



SALUTICA

SALUTICA BERHAD

(Registration No. 201201040303 (1024781-T))

Saluting the Extraordinaire™

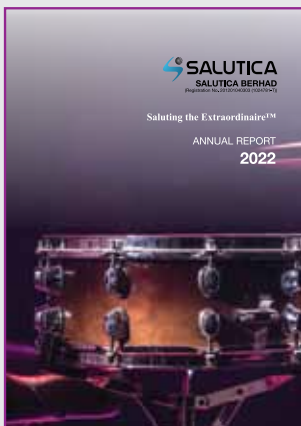
ANNUAL REPORT

2022



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Salutica Berhad Annual Report 2022

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™

Drums are the world's oldest and most ubiquitous musical instruments, and the basic design has remained virtually unchanged for thousands of years. It can be played individually or in a set with two or more. Such simplicity and flexibility is how Salutica adapts and navigate through challenges whilst setting the beat of its journey in fulfilling its vision and mission is how we salute the extraordinaires.

CORPORATE INFORMATION

Board Of Directors

Chairman / Independent Non-Executive Director

CHIA CHEE HOONG

Senior Independent Non-Executive Director

LOW TENG LUM

Independent Non-Executive Director

LEOW CHAN KHIANG

Managing Director / Chief Executive Officer

JOSHUA LIM PHAN YIH

Senior Executive Director

LIM CHONG SHYH

Executive Director / Chief Financial Officer

CHAN SHOOK LING

Alternate Director to Lim Chong Shyh

JOEL LIM PHAN HONG

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

CHONG LAY KIM
(SSM PC No. 202008001920)
(LS 0008373)

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

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

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

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

SHARE REGISTRAR AND ISSUING HOUSE

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

STOCK EXCHANGE LISTING

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

GROUP STRUCTURE

OVERVIEW

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

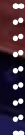
The Company was incorporated in Malaysia on 19 November 2012 as a private limited company under the name of Blue Ocean Genius Sdn. Bhd.

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

Group structure as at 30 June 2022 is as follows:-



(Registration No.201201040303(1024781-T))



100%

**SALUTICA ALLIED SOLUTIONS
SDN.BHD.**

("SALUTICA ALLIED")

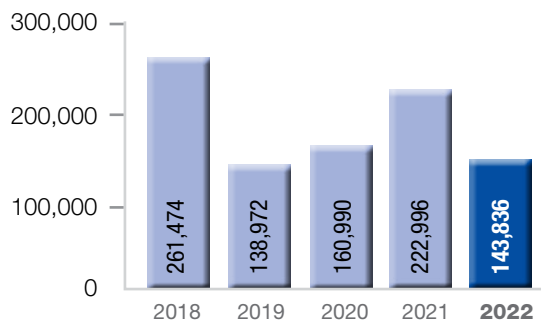
(Registration No.199001014672(206341-H))

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

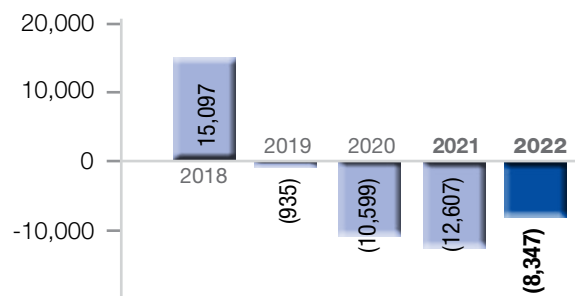
FINANCIAL HIGHLIGHTS

Financial Year Ended 30 June	2018	2019	2020	2021	2022
Revenue (RM'000)	261,474	138,972	160,990	222,996	143,836
Profit/(Loss) Before Tax (RM'000)	15,097	(935)	(10,599)	(12,607)	(8,347)
Profit/(Loss) After Tax (RM'000)	11,362	(550)	(8,060)	(9,724)	(6,584)
Weighted average number of ordinary shares in issue ('000)	388,000	387,565	384,993	384,990	418,436
Total Assets (RM'000)	192,747	171,987	191,494	193,100	195,981
Total Liabilities (RM'000)	25,674	15,066	50,254	61,584	49,482
Total Assets/Liabilities	7.51	11.42	3.81	3.14	3.96
Earnings/(Loss) per share ("EPS") (sen)	2.93	(0.14)	(2.09)	(2.53)	(1.57)
Net assets per share (sen)	43.06	40.49	36.69	34.16	35.01

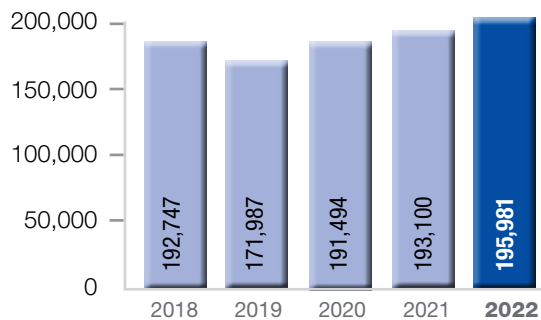
Revenue (RM'000)



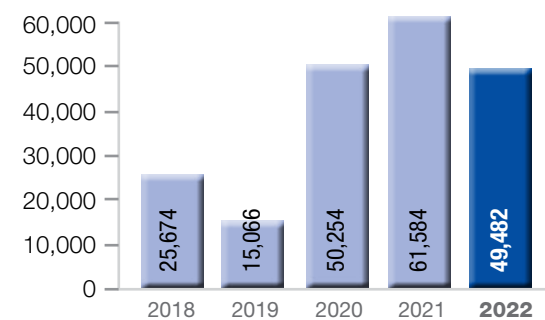
Profit/(Loss) Before Tax (RM'000)



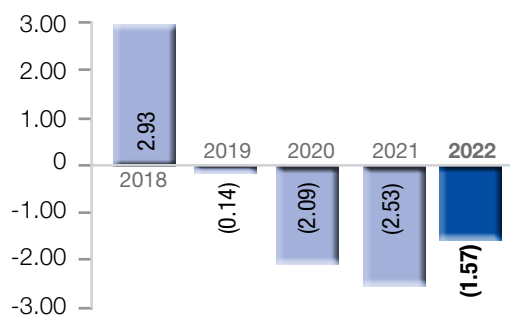
Total Assets (RM'000)



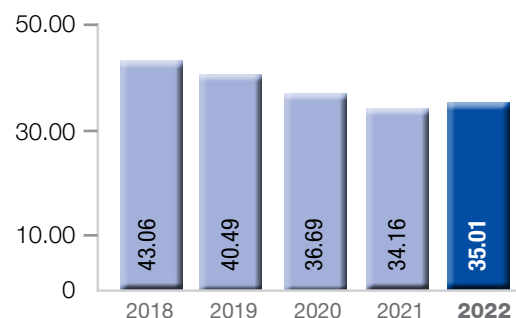
Total Liabilities (RM'000)



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



Net assets per share (sen)





BOARD OF DIRECTORS



From left to right:

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

PROFILE OF DIRECTORS



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.

CHIA CHEE HOONG

**CHAIRMAN/INDEPENDENT
NON-EXECUTIVE DIRECTOR**

AGE

45

GENDER

Male

NATIONALITY





Profile of Directors (Cont'd)



JOSHUA LIM PHAN YIH

**MANAGING DIRECTOR /
CHIEF EXECUTIVE OFFICER**

AGE

38

GENDER

Male

NATIONALITY



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

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

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

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

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

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

Profile of Directors (Cont'd)



LIM CHONG SHYH,
 (“JAMES LIM”)

**SENIOR EXECUTIVE
 DIRECTOR**

AGE

64

GENDER

Male

NATIONALITY



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

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

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

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

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

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

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

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



Profile of Directors (Cont'd)



LOW TENG LUM

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

AGE

68

GENDER

Male

NATIONALITY



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

56

GENDER

Male

NATIONALITY



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

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

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

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

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



Profile of Directors (Cont'd)



CHAN SHOOK LING,
("MICHELLE CHAN")

**EXECUTIVE DIRECTOR /
CHIEF FINANCIAL OFFICER**

AGE

52

GENDER

Female

NATIONALITY



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

36

GENDER

Male

NATIONALITY



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

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

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

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

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

Notes:

Conviction of Offences

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

There were no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 30 June 2022.

Directors' Shareholding

The details of the Directors' interest in securities of the Company are set out in the Analysis of Shareholding on page 154 of the Annual Report.



KEY SENIOR MANAGEMENT



From left to right:

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

Key Senior Management (Cont'd)



HO KEAT SOONG

Aged 56 | 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 38 | 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 57 | 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 2022.



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Financial Statements of Salutica Berhad (the “Company”) for the financial year ended 30 June 2022 (“FYE2022”).

While the work place is going back to normal with people physically engaging one another and borders are opening up for business activities to flow across countries, the headwind against businesses in Malaysia remains strong. The global economy has changed drastically with current geopolitical conflicts and tension affecting supply chain, whilst businesses are faced with unexpectedly rising cost due to high inflation rate across the world. The Group remains cautious as it braces through such headwind.

Much effort has been made throughout the FYE2022 for the Group to build a more robust portfolio of products and services offering to existing as well as potential customers. It is vital for the Group to continuously be able to move into new product category and this comes not only from a technical point of view but also industry certification.

BUSINESS OVERVIEW

As businesses are just coming out of the pandemic, they are still grappling with a globally disrupted supply chain as well as rising cost, and the Group is not spared of such challenges. Despite that, the Group continues to maintain its effort in development and innovation of its products as well as venturing into a new product category for embedded computing devices, to improve its product and service offerings whilst at the same time to optimize cost and resource usage to improve the Group's resilience though challenging time.

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

Chairman's Statement (Cont'd)

Our management team continues to work closely with our strategic partners and customers to deepen their collaborations to bring in new technology and innovation to deliver better products. In tandem with such efforts to diversify its product and product service offerings, the Group seeks to obtain the necessary certification to produce for specific industries - the Group is now certified under ISO 13485 for medical devices, as the Group sets its eyes on offering its services to the medical devices and automotive part sectors.

FINANCIAL OVERVIEW

As at FYE2022, the Group recorded a lower revenue of RM143.8 million compared to FYE2021 of RM223.0 million. The decline in revenue from the computer peripherals was approximately 64% while Truly Wireless System ("TWS") revenue decline was approximately 3% compared to the preceding year. A continuation of weaker consumer spending affects the demand for consumer lifestyle devices. Nonetheless, the increase in sales from the embedded computing devices and FOBO products had helped to support the revenue for the current financial year. The Group has incurred a loss before tax ("LBT") of RM8.3 million compared to a LBT of RM12.6 million in FYE2021. The decrease in LBT was contributed by one-off income from Covid-19 insurance compensation of RM3.2 million and government grant of RM0.6 million.

As at FYE2022, the Group has RM146.5 million of equity attributable to the owners of the Company (also known as shareholders' fund) which is 11.4% higher compared to RM131.5 million for FYE2021. The Group's gearing ratio is approximately 0.06.

MOVING FORWARD

The Group will continue to utilise its technical skill and expertise, in particular its R&D capability, to venture into other product categories whilst at the same time maintain its development for the range of TWS headsets. This would also include further expanding the product range under the Group's own FOBO brand.

The Group will also capitalize on its recently awarded ISO 13485 certification to pursue products in the medical category which I am confident will positively contribute to the Group's business as a whole in the future.

At the same time, the new product category of embedded computing devices will be part of the Group's product diversification and focus for a longer term.

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 our CEO 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

GENERAL OVERVIEW

As always, I would like to thank the people in Salutica who have stood with me through the Covid-19 pandemic and the current global economic uncertainty. With the ever changing tide of the global economy from the Ukraine-Russia conflict to spiralling inflation and rising cost that is seen around the world, I am honoured to have my team standing with me side by side to face these challenges.

With the easing of the Covid-19 protocols locally and globally, ease of cross border movements have allowed our people to resume face-to-face engagement with our customers, partners, suppliers and stakeholders which has a much deeper impact compared to video conference. This is especially important for product development and new technology adoption in our business which is something that many of us never truly appreciate in the past.

With the rise in cost faced by all businesses, the Group has taken many action plan to improve efficiency to mitigate it and coupled with strategic cost cutting measures. In these uncertain economic times, there is always a right opportunity to build the Group's resilience through a leaner operation.

Despite what was said before, this year also at the same time provided an opportunity for the Group to venture into a new product category of embedded computing devices. This was a one of the many steps that the Group never ceases to take in diversifying its business. On the same tone, the Group has successfully obtain its medical certification for ISO 13485 which opens up the Group to new opportunity.

A review of FYE2022 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 FYE2022 for headset as well as building a new product category in its portfolio.

The Group has also added additional capacity for its SMT line. This brings us to a total of 7 SMT Lines to cater for our product line up in the next fiscal year.



Joshua Lim Phan Yih
Managing Director/Chief
Executive Officer

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

The Group will continue with its effort to diversify more product categories in order to build a resilient portfolio. One of the main step is to focus on the necessary certification such as the recently obtained medical certification under ISO 13485. The next step for the Group would be to pursue an equivalent for the automotive certification as well. This will enable the Group to venture into the medical and automotive industry.

The Group will also continue to build up on its embedded computing devices business moving forward. Products of this nature has longer life cycle which benefits the group in terms of improving efficiency over a longer period of time. The Group will continue to utilize its core skill and talent which provides the Group flexibility when pursuing new product categories.

The Group will continue to work on its TWS roadmap and the robustness of its products to meet the ever changing lifestyle of consumers. This will be through its existing customer base as well as potential new customers. As mentioned before, the role of TWS in our modern life is much different from its ancestors. From its simple task in the past, TWS now improves lives with our hearable products.

In addition, the Group will continue its focus on its home grown FOBO brand and to expand our product line for warehousing and asset tracking solutions.

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

I am confident of the Group's ability to adapt and evolve during such challenging times. As such, I am always grateful for the support by our customers, employees, shareholders, investors, suppliers and stakeholders 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 FYE2022 as set out in the Reports and Statutory Financial Statements on pages 72 to 152 of the Annual Report.

CORPORATE OVERVIEW

Salutica Berhad was listed on the ACE Market of Bursa Malaysia Securities Berhad on 18 May 2016 before being transferred to the Main Market on 24 March 2017. The Group through its subsidiary in Ipoh, Salutica Allied Solutions Sdn. Bhd. (“Salutica Allied”) which commenced its operations in 1990, started as an original equipment manufacturer principally involved in the manufacture of precision plastic parts and components for the electronics industry.

We have now evolved to become a vertically integrated manufacturer, primarily focused on Bluetooth devices with capabilities and expertise to carry out a full product development lifecycle, from product design, product development, product testing/prototyping, product commissioning to manufacturing and assembly. We are also involved in the product conceptualisation, idea generation, design, development, manufacturing, assembly, marketing and sales of our in-house Bluetooth related products under the brand name “FOBO”.

BUSINESS AND OPERATIONS OVERVIEW

In a challenging business environment, the Group remain focused in its business with the objectives of product innovation and customers diversification. We intend to continue positioning our Group as a one-stop solutions provider for our multinational corporations customers and continue to leverage on our proven track record, experience and technical capabilities to secure more business.

The uncertainties arising from the Covid-19 pandemic on the global economy remains a challenge for the Group in its performance for FYE2022. Hence, product diversification is important for the Group to always stay one step ahead of competitors. 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. The private placement which raised gross proceeds of RM21.56 million in August 2021 had helped to expand this product range.

In Quarter 2 FYE2022, the Group had started to venture into high density printed circuit board assembly (“PCBA”) for use in the embedded computing devices. For FYE2022, PCBA sales contributed approximately 6% to the total revenue for the Group.

FOBO, our home-grown brand, especially FOBO Bike generated good market reviews and contributed to the overall FOBO revenue for FYE2022. The Group will continue to focus on FOBO and undertake marketing and sales activities to increase visibility and market presence in the global marketplace. Our 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.

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	FYE2022 (RM'000)	%	FYE2021 (RM'000)	%	Increase/ (Decrease) (RM'000)	%
America	93,128	64.8	189,089	84.8	(95,961)	(50.7)
Europe	24,233	16.8	19,283	8.6	4,950	25.7
Asia (excluding Malaysia)	10,452	7.3	5,919	2.7	4,533	76.6
Australia (including New Zealand and Oceania)	4,229	2.9	4,980	2.2	(751)	(15.1)
Malaysia	11,782	8.2	3,718	1.7	8,064	216.9
Africa (including Middle East)	12	^	7	^	5	71.4
TOTAL	143,836	100	222,996	100	(79,160)	(35.5)

^ negligible

For FYE2022, the Group recorded total revenue of approximately RM143.8 million compared to approximately RM223.0 million in the preceding year, a decrease of RM79.2 million or 35.5%.

A continuation of weaker consumer spending affects the demand for consumer lifestyle devices. Nonetheless, the increase in sales from the embedded computing devices and FOBO products had helped to support the revenue for FYE2022.

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 83% and 100% of the respective sales of Europe and Australia (including New Zealand, Oceania) regions.

Loss before Tax ("LBT")

	FYE2022	FYE2021	Decrease
LBT (RM'000)	8,347	12,607	4,260
% over revenue	5.8	5.6	33.8

The Group posted LBT of approximately RM8.3 million for FYE2022 compared to LBT of approximately RM12.6 million for FYE2021. The decrease in loss was largely contributed by one-off income from Covid-19 insurance compensation of RM3.2 million and government grant of RM0.6 million.

Loss after Tax ("LAT")

	FYE2022	FYE2021	Decrease
LAT (RM'000)	6,584	9,724	3,140
% over revenue	4.6	4.4	32.3

In tandem with the LBT, the Group recorded lower LAT of approximately RM6.6 million for FYE2022 compared to FYE2021 LAT of approximately RM9.7 million.



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

FINANCIAL PERFORMANCE REVIEW (CONT'D)

Liquidity

The Group's trade and other receivables (included contract assets) as at 30 June 2022 stood at RM18.8 million compared to FYE2021 of RM40.1 million, a decrease of RM21.3 million or 53.1%. The decrease was in tandem with the decrease in revenue in quarter four of FYE2022 compared to the same quarter in the preceding FYE2021. There was no material trade receivables impaired during the financial year under review. Substantially all of the debts due have been collected subsequent to the financial year end.

The Group's trade and other payables as at 30 June 2022 stood at RM28.4 million compared to FYE2021 of RM47.2 million, a decrease of RM18.8 million or 39.8%. The decrease was attributed, amongst others, the consigned materials by the customer for the PCBAs business. This was also the reason for the lower inventories as at 30 June 2022 of RM54.6 million compared to RM66.5 million as at 30 June 2021.

During FYE2022, the Group had utilised RM4.0 million of its short term revolving credits facility for its working capital needs. Capital expenditure financing was on UV laser cutting / marking machines, moulding machines,

automatic inspection equipment and R&D softwares amounted to approximately RM7.3 million. As at 30 June 2022, the hire purchase creditors balance was approximately RM4.7 million.

As at 30 June 2022, the Group's deposits, cash and bank balances amounted to RM53.0 million which also includes short term investments in respect of placements in Islamic money market instruments. As at 30 June 2021, the deposits, cash and bank balances were RM16.8 million.

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

Capital Expenditure

During FYE2022, the addition to the Group's property, plant & equipment ("PPE") was RM7.3 million and the closing carrying amount of the Group's PPE for the FYE2022 was RM51.9 million. The major capital spending in FYE2022 comprising, amongst others, stencils printer (MPM printer), UV laser cut machine, moulding machines, 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

Covid-19 pandemic has severely affected the lives, livelihood and economies worldwide. In order to re-open the economy safely, ie, transition to endemicity, the Malaysian government had introduced the National Covid-19 Testing Strategy in November 2021 as part of the TRIIS which stands for Test, Report, Isolate, Inform and Seek to help protect and minimise the risk of infection at the workplace and keep all employees safe against Covid-19. After 1 August 2022, all travellers are allowed to enter Malaysia regardless of their Covid-19 vaccination status and no longer required to be quarantined. The relaxation of SOPs and rules have helped to improve the Group product development timeline where customers can now work on-site with the engineers to approve prototype faster and more efficiently.

Risk relating to our industry:

We operate in the consumer electronics industry and are subject to competition given that we manufacture and sell products to multinational corporations in the global market place. Our Group faces competition from established original equipment manufacturers both locally and internationally as well as potential new entrants. These original equipment manufacturers compete with one another based on, amongst others, product design, quality, price and range of services. As we also have our in-house electronic products under our FOBO brand, our products also compete with other products of similar functions in the market.

For our external customers, our Group has the capabilities to provide product design, functional/technical development and product testing/prototyping, subject to our customers' requests on the level of involvement required from our Group. 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 development of TWS for the custom fit and depending on the customer's approval, may go into mass production before the end of 2022.

For our in-house brand, FOBO, we are involved in the full product development lifecycle, from product conceptualisation to product marketing and sales.

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

FINANCIAL PERFORMANCE REVIEW (CONT'D)

Potential Risks and Mitigating Factors (Cont'd)

Risks relating to our business and operations:

Our Group's major customers comprise mainly multinational corporations dealing in Bluetooth devices with diverse applications. The loss of any of these customers, if not replaced, may adversely affect our financial condition and results of our operations. In addition, as we have no control over the prospects and success of our major customers' business, our financial performance may be adversely affected if they lose market share, experience financial difficulty or if they are faced with an economic downturn which affects demand for their products as what we have experienced during Covid-19 times in early 2020 to now.

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

We will continue to tread cautiously as the country transition into endemic phase amid the expectation of a global recovery from the Covid-19 pandemic due to more people are getting vaccinated globally. Despite the overall optimism, Covid-19 still looms largest as a risk to full economic recovery.

FORWARD-LOOKING STATEMENT

The supply chain disruption created by the shutdown in certain countries due to Covid-19 outbreak have created challenges for many businesses globally including the Group, albeit, the pandemic-induced disruptions have lessen in its severity compared to earlier days of the pandemic. Nonetheless, the Group will continue to evaluate the situation by working closely with our customers and suppliers to mitigate the impact and all its related risks.

The Group envisages that the TWS for hearing-assist and gaming coupled with the embedded computing devices will provide the growth catalyst for the Group to improve its operating income moving forward.

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

DIVIDEND PAYMENT POLICY

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

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



SUSTAINABILITY STATEMENT

Our commitment to Business Sustainability

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 disclose our commitments across the Economic, Environmental and Social ("EES") pillars of sustainability and provides better understanding and balanced view on EES aspects to our stakeholders.

The Group has established the Sustainability 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 FYE2022, unless otherwise stated.

APPROACH

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

SCOPE OF THE STATEMENT

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



SUSTAINABILITY GOVERNANCE

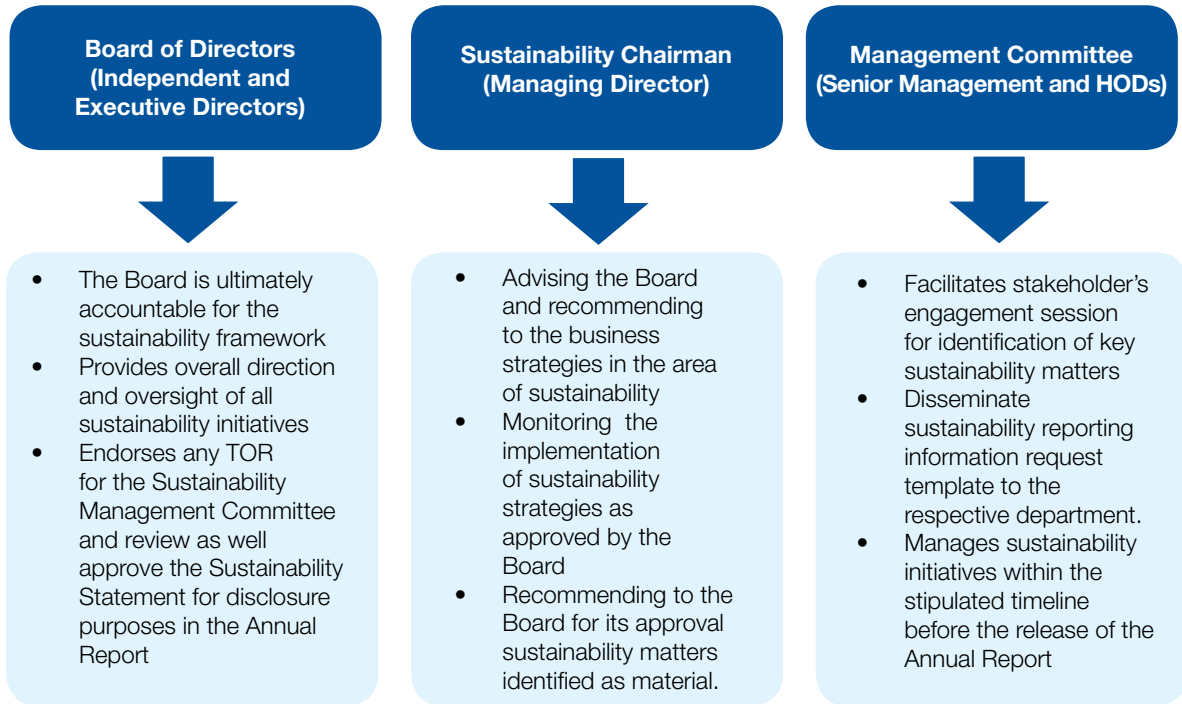
The Board is committed to delivering long-term value to our stakeholders through sustainable practices that protect the best interests of our shareholders, employees, business partners, and local communities. We have put together the principles of good governance standards, which are adopted throughout the Group's business operations, with the objective to strive and uphold good governance.

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

Sustainability Statement (Cont'd)

SUSTAINABILITY GOVERNANCE (CONT'D)

The roles and responsibilities are described in the details below.



SUSTAINABILITY POLICY

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

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

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



Sustainability Statement (Cont'd)

MOVING FORWARD

Year 2021 was a year of challenges – notably from the COVID-19 pandemic and also the extreme climate changes and the ongoing political turmoil. The onset of COVID-19 caused an immediate shift in global and local priorities. Corporations, including the Group, had to quickly refocus their efforts to fine-tune their business strategies and re-assess the impact of EES in a more holistic and focus manner.

Due to the ongoing uncertainties, the Board is working diligently to overcome the challenges through strategic investment in the business and active engagement with all stakeholders including the local communities. The Group will continue to ride on the opportunity to harness the use of technology to develop and innovate new products.

The Group's ability to understand the needs of the people saw the development of FOBO Trace in early 2021. FOBO Trace is a portable Bluetooth enabled digital tracing device that enables effective tracing process with accuracy and efficiency. This product's tracing capability proves to be useful when a number of our production workers were tested positive for Covid-19 in August 2021, whereby we were able to identify close contacts within a short span of time. Thus, we were able to quarantined the affected production workers without disruptions to production output and delivery plan to customers.

STAKEHOLDERS' ENGAGEMENT

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

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

Stakeholders Group	Stakeholder's Concern	Engagement platform
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 and Annual General Meetings Financial Statements and Bursa Malaysia announcements Continuous update on the 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 Customer satisfaction survey form
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

Sustainability Statement (Cont'd)

STAKEHOLDERS' ENGAGEMENT (CONT'D)

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

Stakeholders Group	Stakeholder's Concern	Engagement platform
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 as per listing requirement
Employee	<ul style="list-style-type: none"> Career development Salary & benefits 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 Learning development programmes
Local community	<ul style="list-style-type: none"> Community development projects Social & environmental issues 	<ul style="list-style-type: none"> Ad-hoc community programs Institution/University internship programme Continuous update on the Company website Annual report

MATERIALITY ASSESSMENT AND KEY SUSTAINABILITY MATTERS

In the FYE2022, the Board identified its material EES issues that are deemed significant to the strategy and business of the Group. The Group places priority in addressing the materiality and key sustainability matters in this Sustainability Statement.

There were no significant changes in our business operation during the financial year under review. As such, we have categorised our key sustainability matters same as in previous year: -





Sustainability Statement (Cont'd)

MATERIALITY ASSESSMENT AND KEY SUSTAINABILITY MATTERS (CONT'D)



ECONOMIC

Business Performance & Growth

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

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

A summary of our key Financial Performance for FYE2022 are as follows:

	Revenue: RM143.8 mil (FYE2021: RM223.0 mil)
	Profit after tax: RM6.6 mil (FYE2021: (RM9.7 mil))
	Loss per share: 1.57 sen (FYE2021: 2.53 sen)
	Net assets per share: 35.01 sen (FYE2021: 34.16 sen)

The Group will continue to strive towards a long-term business profitability and sustainable growth to provide the most innovative and cost-effective products with excellent quality to our customers through technology and process innovation. Product & customer diversification will remain the focus for the Group's long-term growth.

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

Sustainability Statement (Cont'd)

ECONOMIC (CONT'D)

Supply Chain Management

With the disruption in supply chains affecting many businesses globally, the Group is mindful of the pressure to uphold EES compliance among our business partners.

The Group remain committed to ensure our supply chain management and procurement practices are strong to ensure our business grows on a solid platform. Suppliers are our valued business partners and we always stress on the importance of collaborating with them. This is to ensure there is a good understanding of our needs and their ability to meet our product quality expectations. Traceability of materials from origin to our manufacturing site for development into complete finished products is important for quality assessment and avoidance of hazardous materials use in our products.

The Board believes that integrating EES in supply chain allows the Group not only to address and mitigate the risks by anticipating where future supply chain shortages may occur but also to identify the immediate effect where other related risks would have direct impact on our operation.

The Group's supply chain practices involved, amongst others, suppliers' selection and evaluation processes as guided by our Procurement Policy and Procedures, which outlines the best practice approach to sustainable procurement. Our supply chain management standards within the electronics supply chain are based on ESG stipulations set by the Responsible Business Alliance ("RBA"). Therefore, for direct material suppliers, we assess the quality of their products and their compliance with the Code of Conduct by RBA. We also screen our suppliers based on the availability of ISO management systems and certifications. Our suppliers are expected to comply with all relevant laws, regulations and industry standards.

We prioritise our procurement of goods and services from local suppliers while taking into consideration the need to establish a secure, reliable and cost-effective supply chain management that conforms to the highest standards of quality and delivery. In the business operations, working with local suppliers improves our production and development turnaround time, reduce inventory holding costs and avoid fluctuation from foreign exchange rate.

Our Purchasing department carries out annual performance evaluation assessment on our suppliers to ensure they meet our Quality and On-Time-Delivery requirement. The result is presented in a score card to the suppliers.

The criteria of supplier's performance evaluation are set out below:



- a. Incoming goods quality
 - Number of Rejection Report
 - Number of Corrective Action Repeated issued
 - Rejection Report Response Time
- b. Manufacturing line quality
- c. Field quality (Customer complaint)
- d. Cost of Non-Performance (caused by Supplier)



- a. Delivery Performance
 - Delivery per quality ordered
 - On-time delivery



Sustainability Statement (Cont'd)

ECONOMIC (CONT'D)

Product Responsibility

a. Product Innovation

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

The Group's strong emphasis on expanding product innovation, saw the many evolutions of FOBO products starting from the World's first All Bluetooth Smart Tire Pressure Monitoring System ("TPMS") for cars before moving on to other applications such as bikes, trikes, heavy vehicles (more than 4 tires), trackers and wheel chairs.

Notes:

- **FOBO BIKE 2** is a SMART BLUEOOTH TPMS for every biker (two-wheeler) using the latest Bluetooth 5.0 that works directly with smart device using Android 5.0 and iOS 12 or later.
- **FOBO TIRE 2** is a SMART BLUETOOTH TPMS using the latest Bluetooth 5.0 (Sensors) that works directly with smart device using Android 5.0 and iOS 12 or later.
- **FOBO ULTRA** is an advanced TPMS for heavy vehicles using the latest Bluetooth 4.1 that works directly with your Android and iOS smartphones or tablets. With an intelligent In-Car monitoring unit that works on its own or simultaneously with your smart devices.
- **FOBO TAG** is the world's first tracker with Bluetooth 5 and multiple patented technologies. Aesthetically designed and meticulously engineered for functions and style, it stops loss and retrieves valuable belongings or loved ones, effectively with augmented reality. It provides five smart ways to search, removing the LOST from "Lost & Found". It works with Android and iOS smartphones with Bluetooth 5 and 4.
- **FOBO Trace** is a portable Bluetooth enabled digital tracing device that enables effective tracing process with accuracy and efficiency.
- **FOBO Wheely** is a TPMS for wheelchairs with air-filled pneumatic tires, using the latest Bluetooth 5.0 technology that works directly with smart device using Android 5.0 and iOS 12 or later



Sustainability Statement (Cont'd)

ECONOMIC (CONT'D)

Product Responsibility (Cont'd)

b. Quality Management

The Group strives to deliver quality service by adopting a culture that emphasises quality excellence. Attention to detail and quality of products are something we do not compromise. We stay proactive and undertakes effective measures to ensure that our customers receive products and services of the best quality. Keeping quality management at the forefront of our employees' mind, we have demonstrated our capability to successfully maintain the international accreditation certified by the following bodies:

- ISO 9001:2015 (Quality Management System) – valid until July 2024
- ISO 14001:2015 (Environmental Management System) – valid until May 2024
- ISO 45001:2018 (Occupational Health and Safety Management System) – valid until May 2024
- EN ISO 13485:2016 (Scope: Manufacture and Distribution of Hearing Aids) – valid until February 2025
- ANSI/ESD S20.20-2014 (Electrostatic Discharge Control program: Printed Circuit Board Assembly (SMT and Manual Insert) – valid until October 2022 (note: we have successfully completed re-certification audit in October 2022)

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

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

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

In the FYE2022, our Incoming Quality Control (“IQC”) check for Defective Parts Per Million (“DPPM”) on raw materials and parts from our suppliers are as follows:

IQC - DPPM	FYE2022	FYE2021
Inspected Quantity	345863	421316
Rejected Quantity	6	32
DPPM (K)	0.02	0.08

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

Customer complaint	FYE2022	FYE2021
No of cases	4	9



Sustainability Statement (Cont'd)

ECONOMIC (CONT'D)

Business integrity & Governance





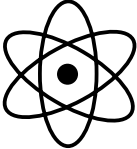

The Board believes that good Corporate Governance is important for the Group to build sustainable long-term value for all its stakeholders. Therefore, the Board is guided by legislative and regulatory requirements, including corporate governance best practices published by relevant authorities. Details of the Group's corporate governance framework and practices are elaborated in the Corporate Governance Overview Statement contain in this Annual Report.

a. Code of Conduct and Ethics

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

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

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

 Integrity	 Responsibility	 Trust
 Sincerity	 Discipline	 Diligence

b. Anti-Corruption and Bribery Policy

The Group is committed to conduct its business with integrity. As such, the Anti-Corruption and Bribery Policy ("the Policy") has been established to uphold the Group's zero tolerance position on bribery and corruption. The policy outlines the Group's commitment to conduct business ethically as well as complying with all applicable laws, including the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018) ("MACC Act") and any of its amendments made by the relevant authority from time to time.

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

Sustainability Statement (Cont'd)

ECONOMIC (CONT'D)

Business integrity & Governance (Cont'd)

b. Anti-Corruption and Bribery Policy (Cont'd)

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

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

There were no corruption-related cases and ethical concerns reported in FYE2022 (FYE2021: Zero incidents)

c. Whistle-blowing Policy

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

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

There was no complaint received during the period under review.



Sustainability Statement (Cont'd)



ENVIRONMENT

Green initiatives

The Board is mindful of the Group's effort to manage its operations in an environmentally friendly manner in order to achieve long-term sustainability goals. The Group looked at all possible mitigating measures to minimise environmental impact of its operations whenever possible.

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

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

Green initiatives:



- Lightings in our office and production floor are installed with light-emitting diode ("LED") light bulbs which have a longer lifespan and more energy-efficient compare with iridescent or fluorescent lamps.
- "Last out – lights off" practices in our workplace.



- Adoption of 3Rs ("Reduce, Reuse and Recycle") practices by maintaining recycling bins around our offices to ensure proper segregation of non-hazardous waste such as paper, plastic, aluminium, and glass.
- For hazardous waste, we appointed a licensed disposal contractor to treat hazardous waste and dispose responsibly.
- Encourage our business operation to use electronic media whenever possible.



- Installation of solar photovoltaic ("PV") panels on the factory rooftops to harvest solar energy to power the factory electricity needs since August 2019.
- In FYE2022, our facilities consumed 6,570,302 kWh of electricity, a decrease of 5.9% compared to FYE2021, primarily due to change in product mix.
- Based on the data recorded for FYE2022, the solar usage has helped to reduce approximately 650.7 tonne carbon dioxide (FYE2021: 650.5 tonne)

Waste Management

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

In FYE2022, there were no reported case of environmental violations or fines from the local authorities (FYE2021: zero incident) and we will continue to maintain such results. Robust management systems at our operations effectively monitor and manage hazardous and non-hazardous waste generated.

Sustainability Statement (Cont'd)

ENVIRONMENT (CONT'D)

Hazardous wastes

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

The hazardous wastes generated by our production are as follows:

Type of Hazardous Wastes	FYE2022 (kg)	FYE2021 (kg)
SW109 Mercury (Fluorescent bulb)	179	72
SW306 Spent Hydraulic oil	560	690
SW322 Spent Solvents	5,336	6,582
SW409 Contaminated containers	2,975	3,283
SW410 Contaminated rags, plastics, gloves	1,274	1,710
SW416 Paint Sludges	6,725	12,762
SW302 Flux waste	125	519
SW104 Dross	155	0
SW418 Ink	523	985
SW422 Mixture of scheduled and non-scheduled waste	29	150
SW411 Contaminated carbon	204	45
SW103 Batteries	140	326
Total	18,225	27,124

The decline in the hazardous waste was attributed by our focus on sustainable cost management and also the changes in the product mix. During the FYE2022, the Group recorded lower utilisation of processes that contributed to the waste partly due to the changes in product mix of our business.

Non-Hazardous wastes

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

The non-hazardous wastes generated in the FYE2022 are as follows:



General waste generated
FYE2022:9,450kg
(FYE2021:8,250kg)



Recycling waste generated:
FYE2022:8,406kg
(FYE2021:19,831kg)

The reduction in general waste and the increased in recycling waste for FYE2022 compared to FYE2021 are a testament to the continuous effort by the Group to be sustainable in all their operating activities.



Sustainability Statement (Cont'd)

ENVIRONMENT (CONT'D)

Environmental compliance

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

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



SOCIAL

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

Health and Safety

The Board is committed to provide a safe and healthy workplace for its employees. We rigorously manage the potential risks associated with hazardous activities and processes, such as those activities with potential to result in injuries related to fire, explosions or sudden release of toxic materials. Therefore, we emphasis on preventive measures and have a robust safety management system in place.

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

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

- To achieve continual improvement in:
 - Environmental performance by reducing the depleting use of natural resources and preventing environmental pollution.
 - Health & Safety practices to reduce the risk of illness, accident and incident in the workplace.
- Prevention of Injury & ill health.
- To perform hazard identification, risk assessment and risk control of the business activities, process, products and services.
- To design and develop products that meets the environmental and safety requirements.
- To comply with regulations including stakeholders' requirements.
- To provide training and communication so that all our employees shall have the environmental, health and safety awareness and competency in whatever they do.
- To assign clear safety and environmental responsibilities to our employees as a fundamental part of their routine duties.
- To attain consultation & participation from employees to minimise hazards from environment, occupational health and safety.
- To establish and carry out environmental, occupational health & safety objectives/target based on evaluation of the environmental impacts and occupational health and safety hazard and risk assessed on our business activities, process, products and services.

Sustainability Statement (Cont'd)

SOCIAL (CONT'D)

Health and Safety (Cont'd)

For the FYE2022, the EHS Committee carried out meetings to discuss workplace condition matters, EHS programmes and EHS performance. Our health and safety performance have been reported with the following data from year 2019 to 2021:

Year	Fatality Case	Number of accidents	Lost time injury frequency ("LTI")	Incident rate	Severity rate
2019	0	2	0	2.21	0
2020	0	0	0	0	0
2021	0	0	0	0	0

Note: as at the date of this report, there were no cases reported on fatality, accident or LTI.

Overall, our EHS team has made significant progress in relation to the safety and health of our employees. Some notable achievements are summarised as below:

- Zero fatality case for 3 consecutive years from 2019 to 2021.
- Reduction of incident rate in year 2020 and 2021.
- Zero accident case reported in consecutive 2 years from year 2020 to 2021.

There were several activities carried out at our factory site in 2022 such as the following:

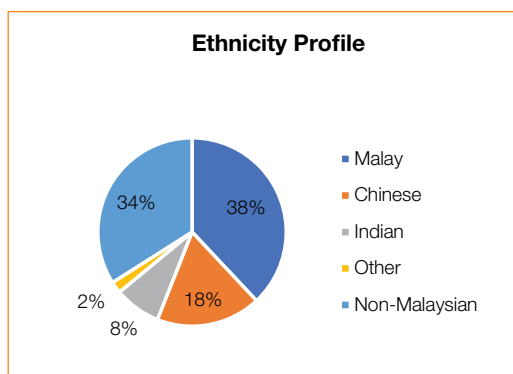
- ✓ health screening
- ✓ basic occupational first aid training
- ✓ fire drill
- ✓ chemical handling & spill control training
- ✓ basic personal protective equipment ("PPE") and fit test training
- ✓ Hazard Identification, Risk Assessment and Risk Control ("HIRARC") with ISO 45001:2018 requirements training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

Human Capital Development

a. Diversity

Diversity and inclusion are one of the essential aspects contributing towards the Group's success as it promotes creativity, innovation and work efficiency.

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



In terms of gender balance, we do not set any targets. All employees are treated equally and given competitive salary regardless of gender. However, we do strive to achieve a balance of gender at departmental and Group level. We aim to build an inclusive environment for our employees and as such, there was no discrimination, bullying and harassment complaints received in FYE2022. (FYE2021: Zero cases)

Note: Other refers to Malaysians of other races.

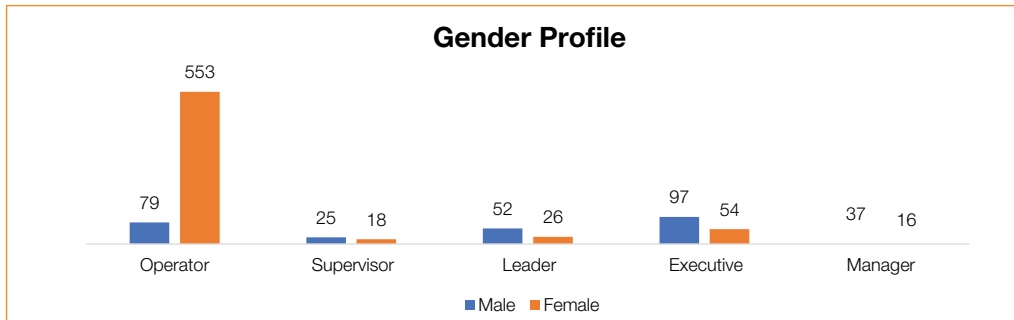


Sustainability Statement (Cont'd)

SOCIAL (CONT'D)

Human Capital Development (Cont'd)

a. Diversity (Cont'd)



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

b. Training and Career Development

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

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

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

During the FYE2022, there was a total of 36 trainings conducted (FYE2021: 17) on various topics ranging from technical courses to health & safety including updates on Employment Act Amendment 2022 and also training on soft skills such as managing anger & stress.

c. Labour Practice

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

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

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

In FYE2022, there was no complaint received from our employees in regard to labour practices concern and non-compliance to the laws and regulations.

Sustainability Statement (Cont'd)

SOCIAL (CONT'D)

Community Investment

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

In contributing to the community where we operate in, we aim to adopt a proactive approach with our community investments, using continuous contributions and engagements to not only better understand the community's expectation and needs, but also to provide community development.

The Group continues to focus in developing the next generation of STEM graduates and business leaders through our internship programmes. Hiring interns have been a long focus for our Group because it provides employment opportunities for the local communities.

In the FYE2022 we hired 42 interns, a drop from 64 interns in FYE2021. This was because some local polytechnics and universities temporarily froze their internship requirements due to the movement control order from the Covid-19 pandemic.

CONCLUSION

The Board is committed in ensuring that sustainability is incorporated throughout the Group's daily business management and operations. For each key material sustainability matter as presented in our materiality matrix, the Group will endeavour, where applicable, to discuss the opportunities and to improve and enhance its existing practices, as appropriate, to enable the sustainable creation and preservation of long-term value to the Group's stakeholders.



COMPANY HIGHLIGHTS 2022

COMPANY ACTIVITIES

1) MIDA KL, MIDA Perak & Invest Perak Visit
Factory visit by MIDA KL, MIDA Perak & Invest Perak
6 Oct 2021

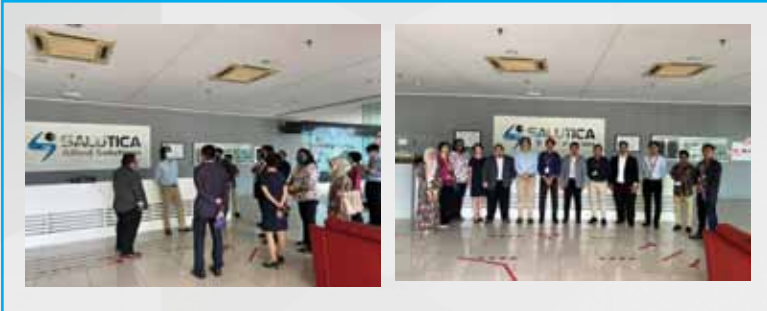


2) Competition of Innovation and Intervention Keselamatan dan Kesihatan Pekerjaan (KKP) Peringkat Negeri Perak 2021

Won 1st runner up prize
23 December 2021
Location : Pusat Aspirasi Anak Perak (PASAK)

Company Highlights 2022 (Cont'd)

Company Activities (Cont'd)



3) Invest Perak & MIDF Visit
Factory visit by Invest
Perak & MIDF
 26 May 2022

4) Briefing on Career Opportunities at Salutica

Collaboration between Salutica Allied Solutions Sdn Bhd and Shen Jai TVET College
 14 July 2022
 Shen Jai TVET College, Ipoh



5) Project Improvement Team 2022
 Sig Sigma



Company Highlights 2022 (Cont'd)

CORPORATE SOCIAL RESPONSIBILITIES

1) Health Screening
10 February 2022
Salutica Allied Solutions Sdn Bhd



2) Ergonomics, A Practical Approach training
14 February 2022
Conducted by external training provider

Company Highlights 2022 (Cont'd)

Corporate Social Responsibilities (Cont'd)



3) Fire drill
2 March 2022
Salutica Allied Solutions Sdn Bhd

4) Basic Occupational First Aid training

15 March to 16 March 2022
Conducted by external training provider



5) Chemical Handling & Spill Control Training

29 March 2022
Conducted by external training provider





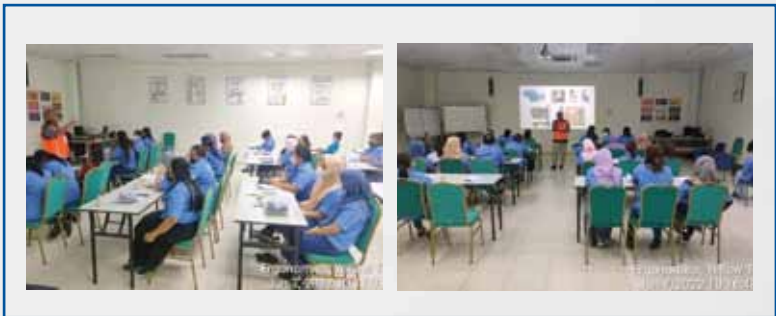
Company Highlights 2022 (Cont'd)

Corporate Social Responsibilities (Cont'd)

6) Basic Personal Protective Equipment (PPE) and Fit Test Training | 28 April 2022
 Conducted by external training provider



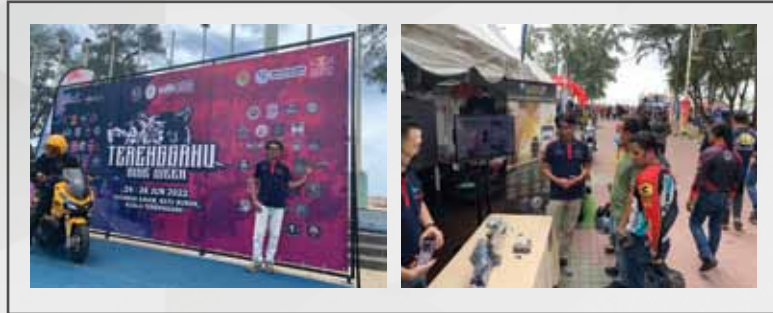
7) HIRARC Documentation & Training with ISO45001:2018 Requirements training
 24 May 2022
 Conducted by external training provider



8) Understanding workplace & Ergonomic Risk Assessment & Occupational Injury
 7 June 2022
 Conducted by external training provider

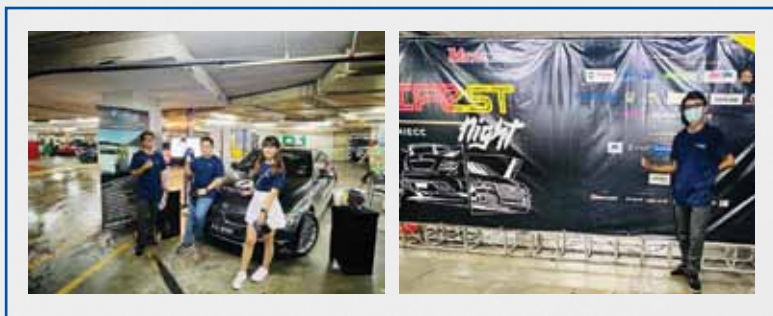
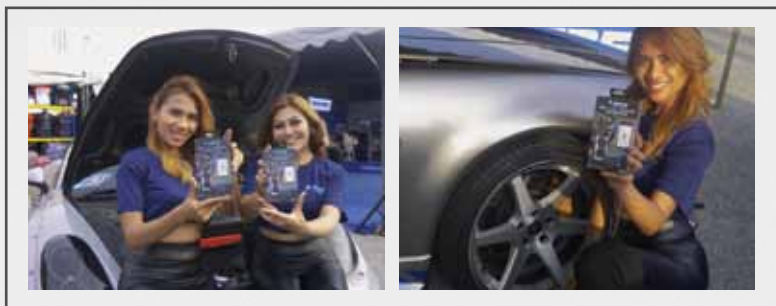
Company Highlights 2022 (Cont'd)

EXHIBITION & TRADE SHOWS



- 1) Terengganu Bike Week 2022**
 24 – 26 June 2022
 Dataran Awam, Batu Burok, Kuala Terengganu

- 2) Velocity Motor Show Event**
 16 – 17 July 2022
 Padang Kemuning, Majlis Bandaraya Kuantan



- 3) Rolling Speed Night – ContiFest 2022**
 20 August 2022
 MIECC Carpak B1, Sri Kembangan, Selangor

CERTIFICATIONS

- 1) ANSI / ESD S20.20-2014**
 Certification from NQA Certification Services (M) Sdn Bhd on Electrostatic Discharge Control to Printed Circuit Board Assembly (SMT and Manual Insert) (issued on 22 October 2021)



- 2) EN ISO 13485 : 2016**
 Certification from TUV Rheinland LGA Products GmbH on quality management system for medical devices. (issued on 16 February 2022)

