITH OUR STAKEHOLDERS

Building an open and transparent relationship with our Group's stakeholders are important in ensuring sustainability in the long run. The Board recognises the importance of sustainability across all functions of the Group and will continue to be a socially responsible corporate citizen. To cultivate continuous engagement with our stakeholders, we have established the following platform:-

Stakeholders Group	Stakeholder's Concern	Engagement platform
Employees	<ul style="list-style-type: none"> • Career development • Salary & benefit scheme • Health, safety & environment • Job security 	<ul style="list-style-type: none"> • Ad-hoc CEO communication sessions • Annual Performance appraisals • Company events such as annual dinners, and off-site team building
Investors/Shareholders	<ul style="list-style-type: none"> • Financial performance • Ethical and responsible Management team • Corporate governance 	<ul style="list-style-type: none"> • Continuously engaging in Investors/Analyst briefings • Annual reports & Annual General Meetings • Continuous update on Company website
Customers	<ul style="list-style-type: none"> • Customer's satisfaction • Product Quality • Pricing • On-time delivery • Innovation 	<ul style="list-style-type: none"> • Continuously engage in Customer feedback • Regular Meetings
Suppliers	<ul style="list-style-type: none"> • Supply chain management • Compliance with applicable standards on hazardous substances • Competitive pricing 	<ul style="list-style-type: none"> • Annual Supplier evaluation form • Annual Supplier Declaration form • Ad-hoc Meetings or when required
Regulators and government bodies	<ul style="list-style-type: none"> • Compliance with law and legislation • Audit matters • Climate change • Compliance with Main market Listing Requirements 	<ul style="list-style-type: none"> • Annual Verification and compliance audit • Meetings/visits • Quarterly announcements • Regulatory disclosures per Listing Requirement
Local community	<ul style="list-style-type: none"> • Community development projects • Social & environmental issues 	<ul style="list-style-type: none"> • Ad-hoc Community programmes • Continuous update on Company website • Annual report

COMPANY HIGHLIGHTS 2021

FOBO TRACE – SOFT LAUNCH

Media Briefing for Staff Contact Tracing Using Own Technology
26 February 2021 @ Salutica Allied Solutions Sdn Bhd



COMPANY ACTIVITIES



Project Improvement Team 2021
Six Sigma

Lean Manufacturing



Company Highlights 2021 (Cont'd)



CORPORATE SOCIAL RESPONSIBILITIES

1. Hazard Identification, Risk Assessment and Risk Control Training (HIRARC)

14 – 15 July 2020
Conducted by external training provider

2. Hearing Conservation Training

22 July 2020
Conducted by external training provider



3. Health Screening

15 January 2021 @ Salutica
Allied Solutions Sdn Bhd



Company Highlights 2021 (Cont'd)

CORPORATE SOCIAL RESPONSIBILITIES (cont'd)

4. Program Imunisasi Industri COVID-19 Kerjasama Awam Swasta (PIKAS)

July 2021 – September 2021 @ Casuarina Convention Centre, Meru



5. COVID – 19 Test for employees

@ Salutica Allied Solutions Sdn Bhd



Company Highlights 2021 (Cont'd)

FACTORY SANITISATION



Company Highlights 2021 (Cont'd)



DISINFECTION PROCESSES

HAND SANITIZER



SPRAY SANITIZER





Company Highlights 2021 (Cont'd)

CERTIFICATION

1. Upgraded from OHSAS18001 to ISO45001 : 2018



2. U.S. Food and Drug Administration (“FDA”) Certificate (FDA Certificate of Registration)





Company Highlights 2021 (Cont'd)

FOBO WEBSITE ACTIVITIES

Website Review

Ultimate Motorcycling
<https://ultimatemotorcycling.com>
 FOBO Bike 2 Review: Motorcycle Tire Pressure Monitoring System
 Product review : Fobo Bike 2 TPMS
 21 July 2020



MAGAZINE REVIEW

1. Magazine : **DESMOTO, Ducati Owners Club of Victoria**
 Product review : Fobo Bike 2 TPMS
 November 2020

2. Magazine : **FLYER, flyer.co.uk**
 Fobo Bike 2 TPMS use on small aircraft in Top Gear
 March 2021





CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Salutica Berhad (“Salutica” or the “Company”) is pleased to provide an overview of the Group’s corporate governance best practises, as guided by the new Malaysian Code on Corporate Governance (“MCCG”).

The Statement below sets out how the Group has applied the Principles and the extent to which it has complied with the Recommendations of the MCCG during the FYE2021 as set out in the Code 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 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 Board currently has seven (7) members, comprising three (3) Independent Non-Executive Directors, three (3) Executive Directors and one (1) Alternate Director. Joel Lim Phan Hong was appointed as an alternate director to James Lim on 3 March 2020.

The role of the Chairman is held by Chia Chee Hoong, who is an Independent Non-Executive Director. The Board composition complies with the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad to have at least one third (1/3) of the Board consisting of Independent Directors.

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 primary functions of these NRC and ARMC are to assist the Board in overseeing the affairs of the Group and they have been entrusted with specific responsibilities and authority. The combination of diverse professionals with varied background, experience and expertise in finance and corporate affairs have also enables the Board to discharge its responsibilities effectively and efficiently.

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 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;



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)

- 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 plan 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.

1.2 The Chairman

The Chairman, Chia Chee Hoong, is an Independent Non-Executive Director. He is primarily responsible for matters pertaining to the Board and the overall conducts of the Group. The Chairman 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 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.

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.

The Board does not actively manage but rather oversees the overall management of the Group which is delegated to the Chief Executive Officer ("CEO"), Executive Directors and other management personnel of the Group. The management supports the CEO and implements the running of the financial and general business operations of the Group.



Corporate Governance Overview Statement (Cont'd)

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

PART 1 BOARD RESPONSIBILITIES (CONT'D)

1.4 Code of Ethics & Conduct

The Board has formalised a Code of Ethics & Conduct that 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.

This Code is designed to enhance the standard of corporate governance and corporate behaviour with the intention of achieving the following objectives:

- to establish a standard of ethical behaviour for directors based on acceptable beliefs and values. They are to act with utmost good faith towards the Group in any transaction and to act honestly and responsibly in the exercise of his powers in discharging his duties; 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.

1.5 Board Charter

The Board has formalised a Board Charter that sets out the roles and responsibilities, operation and processes of the Board, and is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members.

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 is supported by three (3) Company Secretaries – a Chartered Secretary, a Licensed Secretary and a Chartered Accountant. All the Company Secretaries are qualified to act as company secretary under Section 235(2) of the Companies Act 2016.

The Board recognises that the decision making process is highly dependent on the quality of information furnished. The Company Secretaries have attended all Board meetings as well as Committee meetings for FYE 2021.

The Company Secretaries play an important advisory role and is a source of information and advice to the Board and its committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Group. 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.



Corporate Governance Overview Statement (Cont'd)

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

PART 2 STRENGTHEN THE COMPOSITION OF THE BOARD

2.1 Nomination and Remuneration Committee (“NRC”)

The NRC was established to assist the Board to identify suitable candidates for appointment as Directors, wherever necessary, including developing the Company’s remuneration policy framework and determining the remuneration package of its Directors and ensure that compensation is competitive and consistent with the Company’s business strategy and long-term objectives.

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.

2.2 Appointment to the Board

The NRC is responsible for identifying, evaluating and recommending suitable candidates to the Board, at any given time. The NRC makes the recommendations following a careful consideration of the required mix of skills, experience and diversity, as well as gender where appropriate. NRC is also responsible for assessing the performance of the Directors on an on-going basis.

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 Secretary has the responsibility of ensuring 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.

The 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.

Nominations may come from a wide variety of sources, including current directors, senior employees of Salutica, customers, shareholders, industry associations, recruiting firms and others.

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

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

The Terms of Reference of the NRC is available for reference on the Company’s website at www.salutica.com.

As an integral element of the process of appointing new Directors, the NRC will assess candidates eligibility amongst others, based on the following criteria:

- integrity of character and behaviour;
- skills, knowledge and experience;
- professionalism;
- board room diversity, ie, gender diversity; and
- candidate’s ability to discharge his fiduciary and leadership functions



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)

The NRC had convened one (1) meeting on 23 August 2021, attended by all of its members for the following agenda:

- review the Directors retiring at the 9th AGM, Lim Chong Shyh and Leow Chan Khiang;
- review the remuneration of the Managing Director/Chief Executive Officer, Joshua Lim Phan Yih; and
- recommend to the Board the proposed Directors' fees for the FYE2021.

Directors' Remuneration

(a) Details of Directors' remuneration as at FYE2021 are set out below and in notes to the financial statements.

Company

Directors' Remuneration	Fee RM'000	Salary and Bonus RM'000	Benefits-in-kind RM'000	Other Emoluments RM'000 (*)	Total RM'000
Chia Chee Hoong	88	–	–	–	88
Low Teng Lum	55	–	–	–	55
Leow Chan Khiang	55	–	–	–	55
Joshua Lim Phan Yih	55	–	–	–	55
Lim Chong Shyh	55	–	–	–	55
Chan Shook Ling	55	–	–	–	55
	363	–	–	–	363

Group

Directors' Remuneration	Fee RM'000	Salary and Bonus RM'000	Benefits-in-kind RM'000	Other Emoluments RM'000	Total RM'000
Chia Chee Hoong	88	–	–	–	88
Low Teng Lum	55	–	–	–	55
Leow Chan Khiang	55	–	–	–	55
Joshua Lim Phan Yih	187	900	16	13	1,116
Lim Chong Shyh	55	818	1	207	1,081
Chan Shook Ling	55	307	16	17	395
	495	2,025	33	237	2,790

For FYE 2021, Joel Lim Phan Hong did not receive any director's remuneration.

(b) The aggregate remuneration paid to key senior management including Executive Directors for the FYE2021 are as follows:

Range of Remuneration	No of persons
RM100,001 to RM150,000	1
RM300,001 to RM350,000	1
RM350,001 to RM400,000	2
RM400,001 to RM450,000	1
RM1,050,001 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.



Corporate Governance Overview Statement (Cont'd)

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

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

2.3 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.

2.4 Gender Diversity

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 4.5 of MCGG, the Board has adopted the practice to improve gender diversity on the Board. The Board is represented by one (1) female director.

PART 3 REINFORCE INDEPENDENCE OF THE BOARD

3.1 Annual Assessment of Independent Directors

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. A scoring mechanism is used.

The NRC had performed the evaluation process for all of the Directors in June 2021. 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 adopted a nine-year policy for Independent Non-Executive Directors. None of the current independent Board members had served the Company for more than nine (9) years as per the recommendations of the MCGG.

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.



Corporate Governance Overview Statement (Cont'd)

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

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

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

The roles and responsibilities of the Chairman and the CEO are clearly segregated to further enhance and preserve a balance of authority, power and accountability. The Chairman, Chia Chee Hoong is responsible for ensuring Board effectiveness and conduct and the executive function of the management of the Group's business; while the CEO, Joshua Lim leads the management team in making and implementing day-to-day decisions and managing the business operations.

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.

3.4 Board Balance

The Board comprises a mix of qualified and experienced Directors with diverse experience, background and expertise. Currently, the Board consists of seven (7) members, as designated below:

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

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. During the FYE2021, the Board held five (5) meetings with the full attendance as follows:

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

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



Corporate Governance Overview Statement (Cont'd)

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

PART 4 FOSTER COMMITMENT OF DIRECTORS (CONT'D)

4.2 Supply of Information

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.

4.3 Directors' Training

The Group acknowledges the importance of continuous training and learning to enable the Directors to stay in tune 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 FYE2021, all Directors have attended the following training programmes as summarised below:

Name of directors	Seminar/Training Programmes attended	Date
Chia Chee Hoong	<ul style="list-style-type: none"> Audit Committee Conference 2021: Agility, Empathy & Resilience by Malaysian Institute of Accountants ("MIA") and the Institute of Internal Auditors Malaysia ("IIA") 	15 - 16 March 2021
Low Teng Lum	<ul style="list-style-type: none"> Investing in China's Fast-Growing Technology Sector amid uncertainties by CGS-CIMB Powering the National Digital Economy by Star Media Group Star Wealth Summit 2021 by Star Media Group 	18 February 2021 30 - 31 March 2021 10 - 11 June 2021
Leow Chan Kiang	<ul style="list-style-type: none"> KPMG Tax and Business Summit by KPMG Guidelines on Conduct of Directors of Listed Companies & Their Subsidiaries by Tricor Hive Sdn.Bhd. 	18 - 19 November 2020 19 March 2021
Joshua Lim Phan Yih	<ul style="list-style-type: none"> Audit Committee Conference 2021: Agility, Empathy & Resilience by MIA and IIA 	15 - 16 March 2021
Lim Chong Shyh	<ul style="list-style-type: none"> Audit Committee Conference 2021: Agility, Empathy & Resilience by MIA and IIA 	15 - 16 March 2021
Chan Shook Ling	<ul style="list-style-type: none"> Innovative Intelligence for Modern World Leaders by MIA Covid-19: Financial reporting on Going Concern, Risk and Viability by MIA Latest Tax Cases 2020 by Association of Chartered Certified Accountants ("ACCA") Post Budget 2021 by ACCA Audit Committee Conference 2021: Agility, Empathy & Resilience by MIA and IIA 	28 - 29 September 2020 30 September 2020 21 October 2020 16 November 2020 15 - 16 March 2021



Corporate Governance Overview Statement (Cont'd)

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 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 to assess and oversee the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of the Group's results to Bursa Securities, the annual financial statements of the Group and the Company and review of the Group's operations in the Annual Report, where relevant.

In presenting the annual audited financial statements to the shareholders and the quarterly announcements of results to Bursa Securities, the Board takes the responsibility to present a balanced and meaningful assessment of the Group's position and prospects, and to ensure that the financial statements are drawn up in accordance with the provision of the Companies Act, 2016 and the applicable accounting standards in Malaysia. The ARMC 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.

5.3 Assessment of Suitability and Independence of External Auditors

The Board through its ARMC continues to maintain a good and transparent relationship with the external auditors, Messrs PricewaterhouseCoopers PLT ("PwC"). 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, PwC have presented its Audit Plan Memorandum (the "Audit Plan") for FYE2021. The Audit Plan includes amongst others, an analysis of the areas of audit focus, proposed audit approach and the audit and reporting timetable besides the updates on the developments in laws and regulations.

PwC 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 PwC's views on the significant qualitative aspects of the Group's accounting practices.



Corporate Governance Overview Statement (Cont'd)

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

PART 6 RECOGNISE AND MANAGE RISKS OF THE COMPANY

The Board has in place a process of identifying, evaluating and managing significant risks encountered by the Group in achieving its objectives and strategies. 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; and
- f) adopt active participation and involvement by the Managing Director / CEO and senior management in major business decisions.

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 adequately 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 recognises the importance of an effective communication channel between the Board, shareholders and general public and be in compliance with the disclosure requirements in the MMLR. 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. Accordingly, the Board has formalised pertinent corporate disclosure policies not only to comply with the disclosure requirements as stipulated in the MMLR, but also setting out the persons authorised and responsible to approve and disclose material information to the regulators, the shareholders and other stakeholders.

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.

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



Corporate Governance Overview Statement (Cont'd)

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

PART 7 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE (CONT'D)

7.2 Leverage on Information Technology for Effective Dissemination of Information

In line with the corporate disclosure policy, the Company has incorporated an Investor Relations section in the company website: www.salutica.com which provides all relevant information on the Company and is accessible by 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.

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 per MCGG 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.

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 general meeting.

8.3 Investor Relations and Shareholder engagement

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. The Board recognises that transparency and accountability to its shareholders and investors are important. Information on the Company's performance and any significant developments on all material business matters are disseminated in a timely manner.



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:

- 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.

- Press Releases

Press releases are made to the media on all material and significant corporate developments and business initiatives.

- 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.

- 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 shall remain committed in attaining the highest possible standards through the continuous adoption of the principles and best practices of the MCCG and all other applicable laws and regulations.

This Statement is made in accordance with a resolution of the Board of Directors dated 15 October 2021.



AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

INTRODUCTION

The Board of Directors (“the Board”) of Salutica Berhad is pleased to present the Audit and Risk Management Committee Report (“ARMC”) for the FYE2021 in pursuant to paragraph 15.15 of the Main Market Listing Requirements (“MMLR”) of Bursa Securities.

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 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.

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

No former audit partner of the Group’s external auditors shall be appointed to the Audit Committee unless that person has observed a cooling-off period of at least two (2) years before being 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.

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

2. Attendance at meetings

During the FYE2021, 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 held	Attendance
Mr. Leow Chan Khiang	5	5/5
Mr. Chia Chee Hoong	5	5/5
Mr. Low Teng Lum	5	5/5



Audit and Risk Management Committee Report (Cont'd)

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.

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 cooperate 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. the audit plans;
 - ii. its evaluation of the system of internal control;
 - 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 FYE2021 in discharging their duties and responsibilities were summarized as follows:

- i. reviewed and approved the Audit Planning Memorandum on the statutory audit of the Group for the FYE2021 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 two 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 meetings;
- 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

The Group continues to adopt a risk-based approach and prepares its audit strategy and plan based on risk profiles of the business units of the Group.

During the FYE2021, 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 FYE2021 as follows:

- i) Production Management Cycle in Jan 2021
The scope of the review covers the following processes:
 - (a) Production planning process;
 - (b) Monitoring production process against delivery schedule;
 - (c) Monitoring of KPI performance;
 - (d) Controls of quality inspection.
- ii) Anti-Bribery Management System ("ABMS") Cycle in June 2021
The scope of the review covers the ABMS of the Group.

Tricor Axcelasia presented the internal control reviews 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 FYE2021 was RM24,000.

This Statement is made in accordance with a resolution of the Board of Directors dated 15 October 2021.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors of Salutica Berhad, (“the Board”) is committed to ensure that the risk management and control framework governs the Group’s culture, operations and processes.

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 and the senior management of the Group 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 this respect, the Board through its Audit and Risk Management Committee (“ARMC”) has established an ongoing process to identify, evaluate and manage risks. The 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. 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 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.

Due to the inherent limitations in the system of internal controls and risk management, such system can only manage rather than eliminate all risks and as such, they can only provide reasonable but not absolute assurance against material misstatement of financial information and records or against financial losses or fraud. The Board endeavours to maintain an adequate system of risk management and internal control to support the Group’s operations.

The Board is of the view that the system of internal controls is in place for the financial year under review and up to the date of issuance of the financial statements is sound and sufficient to safeguard the shareholders’ investment, the interests of customers, regulators and employees, and the Group’s assets.

2. 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 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.



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

2. System of Internal Controls (Cont'd)

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 subject to regular review to ensure its relevancy.

Human Capital: The Group follows a set of recruitment guidelines for hiring and termination of staff, an analysis of staff training needs 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.

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 policy provides 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.



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

2. System of Internal Controls (Cont'd)

• Internal Audit Function (Cont'd)

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.

3. 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 an ongoing risk management commitment for identifying, evaluating and managing significant risks to which the Group is exposed by establishing a risk management framework for the Group. The risk management 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"). All employees are encouraged to contribute towards the identification of new risks and implementation of new controls.

(b) Risk Assessment

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.

The Board is supported by the RMC headed by its Managing Director/Chief Executive Officer, based on the advice from the ARMC. The role of the RMC includes periodic reporting of the status of risk mitigation actions, new risks identified and risks that have changed characteristics together with the corresponding key controls. The RMC, which comprises key persons from all departments, submits its reports to the ARMC and the Board on a quarterly basis.



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

3. Risk Management Framework (Cont'd)

(b) Risk Assessment (Cont'd)

- 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 2021.

- 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.

4. Review of the Statement by External Auditors

As required by Paragraph 15.23 of the MMLR, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control system of the Group.

5. Conclusion

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.

The Board remains committed and will continue to take measures to strengthen the internal control and risk management environment to support the Group's business and operations. The Board continues to take pertinent measures to sustain and where required, to improve the Group's risk management and internal control system in meeting the Group's strategic objectives.

This statement was made in accordance with a resolution approved by the Board on 15 October 2021.



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 2021 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

On 2 August 2021, the Company has announced to undertake a Proposed Private Placement of up to 38,800,000 new ordinary shares representing up to 10% of the total number of issued shares in the Company.

Bursa Securities had, vide its letter dated 6 August 2021, resolved to approve the listing and quotation of up to 38,800,000 Placement Shares to be issued pursuant to the Proposed Private Placement as announced by the Company on 6 August 2021.

On 6 August 2021, the Company had fixed the issue price for the first tranche of the Proposed Private Placement at RM0.56 per Placement Share.

On 18 August 2021, the Company has announced the issued and listing of 38,500,000 new ordinary shares pursuant to the Proposed 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.

Based on the issue price of RM0.56 per Placement Share, the gross proceeds arising from the Private Placement amounting to RM21.56 million is intended to be utilised in the following manner:

Details of utilisation	Intended utilisation (RM'000)	Timeframe for utilisation
(i) Expansion of the Group's product range	21,060	Within 6 to 12 months
(ii) Estimated expenses in relation to the Proposed Private Placement	500	Upon completion of the Proposed Private Placement

As at the date of this report, save for approximately RM0.5 million which has been utilised to defray the listing expenses incurred, there is no other utilisation of IPO proceeds.

2. Statutory and non-statutory audit fees

The statutory audit and non-statutory audit fees incurred for services rendered by external auditors, Messrs. PricewaterhouseCoopers PLT and its affiliates to the Group and the Company for the financial year ended 30 June 2021 are as follows:

FYE2021	Company (RM'000)	Group (RM'000)
Statutory Audit	62	150
Non-statutory Audit	11.2	34.9

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

3. 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 2021 or, it not then subsisting, entered into since the end of previous financial year.



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)	Carrying Amount as at 30 June 2021 (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	585.7	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	617.4	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: 22 years Phase Two: 21 years Phase Three: 13 years	Land area: 30,130 Built-up area: Approximately 30,318	21,978.4	12 October 2015 (Date of Acquisition)

The above properties are charged as security for trade facilities with OCBC Bank (Malaysia) Berhad.