



**SAUDEE**  
Group Berhad

200801036832  
(838172-P)



# SETTING BENCHMARKS IN CULINARY INNOVATION

**ANNUAL REPORT 2021**

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## COVER RATIONALE

### SETTING BENCHMARKS IN CULINARY INNOVATION



To allow readers to comprehend the business nature of Saudee Group i.e., food manufacturing, at a glance, an illustration that is made up of a multitude of cubes takes up majority of the design, with each cube showcasing varying graphics including both raw meat and cooked food.

Standing out against a sea of blue, is a red cube with the picture of a chip on it, to represent the integration of AI technology, which shows how the addition of AI can further fuel efficiency and growth for Saudee Group's already solid foundation, through constant enhancement of the system and machines used. This is also accompanied by a stark white light to symbolise the evolvement of the company as it prepares for the future.

In addition, red and blue are also the primary colours of Saudee Group's logo, which gives the design an added sense of corporate identity.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting of Saudee Group Berhad will be conducted on a fully virtual using the Remote Participation and Voting facilities from the Broadcast Venue at Level 10, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 30 December 2021 at 2.00 p.m for the following purposes :-

## AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 July 2021 together with the Reports of the Directors and Auditors thereon. (Please refer to Note 1)
2. To consider and, if thought fit, to pass with or without modifications the following resolutions as Ordinary Resolutions :-
  - (a) "THAT Mr. Sim Yee Fuan, who retires pursuant to Clause 102(1) and (2) of the Company's Constitution, be and is hereby re-elected as a Director of the Company." Ordinary Resolution 1
  - (b) "THAT Mr. Tay Ben Seng, Benson, who retires pursuant to Clause 107(2) of the Company's Constitution, be and is hereby re-elected as a Director of the Company." Ordinary Resolution 2
  - (c) "THAT Datuk Sham Shamrat Sen Gupta, who retires pursuant to Clause 107(2) of the Company's Constitution, be and is hereby re-elected as a Director of the Company." Ordinary Resolution 3
3. To re-appoint Messrs Grant Thornton Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. Ordinary Resolution 4

## AS SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modifications the following resolutions as Ordinary Resolutions:-

4. To approve the payment of Directors' fees of not exceeding RM250,000.00 (FY2021:RM250,000.00) to Directors of the Company for the financial year ending 31 July 2022. Ordinary Resolution 5
5. To approve the payment of benefits of not exceeding RM36,000.00 to the Directors of the Company from 31 December 2021 until the next Annual General Meeting of the Company. Ordinary Resolution 6
6. **Continuation in Office as an Independent Non-Executive Director**
  - (a) "THAT authority be and is hereby given to Mr. Sim Yee Fuan who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years to continue to act as an Independent Non-Executive Director of the Company". Ordinary Resolution 7
7. **Proposed power to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016**
  - (a) "THAT subject always to the Companies Act 2016 ("Act"), the Constitution of the Company and approvals of the relevant regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company from time to time at such price, upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier." Ordinary Resolution 8

# NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

## 8. Proposed Renewal of Authority to purchase its own shares

- (a) "THAT subject always to the Companies Act 2016, the provisions of the Company's Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other applicable laws, rules, regulations and guidelines for the time being in force, the Directors of the Company be and are hereby authorised to make purchase(s) of such amount of ordinary shares in the Company through Bursa Securities subject to the following:
- (i) The aggregate of the shares which may be purchased and/or held by the Company shall not exceed 10% of the total number of issued shares of the Company ("Shares");
  - (ii) The maximum fund to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the total available retained profits of the Company based on its latest audited financial statements available up to the date of the transaction;
  - (iii) The authority conferred by this resolution will commence immediately upon passing of this ordinary resolution and will continue to be in force until:
    - (a) the conclusion of the next annual general meeting of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
    - (b) the expiration of the period within which the next annual general meeting of the Company after that date is required by law to be held; or
    - (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting,

whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the Main Market Listing Requirements of Bursa Securities or any other relevant authority; and

- (iv) upon completion of the purchase(s) of the Shares by the Company, the Directors of the Company be and are hereby authorised to deal with the Shares in the following manner:
  - (a) cancel the Shares so purchased; or
  - (b) retain the Shares so purchased as treasury shares; or
  - (c) retain part of the Shares so purchased as treasury shares and cancel the remainder; or
  - (d) distribute the treasury shares as share dividends to shareholders; or
  - (e) resell the treasury shares on Bursa Securities; or
  - (f) transfer the treasury shares, or any of the shares for the purposes of or under an employees' share scheme; or transfer the treasury shares, or any of the shares as purchase consideration; or

in any other manner as prescribed by the Act, rules, regulations and guidelines pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force;

AND THAT the Directors of the Company be and are hereby authorized to take all steps as are necessary or expedient to implement or to effect the purchase(s) of the Shares with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

Ordinary  
Resolution 9

9. To transact any other business for which due notice shall have been given in accordance with the Company's Constitution and the Companies Act 2016.

By order of the Board

Lim Kim Teck  
(MAICSA 7010844)  
SSM PC No. 202008002059

Adeline Tang Koon Ling  
(LS 0009611)  
SSM PC No. 202008002271

Secretaries

Penang  
Date : 30 November 2021

# NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

## NOTES

### 1. Audited Financial Statements for the financial year ended 31 July 2021

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

### 2. Appointment of Proxy

1. A proxy may but need not be a member of the Company. There is no restriction as to the qualification of the proxy.
2. A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting.
3. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorized.
5. Where a Member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each security account it holds with ordinary shares of the Company standing to the credit of the said securities account.
6. Where a Member of the Company is an exempt authorized nominee as defined under the Central Depositories Act, which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorized Nominee may appoint in respect of each omnibus account it holds.
7. The instrument appointing a proxy must be deposited with the Poll Administrator's office at Boardroom.com Sdn Bhd, Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor or email to admin.registrar@boardroom.com.my or fax to +603 7890 1032 not less than twenty four (24) hours before the time appointed for holding the meeting or any adjournment thereof.
8. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolutions set out above will be put to vote by way of poll.
9. The Thirteenth Annual General Meeting will be conducted on a fully virtual basis at the Broadcast Venue. Members are advised to refer to the Administrative Guide on the registration and voting process for the said meeting.

### 3. General Meeting Record of Depositors

Only a depositor whose name appears on the Record of Depositors of the Company as at 23 December 2021 shall be entitled to attend the Thirteenth Annual General Meeting or appoint proxies to attend, speak and/or vote on his/her behalf.

### 4. Ordinary Resolution No. 5 – Proposed payment of Directors' fees

The proposed Ordinary Resolution 5 is to facilitate the payment of Directors fees on current year basis. In the event, the Directors' fees proposed is insufficient, the Board will seek the approval from the shareholders at the next Annual General Meeting for additional fees to meet the shortfall.

### 5. Ordinary Resolution No. 6 – Proposed payment of Directors' benefits (excluding Directors' fees)

The Directors' benefits (excluding Directors' fees) comprise the allowances and other benefits. The total estimated amount of Directors' benefits payable is calculated based on the number of scheduled Board and Board Committees meetings for the period from 31 December 2021 until the next Annual General Meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.

# NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

## NOTES (Cont'd)

### 6. Ordinary Resolution No. 7 – Continuation in Office as an Independent Non-Executive Director

Pursuant to the Malaysian Code on Corporate Governance 2017, the Board is making a recommendation and will seek shareholders' approval to retain Sim Yee Fuan who has served as Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, as an Independent Non-Executive Director of the Company.

Sim Yee Fuan has met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

The Board is of the view that Sim Yee Fuan has performed his duties diligently and provided independent views in participating in deliberations and decision making of the Board and Board Committees. The length of his service on the Board does not in any way interfere with his duties as an Independent Non-Executive Director of the Company.

The Board believes that with Sim Yee Fuan's expertise and broad experience together with his accumulative knowledge of the Group's business and operation provide the Board with a diverse set of experience and expertise which enhances the skills and experience profile of the Board.

### 7. Ordinary Resolution No. 8 - Proposed power to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed Ordinary Resolution 8, if passed, will grant a renewed general mandate ("Renewed Mandate") and empower the Directors of the Company to issue and allot shares up to an amount not exceeding 10% (ten per centum) of the total number of issued shares of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. The Renewed Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment, capital expenditure, working capital and/or acquisitions. In order to avoid any delay and costs involved in convening a general meeting, it is considered appropriate to seek shareholders' approval for a Renewed Mandate. This Renewed Mandate unless revoked or varied by the Company in general meeting will expire at the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required to be held.

As at the date of this notice, 69,000,000 new shares in the Company have been issued pursuant to the mandate granted to the Directors at the Twelfth Annual General Meeting held on 21 December 2020 which will lapse at the conclusion of the Thirteenth Annual General Meeting.

### 8. Ordinary Resolution No. 9 - Proposed Renewal of Authority to purchase its own shares

The proposed Ordinary Resolution 9, if passed, will give the authority to the Company to purchase its own shares up to 10% of the total number of issued shares of the Company. This authority, unless renewed or revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next annual general meeting or the expiration of the period within which the next annual general meeting after that date is required by law to be held, whichever occurs first.

Detailed information on the Proposed Renewal of Authority to purchase its own shares are set out in page 130 to 136 of the 2021 Annual Report.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Mak Siew Wei**  
*Executive Director*

**Tay Ben Seng, Benson**  
*(Appointed w.e.f. 1 July 2021)*  
*Executive Director*

**Sim Yee Fuan**  
*Senior Independent Non-Executive Director*

**Koay San San**  
*Independent Non-Executive Director*

**Chen Chee Peng**  
*Independent Non-Executive Director*

**Datuk Sham Shamrat Sen Gupta**  
*(Appointed w.e.f. 1 July 2021)*  
*Independent Non-Executive Director*

**Tan Khang Khim**  
*(Resigned w.e.f. 31 January 2021)*  
*Managing Director*

**Datuk Chong Loong Men**  
*(Resigned w.e.f. 9 July 2021)*  
*Independent Non-Executive Director*

## AUDIT COMMITTEE

*Chairman*  
**Sim Yee Fuan**  
*Senior Independent Non-Executive Director*

*Member*  
**Chen Chee Peng**  
*Independent Non-Executive Director*

**Koay San San**  
*Independent Non-Executive Director*

## NOMINATING COMMITTEE

*Chairman*  
**Chen Chee Peng**  
*Independent Non-Executive Director*

*Member*  
**Sim Yee Fuan**  
*Senior Independent Non-Executive Director*

**Koay San San**  
*Independent Non-Executive Director*

## REMUNERATION COMMITTEE

*Chairman*  
**Chen Chee Peng**  
*Independent Non-Executive Director*

*Member*  
**Sim Yee Fuan**  
*Senior Independent Non-Executive Director*

**Koay San San**  
*Independent Non-Executive Director*

## RISK COMMITTEE

*Chairman*  
**Koay San San**  
*Independent Non-Executive Director*

**Sim Yee Fuan**  
*Senior Independent Non-Executive Director*

**Chen Chee Peng**  
*Independent Non-Executive Director*

*Representative(s) from each major business units/divisions identified by the management from time to time.*

## ESOS COMMITTEE

*Chairman*  
**Mak Siew Wei**  
*Executive Director*

*Member*  
**Koay San San**  
*Independent Non-Executive Director*

**Chong Kok**  
*Chief Financial Officer*

## COMPANY SECRETARIES

**Lim Kim Teck** (MAICSA 7010844)  
SSM PC No. 202008002059

**Adeline Tang Koon Ling** (LS 0009611)  
SSM PC No. 202008002271

## AUDITOR

Grant Thornton Malaysia PLT  
201906003682 (LLP0022494-LCA)  
AF0737  
Chartered Accountants  
Level 5, Menara BHL  
51 Jalan Sultan Ahmad Shah  
10050 Georgetown, Penang, Malaysia  
Tel : 604-228 7828  
Fax : 604-227 9828

## REGISTERED OFFICE

35, 1<sup>st</sup> Floor  
Jalan Kelisa Emas 1  
Taman Kelisa Emas  
13700 Seberang Jaya  
Pulau Pinang, Malaysia  
Tel : 604-397 6672  
Fax : 604-397 6675

## HEAD OFFICE

Plot 331, Taman Perindustrian  
Sungai Petani  
Phase III, 08000 Sungai Petani  
Kedah Darul Aman  
Tel : 604-442 6800  
Fax : 604-442 6801  
Website: www.saudee.com

## SHARE REGISTRAR

Tricor Investor & Issuing House Services  
Sdn. Bhd.  
(Company No. 197101000970  
(11324-H))  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite, Avenue 3,  
Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur,  
Wilayah Persekutuan  
Malaysia  
Tel : 603-2783 9299  
Fax : 603-2783 9222

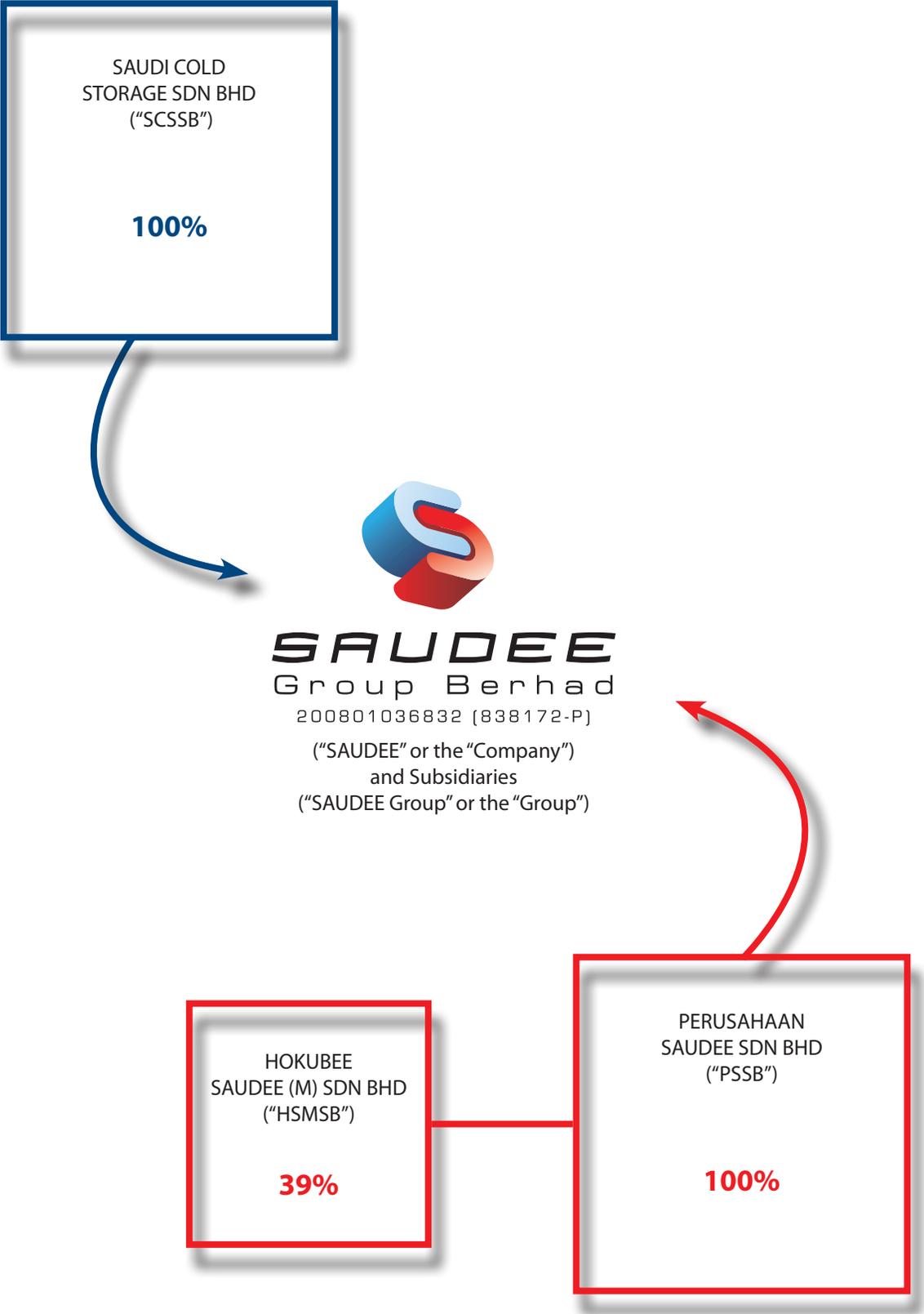
## PRINCIPAL BANKERS

AmBank (M) Berhad  
Bank Islam Malaysia Berhad  
Bank Pertanian Malaysia Berhad  
Amlslamic Bank Berhad  
CIMB Bank Berhad  
Affin Hwang Investment Bank Berhad

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad  
Sector : Consumer Products & Services  
Stock Name : SAUDEE  
Stock Code : 5157

**CORPORATE STRUCTURE**  
AS AT 19 NOVEMBER 2021



# PROFILE OF DIRECTORS

## MAK SIEW WEI

*Malaysian*

*Male*

*Aged 46*

*Executive Director*

Mr. Mak Siew Wei was appointed to the Board as an Executive Director on 11 August 2020.

Mr. Mak pursued his education in the United States and graduated with a Bachelor Degree in Management Information System and subsequently worked for Marvic International (NY) Ltd in New York as a Business Development Manager for 3 years.

Mr. Mak currently sits on the Board of AT Systematization Berhad, Green Ocean Corporation Berhad, Pasukhas Group Berhad and Advance Information Marketing Berhad as an Executive Director.

He has no family relationship with any other Directors and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offence (other than traffic offences) within the past five (5) years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 July 2021.

## TAY BEN SENG, BENSON

*Malaysian*

*Male*

*Aged 36*

*Executive Director*

Mr. Tay Ben Seng, Benson was appointed to the Board as an Executive Director on 1 July 2021.

Mr Tay holds a bachelor of Commerce Degree with a double major in Marketing and Management from Curtin University Technology, Perth.

Mr Tay joined Marquee International Sdn Bhd, a wholly owned subsidiary of Focus Dynamics Group Berhad (FOCUS) in year 2012. He spearheaded the expansion of FOCUS and has been instrumentally in the successful yet distinctive brands of FOCUS. He is extensively involved in the areas of information technology, e-commerce, business development and brand conceptualization of FOCUS. Subsequently, he was appointed as Executive Director of FOCUS in Year 2017. He is fuelled with passionate towards conceiving and innovating lifestyle concepts in the food & beverage arena. Prior to joining FOCUS, he has vast experience in numerous fields, ranging from event management to Food & Beverage operations and conceptualizing new start-ups.

Mr. Tay currently sits on the Board of Focus Dynamics Group Berhad, Oversea Enterprise Berhad and Brahims Holdings Berhad as an Executive Director.

He has no family relationship with any other Directors and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offence (other than traffic offences) within the past five (5) years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 July 2021.

## PROFILE OF DIRECTORS (CONT'D)

### SIM YEE FUAN

*Malaysian*

*Male*

*Aged 55*

*Senior Independent Non-Executive Director*

*Chairman of Audit Committee*

*Member of Nominating Committee, Remuneration Committee and Risk Management Committee*

Mr. Sim Yee Fuan was appointed to the Board on 10 September 2009 as Independent Non-Executive Director and was re-designated to Senior Independent Non-Executive Director on 30 October 2017.

He graduated from University of Malaya with Bachelor of Accounting (Honour) and obtained his professional qualification from Malaysian Institute of Certified Public Accountants (MICPA). He holds a Master Degree in Business Administration from Northern University of Malaysia. He is a Chartered Accountant registered with the Malaysia Institute of Accountants (MIA).

He started his career with Bank Negara Malaysia ("BNM") from 1991 to 1995 and had gained the banking experience in Balance of Payment Department (now known as Foreign Exchange Administration Department) and Bank Examination 1 Department (now known as Banking Supervision Department). During 1995 to 2006, he was attached to companies listed on the Bursa Malaysia Securities Berhad ("Bursa Securities") where his job responsibilities were in the areas of accounting, finance, taxation, and corporate management. Presently he is an Executive Director of Unimech Group Berhad, an Independent Non-Executive Director of Eurospan Holding Berhad and SCH Group Berhad respectively who are listed on the Main Market of Bursa Securities.

He has no family relationship with any other Directors and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offence (other than traffic offences) within the past five (5) years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 July 2021.

### CHEN CHEE PENG

*Malaysian*

*Male*

*Aged 58*

*Independent Non-Executive Director*

*Chairman of Nominating Committee and Remuneration Committee*

*Member of Audit Committee, Risk Management Committee*

Mr. Chen Chee Peng was appointed to the Board on 19 August 2020. He is an Independent Non-Executive Director.

He holds Bachelor of Science in Computer & information Science from Ohio State University, Columbus Ohio, United States of America and Master of Business Administration from Southern Cross University, Australia.

He is an entrepreneur and currently the director of Neurogine Sdn Bhd, a company which focuses on mobile application solution provider and its customers amongst others are Warid Telcommunications in Pakistan and Vietnam Telecoms in Vietnam.

Before starting Neurogine Sdn Bhd, he was the Executive Director of DVM Technology Berhad ("DVM"). He joined the Group in 1998. He was instrumental in DVM listing in the ACE Market Bursa Securities in 2004. During his tenure, he is responsible for the business direction and strategies of the DVM Group. He leads the management in business development and overseeing the day-to-day operation of the DVM Group.

He started his career as a Computer Aided Design Development Engineer in California, 1987. He had worked in the United States for 4 years as a software engineer before coming back to Malaysia. He specialises in communication infrastructure development in the telecommunication industry. Besides, he has a wide IT knowledge in Sun Solaris System, HP-U System, Tandem Fault Tolerant Systems, Windows System, other programming languages. He left DVM Group in 2011 to venture into other opportunities.

He does not have family relationship with any other Directors and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offence (other than traffic offences) within the past five (5) years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 July 2021. He attended all the five (5) Board meetings held during the financial year 2021.

## PROFILE OF DIRECTORS (CONT'D)

### KOAY SAN SAN

*Malaysian*

*Female*

*Aged 38*

*Independent Non-Executive Director*

*Chairman of Risk Management Committee*

*Member of Audit Committee, ESOS Committee, Nominating Committee and Remuneration Committee*

Koay San San was appointed to the Board on 30 October 2017 as an Independent Non-Executive Director.

She graduated from University of Herfordshire with Bachelor of Accounting and subsequently obtained her Master Degree in International Business from University of Sunderland in December 2008. Upon graduation, she started her career in June 2005 as Company Auditor in an Audit firm and she left the audit firm as Senior Associate. She joined a public listed company as an Accountant. During the tenure, she was involved in numerous corporate exercises undertaken by the said listed company. She left the said listed company and worked in a multi-national company for a short stint.

Currently, she is an Independent Non-Executive Director of P.I.E Industrial Berhad, a public company listed on the Main Market of Bursa Securities.

She does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company.

She has not been convicted of any offence (other than traffic offences) within the past five (5) years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 July 2021.

### DATUK SHAM SHAMRAT SEN GUPTA

*Malaysian*

*Male*

*Aged 43*

*Independent Non-Executive Director*

Datuk Sham Shamrat Sen Gupta was appointed to the Board on 1 July 2021 as an Independent Non-Executive Director.

He holds Bachelor of Science in Computer & information Science from Ohio State University, Columbus Ohio, United States of America and Master of Business Administration from Southern Cross University, Australia.

Datuk Shamrat worked in AFFINBANK Corporate HQ in the Marketing & Retail Banking Department. He was appointed General Manager, South East Asian Operations of an I.T. company in K.L. and also for a short period after that as General Manager of a Security Systems company. Datuk Shamrat joined a HR and Training Company as Marketing/International Relations Director where he eventually served as Executive Director. Datuk Shamrat is the founding director and currently Managing Director of S & S Quest Resources Sdn Bhd (formed in 2010) a G7, Bumiputera civil construction and management consulting company and is a Director/investor in multiple other private listed entities in the fields of Consulting, IT, Rail Infra and F&B among others.

Datuk Sham currently sits on the Board of D'nonce Technology Berhad as an Independent Non-Executive Director.

He does not have family relationship with any other Directors and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offence (other than traffic offences) within the past five (5) years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 July 2021.

## PROFILE OF KEY SENIOR MANAGEMENT

### MOHD AZMAN BIN MANAF

*Malaysian*

*Male*

*Aged 72*

*General Manager of Perusahaan Saudee Sdn Bhd*

*Date appointed on 06 April 2010*

*Diploma in Food Technology*

Mr. Mohd Azman has been in food processing industry for over 30 years and with multinational companies (MNCs) for about 6 years. Upon graduation from Maktab Teknik 1970, he went to Japan for a practical course in semi-conductor with Shin-Etsu Handotai Co., Ltd. and served the company for 5 years. When he returned to Malaysia, he joined Intel Malaysia Sdn Bhd and Hewlett Packard (M) Sdn Bhd as Front Line Manager with total combined tenure of about 10 years for the said two (2) companies from 1975 to 1985. He then started his career in the food industry at Van Houten (M) Sdn Bhd as a Factory Manager from 1985 to 1995. After he obtained his Diploma in Food Technology from Soligen, Germany, he joined Trade Ocean (M) Sdn Bhd in Vietnam in 1996 as the Plant Manager specialising in frozen food until he left in 2000. He then expanded his career by joining Barkath Group of Companies as a Factory and Group Export Manager from 2000 to 2010. In 2010, he joined SAUDEE Group as the General Manager.

### CHONG KOK

*Malaysian*

*Male*

*Aged 47*

*Chief Financial Officer*

*Date appointed on 01 March 2017*

*Bachelor of Accounting. Member of the Malaysian Institute of Accountants*

He started his career with an international audit firm in 1999 as Audit Associate. He left the firm as a Supervisor in 2004 and joined a manufacturing company as the Accountant. He then left the manufacturing company in 2007 and joined a listed company principally involved in the precision engineering as its Group Accountant before being promoted to Senior Financial Controller. He left the precision engineering company in 2017 and joined SAUDEE Group as Chief Financial Officer. He sits on the board of several private limited companies.

### AUGUSTINE QUEK YONG SENG

*Malaysian*

*Male*

*Aged 36*

*Date appointed on 01 April 2021*

*General Manager, Marketing*

*Bachelor of Business Management*

He graduated from Sheffield Hallam University with a Bachelor of Business Management in 2007. He started his first job in a Japanese IT company as a Sales Executive, and with outstanding sales performance, he moved up the career ladder to become Sales Manager in 2012. In 2015, he left to join one of world's most renowned hospitality group to head their Malaysia operation before he was transferred to Hong Kong in 2017. In 2019, he then was promoted to Sales Director overseeing the group's International Sales.

In 2021, he joined the SAUDEE Group as the General Manager of Marketing. He is responsible for overall business organization, strategic planning, marketing and sales operations.

# PROFILE OF KEY SENIOR MANAGEMENT (CONT'D)

## ADDITIONAL INFORMATION ON KEY SENIOR MANAGEMENT:

1. **Family Relationships with any Director and/or Major Shareholder**

None of the key senior management has any family relationship with any Director and/or major shareholders of our Company nor any conflict of interest in any business arrangement involving the Company.

2. **Directorship in Public Companies and Listed Issuers**

None of our key senior management sits on the board of any public companies and listed issuers.

3. **No Conflict of Interest**

All our key senior management do not have any conflict of interest with our Company.

4. **Non-Conviction of Offences**

All the key senior management have not been convicted of any offences (other than traffic offences) within the past five (5) years and have not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 July 2021.

# FINANCIAL HIGHLIGHTS

## FIVE-YEAR GROUP PERFORMANCE CHART

The summary of the results of SAUDEE and its subsidiaries (the "Group") for the past financial period ended 31 July 2017 ("FPE 2017") to financial year ended 31 July 2021 ("FYE 2021") is as summarized below:-

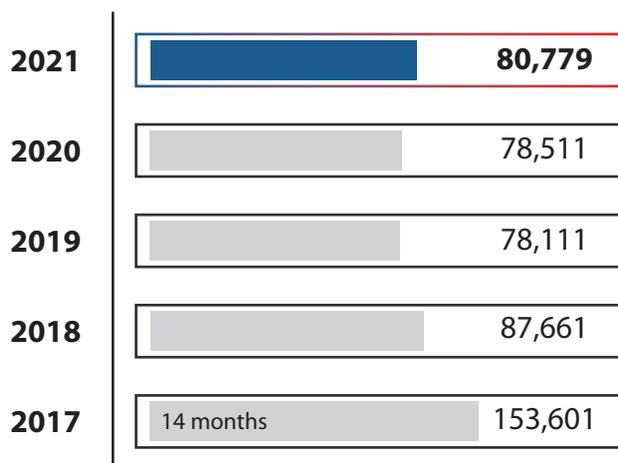
Group		12 months				14 months
		01.08.2020 to 31.07.2021	01.08.2019 to 31.07.2020	01.08.2018 to 31.07.2019	01.08.2017 to 31.07.2018 (Restated)	01.06.2016 to 31.07.2017 (Restated)
Revenue	(RM'000)	80,779	78,511	78,111	87,661	153,601
Loss Before Tax ("LBT")	(RM'000)	(4,465)	(28,007)	(2,410)	(3,575)	(3,658)
(Loss)/Profit After Tax ("L)/PAT")	(RM'000)	(4,373)	(30,611)	453	(3,150)	(3,167)
Earning/(Loss) Before Interest, Depreciation & Taxation ("EBITA")	(RM'000)	1,214	(21,611)	4,940	3,787	6,205
Total Assets	(RM'000)	141,319	75,528	101,075	105,892	117,737
Total Liabilities	(RM'000)	16,273	46,481	43,713	49,424	64,140
Share Capital	('000')	716,280	146,638	137,316	132,406	120,000
Shareholders' Fund/Net Assets	(RM'000)	125,046	29,048	57,362	56,468	53,598
Return on shareholders' funds	(%)	(0.01)	(1.05)	0.79	(5.58)	(5.91)
Current ratio	(Times)	7.20	1.02	1.51	1.40	1.35
Weighted average number of shares	('000')	298,412	169,727	132,548	126,988	120,000
Net (loss)/earnings per Share	(Sen)	(1.47)	(18.04)	0.34	(2.48)	(2.64)
Net assets per share	(RM)	0.47	0.44	0.43	0.44	0.45

The purpose of this review is to highlight and provide brief insight on the key financial and operating information at the Group level.

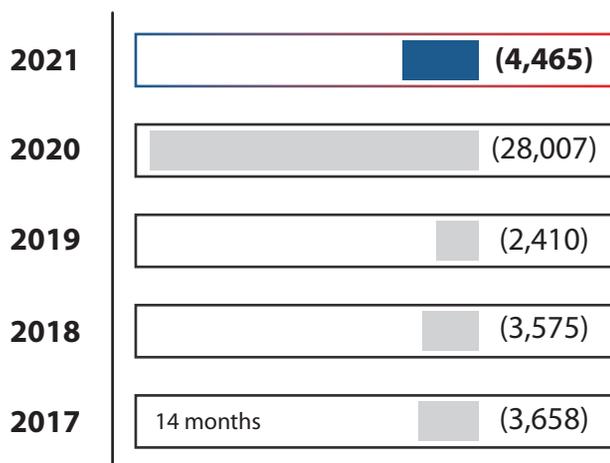
\* The weighted average number of ordinary shares in issue takes into account the weighted average effect of rights issue during the financial year.

# FINANCIAL HIGHLIGHTS (CONT'D)

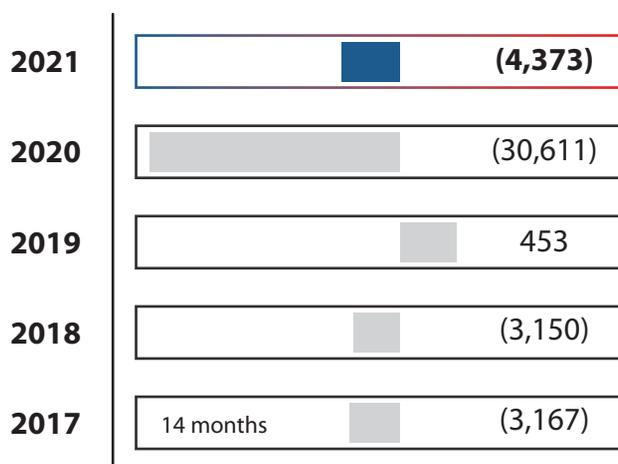
## REVENUE (RM'000)



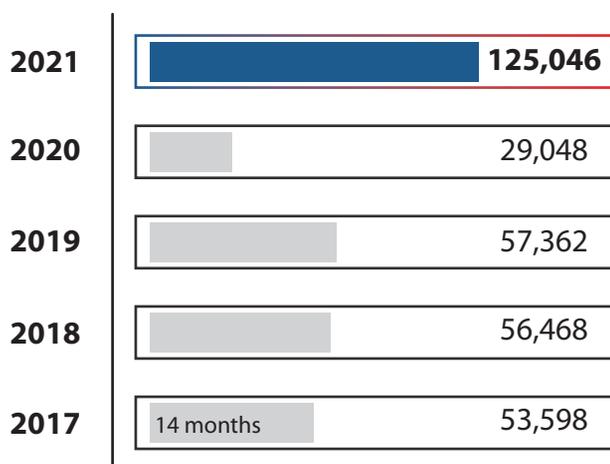
## LOSS BEFORE TAX ("LBT") (RM'000)



## (LOSS)/PROFIT AFTER TAX ("L/PAT") (RM'000)



## SHAREHOLDERS' FUND/ NET ASSETS (RM'000)



# MANAGEMENT DISCUSSION & ANALYSIS

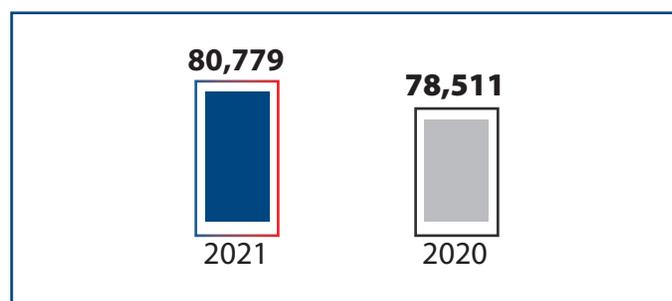
## Introduction

The summary of the results of SAUDEE and its subsidiaries (“Group”) for the past two (2) financial years ended 31 July 2020 (“FYE 2020”) to FYE 2021 as summarised below:-

		FYE 2021	FYE 2020
		01.08.2020	01.08.2019
		to	to
		31.07.2021	31.07.2020
<b>KEY RESULTS</b>			
Revenue	(RM'000)	80,779	78,511
Loss/Profit before tax (“LBT”)	(RM'000)	(4,465)	(28,007)
Loss/Profit after tax (“LAT”)	(RM'000)	(4,373)	(36,611)
Earnings/(Loss) before interest, taxes, depreciation and amortisation (“EBITDA”)	(RM'000)	1,214	(21,611)
<b>OTHER KEY DATA</b>			
Total assets	(RM'000)	141,319	75,528
Total liabilities	(RM'000)	16,273	46,481
Share capital	(RM'000)	146,234	68,660
Shareholders’ funds	(RM'000)	125,046	29,048
<b>FINANCIAL RATIOS</b>			
Return on shareholders’ funds	(%)	(0.01)	(1.05)
Current ratio	(Times)	7.20	1.02
Debts to equity ratio	(Times)	0.01	0.95
Weighted average number of shares	(’000)	298,412	169,727
Net loss per Share	(Sen)	(1.47)	(18.04)
Net assets per Share	(RM)	0.47	0.44

The purpose of this review is to highlight and provide brief insight on the key financial and operating information at the Group level. This review and comparison is for the FYE 2021 against FYE 2020 results.

## Analysis of Revenue



	FYE 2021	FYE 2020
	(RM'000)	(RM'000)
Manufacturing-further process products (“FPP”)	49,432	48,868
Food Service (HORECA and OEM)	13,013	19,561
Trading products	18,334	10,082
	<b>80,779</b>	78,511

Our Group’s total revenue for FYE 2021 stands at RM80.8 million slightly increase by RM2.3 million as compared to RM78.5 million in FYE 2020 due to the following reasons:

- Improved FPP sales during the 2<sup>nd</sup> half of the FYE 2021 cause by a slight sales increase in FPP segment by RM0.6 million. This was mainly due to the continued trends of consumer behavior for frozen FPP products as it can be kept for longer period,
- However, this improvement has been set off against the slow demand in food service sector as many F&B outlets were unable to operate during lock down period especially at the 2<sup>nd</sup> half of FYE 2021. Food service products were reduced by RM6.6 million, and
- The Group trading activities improved by RM8.3 million as compared to FYE 2020. This was mainly due to the increase in demand on potatoes and meat trading as during the lock down period, the demand for frozen meat and non-meat products was higher.

# MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

## Analysis of Revenue (Cont'd)

The Management will continue to monitor the prospect of secondary Covid-19 outbreak leading to the re-imposition of containment measures. Therefore, the Management will continue to improve its production efficiency and increase its production capacity to capture a bigger market share in the HORECA and OEM segment which has higher profit margin while sustaining its market share for FPP segment during post pandemic while Malaysia moves to open its economic segment in stages. The Management continued to put effort in monitoring its cash flow management and cost reduction programme that is important in view of the ever-changing business environment amidst the on-going Covid-19 impact and in future years.

## Analysis of Profit/(Loss)

		FYE 2021	FYE 2020
		01.08.2020	01.08.2019
		to	to
		31.07.2021	31.07.2020
<b>Analysis of Profit and expenses :</b>			
<b>Profit/(Loss)</b>			
Loss before tax	(RM'000)	(4,465)	(28,007)
Loss after tax	(RM'000)	(4,373)	(30,611)
Earnings/(Loss) before interest, taxes, depreciation and amortisation (" <b>(L)/EBITDA</b> ")	(RM'000)	1,214	(21,611)
<b>Expenses</b>			
Cost of goods sold (" <b>COGS</b> ")	(RM'000)	71,419	91,077
Administrative and selling expenses	(RM'000)	13,459	14,824
Finance costs	(RM'000)	1,294	1,632

The EBITDA of RM1.2 million was mainly due to the improvement in revenue and effect from the continuing cost reduction programme implemented. However, this positive impact was mitigated by implementation of lock down by Malaysia government during the 2<sup>nd</sup> half of FYE 2021. During the lock down measures implemented by the authorities, the Group was only able to work at 60% capacity that caused the Group to be unable to fulfill the market demand and eventually the revenue in 2<sup>nd</sup> half of FYE 2021 had been reduced by at least 40%. Furthermore, even though the reduction in production capacity caused a reduction in the Group revenue for 2<sup>nd</sup> half of FYE 2021, the overhead expenses have not been reduced as the Group needed to bear 100% fixed cost incurred during the period under review.

Therefore, for the FYE 2021, the Group recorded LAT of RM4.4 million as compared to LAT of RM30.6 million in FYE 2020. The significant decrease in LAT due to there was inventories written off of RM25 million in FYE 2020, while there was none in FYE 2021. Besides, the decrease in LAT also contributed by the effort of the management team which continues to implement cost efficiency and reduction programmes and the good strategy by management to concentrate on the FPP instead of HORECA in FYE 2021.

Even though the Group recorded LAT of RM4.4 million during FYE 2021, the Group was still able to repay its bank borrowing and payables that is further discussed in the analysis on cash flow.

## Analysis of Expenses

Our Group's COGS decreased by RM19.7 million or 21.6% from RM91.1 million in FYE 2020 to RM71.4 million in FYE 2021. The reason for the decrease in COGS was mainly due to the inventories written off and rework of slow moving trading goods and sales of low margin products in FYE 2020. Furthermore, the reduction in COGS was also due to the effort of reducing overheads by programmes implemented by the management.

Our Group's administrative and selling expenses comprised mainly of marketing cost such as promotion expenses, listing of products cost, sales commissions, salaries and etc. The Group's administrative and selling expenses reduced by RM1.4 million or 19.5% from RM14.8 million in FYE 2020 to RM13.5 million in FYE 2021. The decrease was mainly due to the lean management implemented by the Group to reduce the selling and administrative costs. However, this reduction is mitigate by expected credit losses on trade receivables of RM1.5 million in FYE 2021. The Group was able to improve the efficiency and reduce the employees expenses by RM0.9 million as compared to FYE 2020. This reduction in expenses was mainly contributed from the decrease in sales personnel salary and promotional expenses arising from the effectiveness in changing the sales model from direct retail selling model to distributorship model and also reduction in overtime costs during the financial year under review.

Our Group's finance cost has decreased by RM0.3 million or 20.7% from RM1.6 million in FYE 2020 to RM1.3 million in FYE 2021. Going forward, there should be minimum finance cost as technically the Group is in a "debts free" position.

# MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

## Losses Per Share (“LPS”)

The impact of the lock down in 2<sup>nd</sup> half of FYE 2021 and impairment for expected credit losses had contributed to an overall loss after tax of RM4.4 million. As such, our Group has recorded loss per share of 1.47 sen for FYE 2021 as compared to loss per share of 18.04 sen in FYE 2020.

## Cash Flow Analysis

	FYE 2021 (RM'000)	FYE 2020 (RM'000)
Operating cash flow before working capital change	2,831	2,240
Changes in working capital	(2,513)	1,535
Tax refund/(paid)	(542)	179
Interest paid	(1,286)	(1,621)
Net cash from operating activities	(1,510)	2,333

Our Group has recorded net cash used in operating activities of RM1.5 million in FYE 2021 as compared to net cash from operating activities of RM2.3 million in FYE 2020 after deducting interest paid of RM1.3 million for FYE 2021 and RM1.6 million for FYE 2020 respectively. The decrease in cash from operating activities was due to the repayment of supplier and also payment of Real Property Gain Tax during the year under review. Even facing the Covid-19 pandemic challenge, the Group was still able to improve its current ratio at 7.2 times for FYE 2021 as compared to 1.02 times for FYE 2020.

During the financial year under review, the Group raised funds of RM100.4 million through rights issue and placement of shares. The cash generated were used to pay off bank borrowing of RM24.6 million and surplus cash and cash equivalent stood at RM80.9 million as at 31 July 2021. During FYE 2020, the Group also reduced bank borrowing by RM0.8 million.

	FYE 2021 (RM'000)	FYE 2020 (RM'000)
Net cash generated from/(used in) investing activities	(22,418)	(1,409)
Net cash generated from/(used in) Financing activities	75,749	268
Net increase in cash and cash equivalent	51,821	1,192

The Group has planned to increase its production capacity by investing in new machineries and equipment in future years with the proceeds raised pursuant to the rights issue and placement of shares. In FYE 2021, the Group has invested RM2.1 million in FYE2021 as compared to RM1.62 million in FYE 2020 on the acquisition of plant and machineries. The spending was mainly in the acquisition of new enterprise resource planning “ERP” system and new machineries that will improve the production capacity in order to cater the customers demand when relaxing and opening

of economic sectors in the near future. Even with the tough time during the financial year under review, the management re-strategised the direction decided that it was a strategic time for expansion and reinvestment to replace old machines with more automated machines in the short and middle term. Therefore, the Group raised funds for expansion of production and reinvesting into new machinery to increase the production capacity of the Group in coming years, even during this challenging time i.e. Covid-19 pandemic. With this fund raising exercise, the Group paid off its bank borrowing amounting to RM24.6 million in FYE 2021 and still had cash and cash equivalents of RM80.9 million as at 31 July 2021 as compared to FYE 2020 when it reduced its bank borrowings by RM0.8 million and had net cash of RM50.4 million.

## Financial Position Analysis

	FYE 2021 (RM'000)	FYE 2020 (RM'000)
Inventories	11,265	10,628
Trade and other receivables, and amount due from an associate	14,203	16,782
Trade and other payables, and amount due to an associate	14,681	17,250
Bank borrowings	309	27,621

Our Group's inventories was RM11.3 million for FYE 2021 as compared to RM10.6 million for FYE 2020. This represents an increase in inventories level by 6.0%. This was mainly due to purchase of material towards the end of the financial year to be ready for post lock down period implemented by Malaysia government. However, the Management will continue to monitoring this situation and minimise the stock level and stock holding period.

Trade and other receivables reduced by RM2.4 million from RM16.6 million for FYE 2020 to RM14.2 million in FYE 2021. This represents a trade turnover period of 58 days for FYE 2021 as compared to 68 days for FYE 2020.

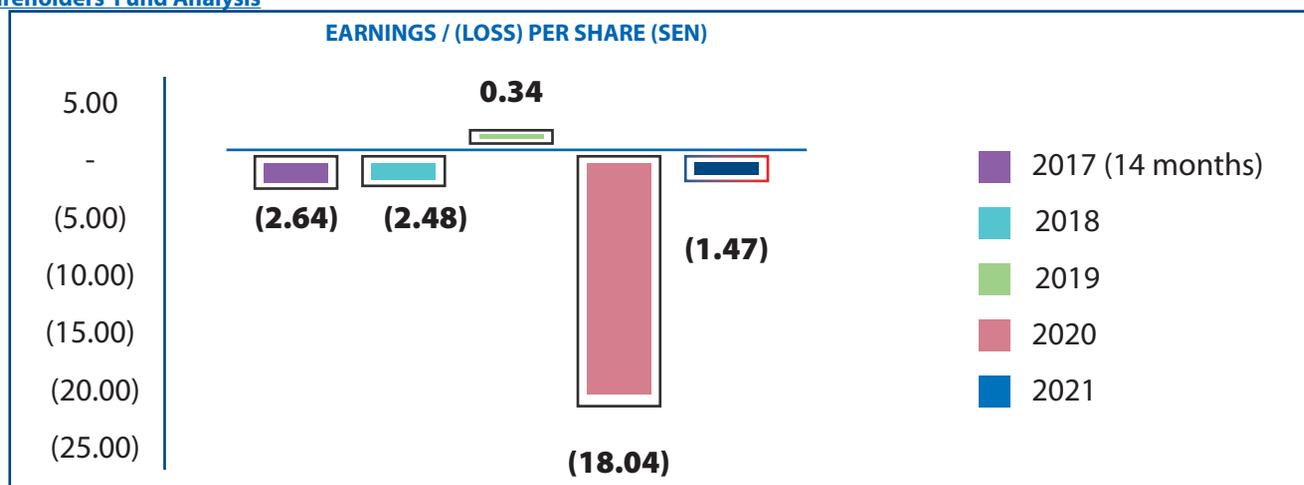
# MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

## Financial Position Analysis (Cont'd)

Besides the impact of Covid-19 pandemic and the lock down imposed by Malaysia during the 2<sup>nd</sup> half of FYE 2021, the Management still able to mitigate the impact and maintained stabilities of trade turnover period which resulted in the following:

- The stabilities in collection will help the Management in the cost saving programme such as reduction in finance cost and obtained cash or prompt payment discounts from suppliers.
- The abovementioned resulted the Group to be able to improve its current ratio to 7.20 times in FYE 2021 as compared to 1.02 times in FYE 2020. This was mainly due to fund raising activities during financial year under review such as Private Placement and Right Issue exercise.
- The bank borrowing for FYE 2021 was reduced by RM27.3 million from RM27.6 million in FYE 2020 as compare to RM0.3 million in FYE 2021.

## Shareholders' Fund Analysis



- Our Group's shareholders' equity as at 31 July 2021 stood at RM125.0 million representing an increase of RM96.0 million or 330.5% over the previous financial year ended 31 July 2020 of RM29.0 million. The increase were mainly due to the fund raising exercises such as Private Placement and Right Issue with warrants completed during the year under review.
- The abovementioned cause our Group's net assets per share to improve to 47 sen in FYE 2021 as compare to 44 sen in FYE 2020.

## Key Risk and Mitigation

After implementing the distributorship model two (2) years ago, the Group was able to strengthen its credit control and minimised exposure of credit risks. However, due to the Covid-19 pandemic and lock down by government during the financial year, the Group had no choice but to maintain the staff force by absorbing the cost even though it was only able to carry out production at 60% capacity. The additional cost has contributed to the negative result during the financial year under review. As such, the Group will continue to put more effort in strengthen the growth of HORECA and OEM products and continue to sustain the increase in demand of FPP during the post COVID-19 period in the coming year.

## Trend, outlook, future challenge, strategy and capital expenditure

The Group will continue to improve its operation efficiency with effective resources planning, practicing lean concept for operation work flow as well as empower the employees especially middle management to initiate and execute ideas for better production cost control by sharing their idea and thinking every day during our daily and monthly Head of Department meeting that will discuss the current situation of the Company and risks that were faced during the past month and will be facing in the coming months.

Moving forward, with the pay off of bank borrowing and the plan of expansion of production capacity, the Group foresee increase in revenue and better performance in the coming year. With the current management team headed by our Executive Directors, the Group have will move at faster pace after the completion of the expansion project in FYE 2022. The Group is expected to further strengthen its financial performance to maintain or exceed the current momentum based on the strategic plans that have been put in place by the Management with the view to further improve on the generating cash flow. The Group will continuously improve on production efficiency and to further realise plan to penetrate into a bigger share in HORECA and OEM segment.

# SUSTAINABILITY STATEMENT

As a responsible corporate citizen, Saudee Group Berhad (“SAUDEE” or “the Company”) is committed towards sustainability in the economic, environmental and social spheres (“EES”) while maintaining standards of corporate governance in our efforts to drive growth, productivity and contribute to the society and environment with the strong support from Board of Directors and Management teams. The sustainability disclosure enhancing stakeholders understanding of the Group’s strategy, approach and implementation of its sustainability efforts and eases communications, awareness and interaction with all stakeholders and the public.

This Sustainability Statement (“Statement”) was developed with reference to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) Sustainability Reporting Guide and the reporting approach is based on the framework and guidance provided by Global Reporting Initiative (“GRI”). The disclosure adhering to the GRI Principles as below:

- (i) Stakeholder Inclusiveness – being responsive to stakeholder expectations and interest
- (ii) Sustainability Context – presenting performance in the wider sustainability context
- (iii) Materiality – focusing on issues where we can have the greatest impact and that are most important to our business stakeholders
- (iv) Completeness – including all information that is of significant economic, environmental and social impact to enable stakeholders to assess the Company’s performance

This disclosure highlights how value is delivered to stakeholders by being a caring, responsible food manufacturer and business partner and how measures are being deployed to achieve the desired results.

## SUSTAINABILITY STRATEGY

CORPORATE VISION
Establish a World Class Supply Chain and Expand Presence into Global Halal Market

CORPORATE MISSION
To deliver outstanding service, quality products and value for money for our customers.

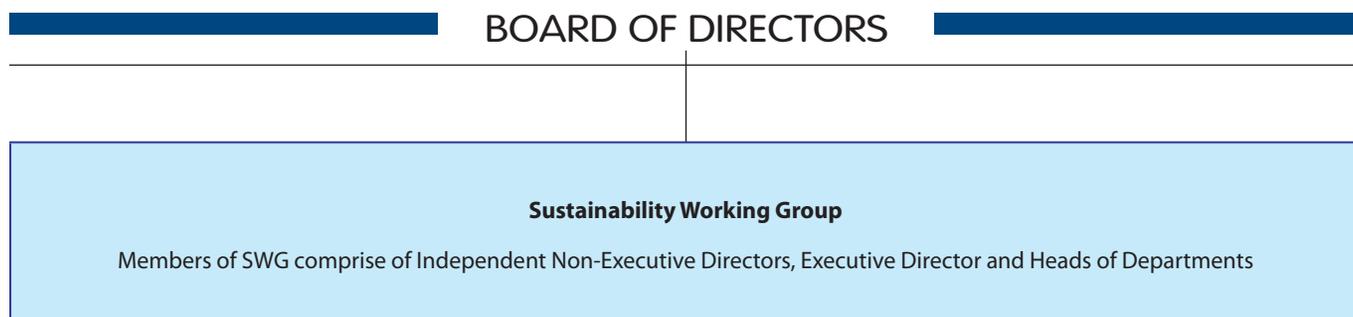
SUSTAINABILITY GOAL		
Embedded governance culture in SAUDEE and integrate sustainability practices into all three economic, environmental and social aspects to established ourselves as a sustainable Group	To maintain long-term corporate sustainability by identifying aspects, impacts and stakeholder engagement that are material to the Group.	Create a world class supply chain which can enhance our quality of life while ensuring our business success as an outperforming foods processing supplier.

SAUDEE embedded sustainability strategy across entire operations in order to keep going to improve our sustainability development.

## SUSTAINABILITY GOVERNANCE STRUCTURE

Our sustainability governance structure is the Board of Directors of SAUDEE (“the Board”) responsible for the setting the sustainability strategies and overseeing the overall sustainability performance of the organisation. The Sustainability Working Group (SWG) is responsible to identify material matters that related to the Group. The SWG activities are:

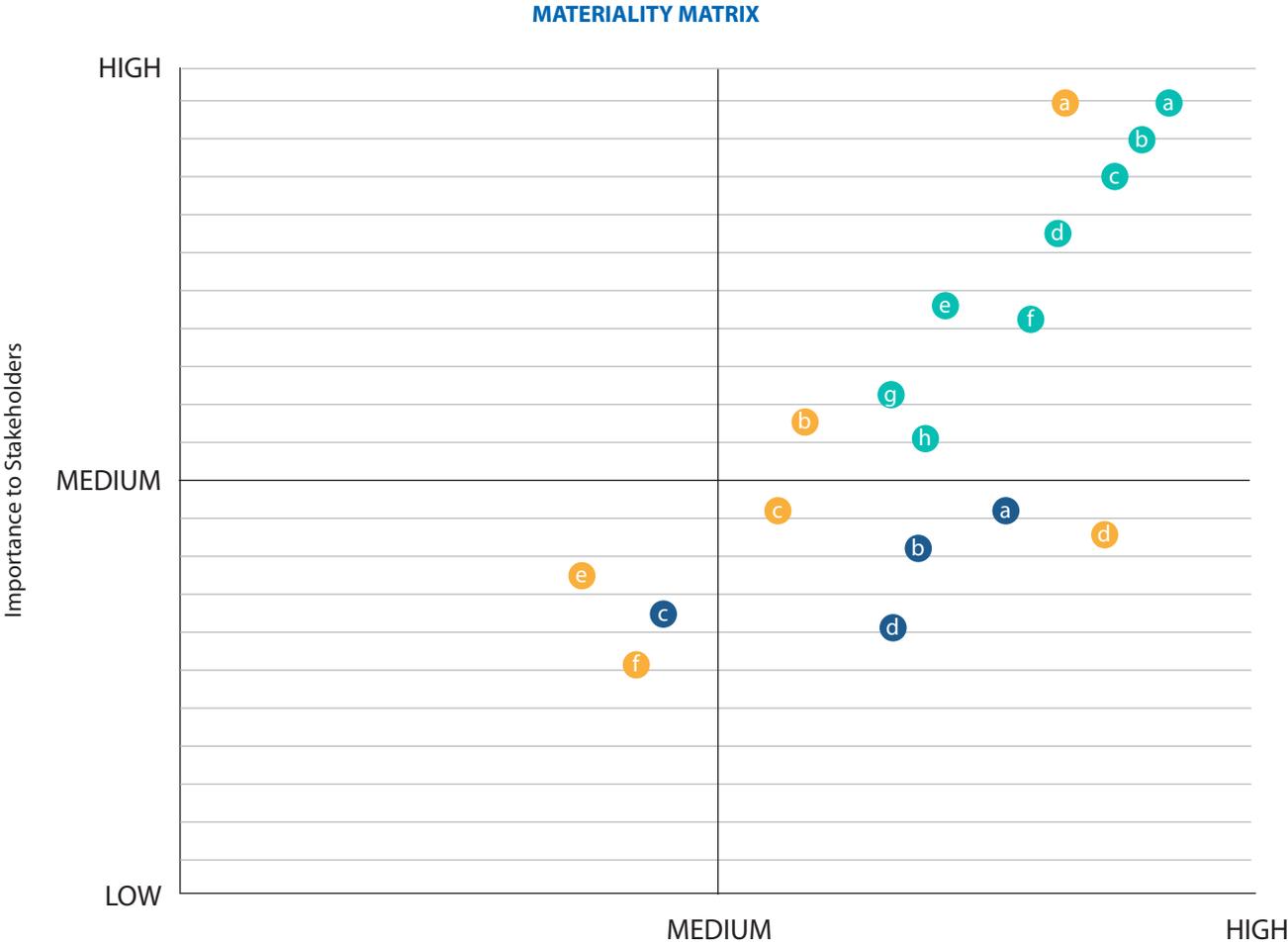
- Identifying environmental, economic and social risks and opportunities
- Implement sustainability strategies for managing EES risks within their departments
- Monitor EES performance and provide updates to the Board.



# SUSTAINABILITY STATEMENT (CONT'D)

## ASSESSING ON MATERIAL ISSUES

The SWG reassessed the list of material sustainability matters identified in FY2020, taking into consideration each matter's level of impact, risk, influence on decision making and relevance in FY2021. Ranking each material issue in a matrix to clearly illustrate our priority area of concern.



- Economic Growth**
- a Financial performance
  - b Customer Satisfaction
  - c Sustainable Supply Chain Management
  - d Ethics and Integrity
  - e Corporate Governance and Transparency
  - f Customer Privacy and Data Protection
  - g Risk Management
  - h Anti-Corruption

- Environmental Management**
- a Energy Management
  - b Water Consumption
  - c Greenhouse Gas Emission
  - d Waste Management

- Social Contributor**
- a Regulatory Compliance
  - b Occupational Health and Safety
  - c Employee Wellbeing
  - d Training and Development
  - e Contribution to Society
  - f Human Rights and Labour Practices

# SUSTAINABILITY STATEMENT (CONT'D)

## ASSESSING ON MATERIAL ISSUES (Cont'd)



**Economic Growth**

- Financial Performance
- Products Responsibility and Innovation
- Customer Satisfaction
- Sustainable Supply Chain Management
- Ethics and Integrity
- Corporate Governance and Transparency
- Customer Privacy and Data Protection
- Risk Management
- Anti-Corruption



**Environmental Management**

- Energy Management
- Water Consumption
- Waste Management
- Greenhouse Gas Emission



**Social Contributor**

- Regulatory Compliance
- Occupational Health and Safety
- Training and Development
- Employee Wellbeing
- Human Rights and Labour Practices
- Contribution to Society

Our material sustainability matters are mapped against the stakeholders concerned as well as GRI Standard Reported to show the inter-relationships.

Material Sustainability Matters	Stakeholder(s) concerns	Applicable GRI Standard Reported
Financial Performance	Employees and Investors	GRI 201 Economic Performance
Product Responsibility and Innovation	Customers and Investors	GRI 416 Customer Health and Safety
Regulatory Compliance	Regulatory Agencies, Investors and Customers	GRI 419 Socioeconomic Compliance
Customer Satisfaction	Customers and Investors	GRI 416 Customer Health and Safety
Supply Chain Management	Suppliers and Distributors	GRI 204 Procurement Practice
Ethics and Integrity	Employees and Investors	GRI 102-16 Values, Principles, Standards, and Norms of behaviour
Customer Privacy and Data Protection	Customers and Employees	GRI 418 Customer Privacy
Corporate Governance and Transparency	Employees and Investors	GRI General Standard Disclosure
Risk Management	Investors	GRI 102-30 Effectiveness of risk management processes
Occupational Health and Safety	Employees and Customers	GRI 403 Occupational Health and Safety
Training and Development	Employees	GRI 404 Training and education
Energy Management	Local Communities and Investors	GRI 302 Energy
Waste Management	Local Communities, Investors and Customers	GRI 306 Effluent and Waste
Water Consumption	Local Communities and Investors	GRI 303 Water
Employee Wellbeing	Employees	GRI 405 Diversity and Equal Opportunity
Anti-Corruption	Regulatory Agencies, Employees, Investors and Customers	GRI 205 Anti-Corruption
Greenhouse Gas Emission	Local Communities, Investors and Customers	GRI 305 Emissions
Contribution to Society	Local Communities	GRI 413 Local Communities
Labour Right	Employees	GRI 408 Child Labor GRI 412 Human Rights Assessment

# SUSTAINABILITY STATEMENT (CONT'D)

## Our Stakeholder Engagement and Prioritisation

SAUDEE believes that stakeholders are the key to its continuous success and the sustainability of the business. By establishing effective and transparent lines of communication with our stakeholders, SAUDEE has a better understanding of stakeholders' interest and concerns. SAUDEE has been diligently maintaining and enhancing its relationship with key stakeholders by addressing stakeholders' concerns in a collaborative manner that meets the stakeholders' interest and the Group's vision for sustainable growth.

We have identified the key stakeholders based on the stakeholder mapping to identify key external stakeholders, internal stakeholders and connected stakeholders which have substantial impact to SAUDEE business or upon which SAUDEE has a substantial impact.

Stakeholders Group		Stakeholders description	Areas of Concern	Method of Stakeholders engagement
Internal stakeholders	Employees	Employees are an important asset of SAUDEE which involved in all parts of the value chain	<ul style="list-style-type: none"> <li>• Learning and development</li> <li>• Fair remuneration</li> <li>• Employee benefits</li> <li>• Business ethics and code of conduct</li> <li>• Employee satisfaction</li> <li>• Working environment</li> <li>• Work life balance</li> <li>• Performance management</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Annual appraisal</li> <li>• Circulation of internal policies</li> <li>• Sports activities and recreation</li> <li>• Training and product knowledge</li> </ul>
Connected Stakeholders	Customers	Our customers comprise local food service providers and retailers	<ul style="list-style-type: none"> <li>• Product quality and safety</li> <li>• Customers' privacy</li> <li>• Production capacity</li> <li>• Customer service</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings with the management</li> <li>• Contract negotiation</li> <li>• On-site visits at the Group's premises</li> </ul>
	Suppliers	They supply our raw material and indirect material	<ul style="list-style-type: none"> <li>• Payment schedule</li> <li>• Pricing of materials</li> <li>• Maintaining long term partnership</li> </ul>	<ul style="list-style-type: none"> <li>• Meeting with the management</li> <li>• Evaluation and performance reviews</li> <li>• Supplier selection through pre-qualification</li> </ul>
	Shareholders/ Investors	The Owners of SAUDEE	<ul style="list-style-type: none"> <li>• Group financial performance</li> <li>• Sustainable and stable income distribution</li> <li>• Corporate governance</li> <li>• Investor relationship management</li> </ul>	<ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Company website</li> <li>• Announcement to Bursa Securities</li> <li>• Annual report</li> <li>• Circular and notice</li> <li>• Press release</li> </ul>
	Bankers	They provides financial facility to support the Group's operation	<ul style="list-style-type: none"> <li>• Repayment of the loans</li> </ul>	<ul style="list-style-type: none"> <li>• Meeting with the management</li> <li>• Quarterly results</li> </ul>
External stakeholders	Government agencies and regulatory bodies	Government agencies and regulatory bodies stipulate and enforce the laws and regulations in the markets where SAUDEE operates	<ul style="list-style-type: none"> <li>• Compliance with applicable laws and regulations</li> <li>• Environmental Management and compliance</li> <li>• Compliance and follow COVID -19 SOP impose by authority</li> </ul>	<ul style="list-style-type: none"> <li>• Inspection and periodic audits by the agencies</li> <li>• Meeting with the regulators</li> <li>• Correspondences with regulators on requirements</li> </ul>
	Local communities	Local communities include people who reside in the areas where SAUDEE operates and Non-Government Organisation	<ul style="list-style-type: none"> <li>• Job opportunities</li> <li>• Social contribution</li> <li>• Environmental impacts</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Notices</li> <li>• Corporate Social Activities (e.g. festive season celebrations, donations to mosques, orphanage, etc)</li> </ul>

# SUSTAINABILITY STATEMENT (CONT'D)

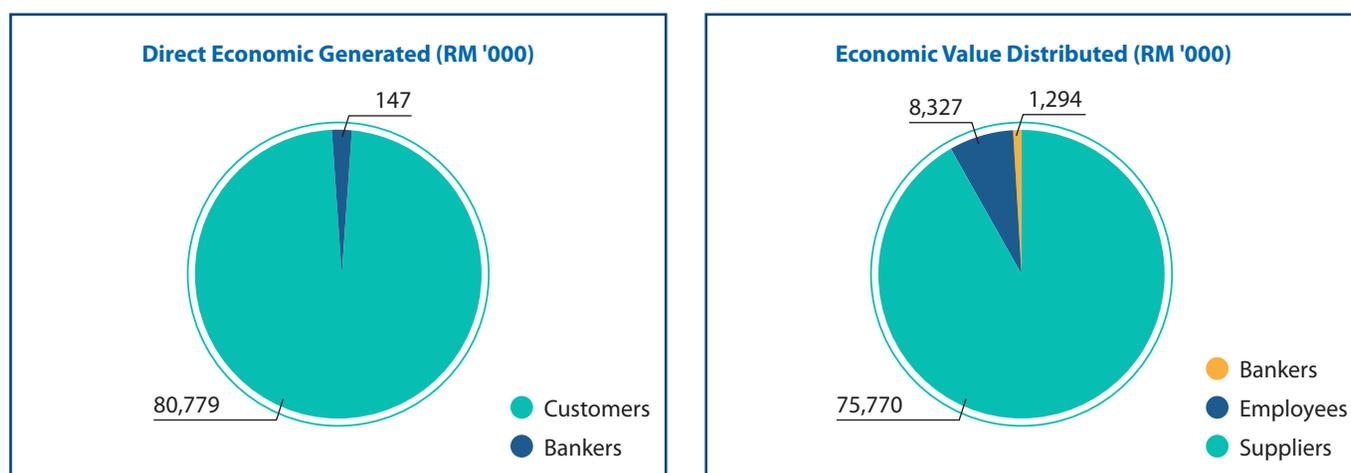
## DEVELOPING A SUSTAINABLE ECONOMIC

SAUDEE endeavour to develop a sustainable economic by focusing on quality product and process in order to delivering quality Halal products and food servicing to its customers. By doing ethical business, enhancing its corporate governance and supply chain development to ensure the Group business continue to grow and remain sustainable.

### Financial Performance

The Group has set a long-term goal to grow the businesses with support from key stakeholders.

During the reporting year under review, the Group direct economic value generated from business was RM 80.78 million of revenue and RM0.15 million of interest income received from banks. Total economic value distributed to stakeholders was RM 85.39 million as shown below and the Group economic value loss was RM 4.46 million.



- Suppliers: Operating costs
- Employees: Employee wages and benefits
- Bankers : Interest payments of borrowing
- Local communities : Voluntary donations

Further information on our financial performance can be found in Group Financial Highlights Page13 and Financial Statements Pages 68 to 128 of this Annual Report.

### Products Responsibility and Quality

Maintaining the quality of products and services are an essential aspect that contributes to an organisation’s business success. Providing quality Halal and safety food products are an initiative step to meet customers’ needs and earning their trust.

#### Performance

SAUDEE strive to continuously develop and offer quality Halal and safety products to its customers. As such, more and more SAUDEE’s Halal quality and safety foods are offered at a reasonable price to its customers to ensure the sales continue to grow and the business remains sustainable. Therefore, Saudee had developed premium products under brand of “Saudi Gold”.

# SUSTAINABILITY STATEMENT (CONT'D)

## DEVELOPING A SUSTAINABLE ECONOMIC (CONT'D)

### Products Responsibility and Quality (Cont'd)

The premium products as below



SAUDEE continues to play its role in firming up the food market and committed to produce quality Halal and safety products to fulfil the demand of local food market.

# SUSTAINABILITY STATEMENT (CONT'D)

## DEVELOPING A SUSTAINABLE ECONOMIC (CONT'D)

### Products Responsibility and Quality (Cont'd)

#### Performance (Cont'd)

Certificate granted to SAUDEE as below:

- Certificates of Authentication HALAL issued by Department of Islamic Development Malaysia.
- Mesti Certificate (Makanan Selamat Tanggungjawab Industri) issued by Ministry of Health Malaysia.
- Good Manufacturing Practice (GMP) Yearly audit by certification bodies
- Veterinary Health Mark (VHM) Certificate issued by the Department of Veterinary Services

During the FYE 2021, there is no incident of non-compliance concerning the health and safety impacts of SAUDEE products and services. The Group's processing and manufacturing facilities have operated accordance to the Group's Quality Assurance program. The Group upholding the hygiene practices and sanitation procedures within the production and monitored on an ongoing basis. It is a vital for the proper segregation and compartmentalisation of processing areas are made between raw, semi-processed, and processed items to avoid cross-contamination. The Group's production has incorporated controls including metal detectors and temperature controls to maintain of the optimum food safety and quality.

#### Our progress to date

In FYE 2022, SAUDEE will focus on upgrading the machineries for the premium products lines and a business collaboration to jointly roll out Malaysia's first robotics operated burger kiosks and food trucks to fully expand a food supply chain in order to meets current and future market demand.

#### Customers Satisfaction

Customer satisfaction is the most integral part of the Group's success. It is not only to maintain the Group reputation as well as retain trusting and royal relationships with customers. SAUDEE had subsequently engage with its distributors and direct customers for discussion in term of sales forecast, product orders and time of delivery to ensure the products quality and delivery is fulfilling their needs and expectation.

#### Performance

The Group deploy a range of different quality measures to check compliance with quality standards, such as ingredients, packaging materials, product and processes were assessed by food safety team according to HACCP before making the product. Corrective action will be implemented if required after the assessment to ensure comply with food safety and quality requirement. Validation of product and verification of processes will also conducted by QA personnel to ensure according to requirement of product specification and process flow. IPQC will check the WIP, processes & finished goods at production line according to quality plan and report in the respective inspection report. Any non-conformity found will follow Control of Non-conforming product and Corrective and preventive action procedure.

SAUDEE had implement internal control action according to the certification requirement to reduce its occurrence of quality issue. The certification as follow:

- ISO 22000:2005
- ISO 9001:2015
- Hazard Analysis and Critical Control Point (HACCP) Good Manufacturing Practice (GMP)

#### Our progress to date

In FYE 2022, the Group is targeting to minimise the number of customer complaints on the quality issues while conduct staff trainings regularly to whom new to the quality control process. The staffs will be training on standard operating procedures which includes, amongst others, monitoring and identifying any issues in the processing or manufacturing process, proper handling and storage of materials and products, etc.

# SUSTAINABILITY STATEMENT (CONT'D)

## ECONOMIC: DEVELOPING A SUSTAINABLE ECONOMIC (CONT'D)

### Sustainable Supply Chain Management

Sustainable supply chain management is an integral part of the business and is essential to the company to achieve operation efficiency. SAUDEE has been implemented several initiative to build its sustainable supply chain management by acutely underpinned of local sourcing and appointing local distributors. It is not only for the purpose of the contributing to the local economy, but we have greater control of our suppliers and distributors as well as reduce supply chain costs.

#### Performance

Most of our indirect materials are supplied by local suppliers except for the majority of direct materials are imported as due to short supply in Malaysia. By managing the sustainability of our supply chain, appointing local distributors is an effective way to expand our market share in local areas.

The table below shows number of local and foreign purchases of materials in FYE 2021 and FYE 2020.

Description	2021		2020	
	No. of Suppliers Local	No. of Suppliers Foreign	No. of Suppliers Local	No. of Suppliers Foreign
Direct and indirect material	129	19	155	15

#### Our progress to date

In FYE 2022, the Group focusing on cost saving by incorporating more sustainable materials for the company products. SAUDEE take initiative step to collaborate and sharing of knowledge with the local suppliers to ensure that material acquired are sustainable and of high quality.

### Corporate Governance and Compliance

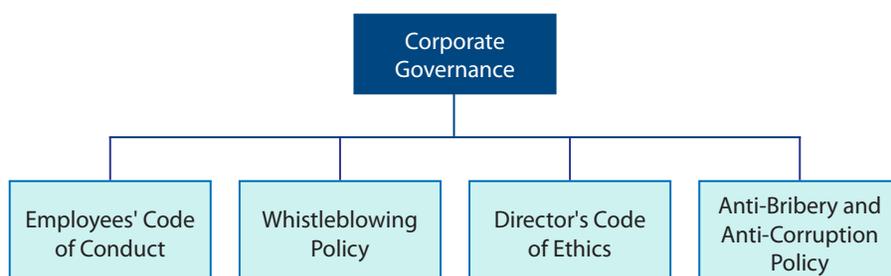
SAUDEE committed to hold the management accountable to operate and manage the Group's business operations according to strong ethical and governance principles, adhere to regulations and policies that are relevant to the Group's business. Upholding our strong ethical corporate culture is paramount to the Group to achieve the sustainable economic success. We able to earn trust and acceptance from stakeholders, maintaining its reputation and create business opportunities in the future.

The Group strive to comply with the three governing principles of the Malaysian Code on Corporate Governance 2017 ("MCCG" or "the Code") as a framework to effectively govern the Group. The detail of our CG framework and practices are elaborated in the CG Overview Statement in page 35 to 45 of this Annual Report.

#### MCCG Three Principles

- A. Board Leadership and Effectiveness;
- B. Effective Audit and Risk Management; and
- C. Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

The pillars of corporate governance describes how SAUDEE deal with risks such as anti-corruption, data leaks and fraud in the Group.



# SUSTAINABILITY STATEMENT (CONT'D)

## ECONOMIC: DEVELOPING A SUSTAINABLE ECONOMIC (CONT'D)

### **Corporate Governance and Compliance (Cont'd)**

- *Code of Conduct and Ethics*

Our Code of Conduct and Ethics is to ensure the business is conducted fairly, ethically and legally throughout operations. Underlying all efforts is an overriding commitment towards the principles of discipline, good conduct, professionalism, loyalty, integrity and cohesiveness. These principles are outlined in our Code of Conduct and Ethics - principles by which business should be executed and the conduct that is expected of our employees at the workplace.

The Group's employee handbook continues to govern the standards of ethics and good conduct expected of Directors and employees. The Board set the tone for proper ethical behaviour to demonstrate to the management and the workplace in corporate governance, and operates within the Group Code of conduct parameters.

In addition, our Code of Conduct and Ethics is supported by the Whistle-Blowing Policy. All stakeholders are encourage to report genuine concerns about unethical behaviour or suspected misconduct or non-compliance with regulatory requirements. This whistleblowing is a safe channel for employees and external party to report concerns on misconduct without fear of reprisal.

### *Performance*

The Group has adopted the **Anti-Bribery and Anti- Corruption Policy** which will further safeguard its business operations. SAUDEE has provided Anti-Bribery and Anti-Corruption in house workshop for its staffs in order to raise their awareness about practices of bribery and corruption of all forms are prohibited in the Group's daily operations in FYE 2021.

There is no incidence of corruption, fraud or bribery were reported for the FYE 2021.

### *Our progress to date*

Maintain zero incidents of corruption, unethical behavior in FYE 2022. The Group adhering to strict and transparent business conduct, all employees and other stakeholders associated to the Group will be educated on the content and implications of the Anti-Bribery and Anti-Corruption Policy.

### **Risk Management**

The Board recognises the importance of maintaining a sound risk management framework to safeguard the shareholders' interest and assets of the Group as well as ensure significant risks are adequately addressed to mitigate the impacts to the Group's business operation.

### *Performance*

SAUDEE take an initiative step to drive a proactive risk management culture by adopted Enterprise Risk Management (ERM) framework to allow the management to manage risk within the Group risk appetite. In order to maximize shareholder value, the Board has established a governance structure to ensure effective oversight of risk and control in the Group. It is assisted by the Risk Committee (RC) and Audit Committee (AC) to oversee all matters with regard to risks included economic, environmental and social impact and control. Risk-related and internal control matters which required the attention of the Board were recommended by the RC and AC to the Board for its deliberation and approval.

The members of RC have been trained in identification of risks. Internal audit function audit on areas with significant risk identified by RC as to provide assurance on the management risks. Further details are set out in the Corporate Governance Overview Statement and the Statement on Risk Management and Internal Control in this Annual Report.

Risk management meeting carry to re-assess and review of risk identifications and control at least once in a year.

### *Our progress to date*

Risk management meeting held once in a year to re-assess and review risk identifications is adequate to the Group.

## ENVIRONMENT: DEVELOPING A SUSTAINABLE ENVIRONMENT

Environmental sustainability concerns conserving the environment by actively minimising our environmental impact through resource use optimisation. Our commitment to environmental protection begins with an understanding of surroundings and operating environment. The alarming surge of COVID-19 in 2020 has served as a warning as to the dire consequences of increasing environmental encroachment. Therefore, we strive to manage and address the environmental issues to enable us to minimise environmental impact by reducing energy use, waste, water, carbon emissions from transportation and production, and raw materials handling. As a responsible corporate citizen, we are mindful of delivering healthy environment for local community.

Environmental risks include non-compliance to regulatory standards set by the local authority or the government. Therefore, we commit to controlling effluent discharge and complying with local Department Of Environmental (DOE) standards and environmental health and safety policy had in placed to ensure the environment is well managed throughout the daily business operation.

# SUSTAINABILITY STATEMENT (CONT'D)

## ENVIRONMENT: DEVELOPING A SUSTAINABLE ENVIRONMENT (CONT'D)

### Energy Management

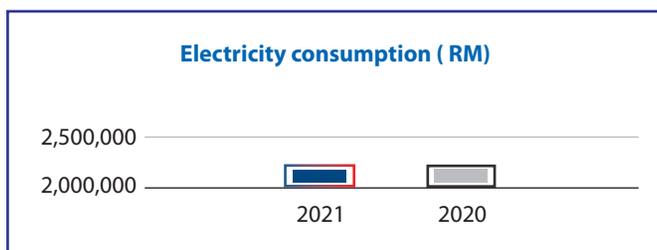
Uncontrolled energy consumption will caused an increase in overall carbon emission which resulted climate change. Thus, we committed reduce energy consumption by actively monitor the energy consumption and undertaking several energy saving initiatives. Closely monitor the energy usage will enable us to formulate energy reduction measures in future.

### Performance

The whole plant has installed LED lighting to conserve energy. The high-efficiency LED replacements has reduced power consumption from 40w to 12w per light source. While, employees are encouraging to switch off office lights and air conditioning during lunch breaks and non-office hours to avoid any wastage.

Improvement of the machinery and equipment is one of energy saving initiatives such as install inverter at high amp equipments could avoid energy wastage and increase energy efficiency.

### Our energy consumption:



The cost of energy consumption was reduced as compare to FYE 2020 was mainly due to the installation of the inverter at high amp equipments.

### Our progress to date

To invest of new technology machineries could avoid energy wastage and increase energy efficiency. The Group ensure business continuity in energy crisis and maintain business competitiveness in terms of production costs.

### Waste Management

SAUDEE strive to manage waste and schedule waste raised from the production by adopting the 3R waste programme-Reduce, Reuse and Recycle to protect the environment. We working closely with the Department Of Environmental (DOE) to ensure that waste from the production are properly manage in sustainable manner.

### Performance

Within the Group of business operation, large amount of used chemical, waste water and material were producing from production activities. Nevertheless, we managed waste disposal is accordance to Malaysia's scheduled waste disposal regulations as supported by the Environmental Quality (Schedule Wastes) Regulations 2005.

#### ➤ Wastewater and material treatment

Daily performance monitoring effluent discharge according to the environmental act in order to prevent any contaminated of waste water flow to the river. We have used Biological treatment system for removing carbonated contaminates effluent by treating BOD (Biochemical Oxygen Demand) and COD (Chemical Oxygen Demand).

#### • Encourage use of renewables

##### 1. Recycle waste water

We efficiently utilised waste water within the organization by way of using waste water for organic farming and fish farming. Those treated waste water act as nutrition fish food and organic fertilizer.

The fishes and organic plants are then offered at a cheaper price to our staff members.



# SUSTAINABILITY STATEMENT (CONT'D)

## **ENVIRONMENT: DEVELOPING A SUSTAINABLE ENVIRONMENT (CONT'D)**

### **Waste Management (Cont'd)**

#### *Performance (Cont'd)*

- *Wastewater and material treatment (Cont'd)*
  - *Encourage use of renewables (Cont'd)*
1. Recycle waste water (Cont'd)



2. Recycle and reuse contaminated empty containers

With the closely monitoring and improving waste management, we have found an efficient programme to manage the contaminated empty containers and fluorescent tubes by disposal to suppliers at no cost. This Schedule waste recycle and reuse programme encouraging recycle and reuse the contaminated empty containers in order to reduce the amount of waste going to landfills thereby protecting and conserving our environment. This effective programme helps the Group achieve cost efficiency as returned the container to suppliers while get some discount and refund amount at chemical we purchased.



3. Recycle paper usage at workplace

SAUDEE encourages its employees to play a part in protecting the environment by promoting recycle paper usage in workplace and to promote recycling habits to shape the mind set to go green and make recycling as an integral part of our everyday life.

Electronic reporting via internet and emails are encouraged as to reduce the consumption of paper such as the Annual Report of the Company is posted on the Company's website.

There is no significant and non-monetary sanctions for non-compliance with environmental laws and regulations for the FYE 2021.

# SUSTAINABILITY STATEMENT (CONT'D)

## ENVIRONMENT: DEVELOPING A SUSTAINABLE ENVIRONMENT (CONT'D)

### Waste Management (Cont'd)

#### Performance (Cont'd)

- Wastewater and material treatment (Cont'd)
- Encourage use of renewables (Cont'd)
- 3. Recycle paper usage at workplace (Cont'd)

#### Our progress to date

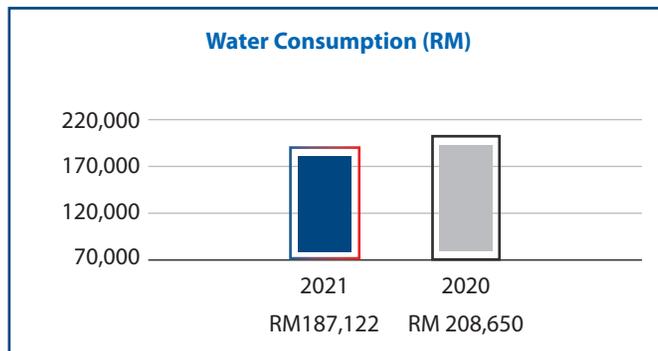
Continuing to improve 3R waste programme at the workplace to minimise any adverse effects on the natural resources and scale of our carbon footprint. We have upgraded information technology facilities in SAUDEE to reduce business travel by replacing physical meetings with video conferencing and increasing usage of cloud-based storage. The Annual Report 2021 is distributed electronically to our shareholders. An e-notification with information on how to access the Portable Document Format (PDF) annual report version from our corporate website was sent out to shareholders. Only minimal quantities of annual reports and notices will be printed and all reports, circulars and notices will be available in digital format, which can be downloaded from our corporate website.

### Water Consumption

To maintain environmental sustainability, SAUDEE strive to improve effective water management and reducing water wastage.

#### Performance

SAUDEE acutely monitoring daily water consumption for the plant. Therefore, we have daily control and maintain water consumption within 300 m<sup>3</sup> in daily average.



#### Performance

The water consumption was decreased as compare to last financial year mainly due to efficient in implementing water management in the mechanically deboned meat (MDM) production which involved high consumption water for this particular production line during FYE 2021.

#### Our progress to date

- Continuing to maintain or lower of 300m<sup>3</sup> water consumption in daily average.

### Greenhouse Gas Emission

A greenhouse gas is any gaseous compound in the atmosphere that is capable of absorbing infrared radiation, thereby trapping and holding heat in the atmosphere ultimately leads to global warming.

#### Performance

SAUDEE is committed to reduce its greenhouse gas emission (GHG) by implementing preventive maintenance for thermal oil and boiler system in order to prevent air pollution. In addition to the preventive measure, annual emission inspection for all the Company's trucks is carried out for the purpose of reducing pollutants emitted from the vehicle. All trucks shall turn off engine while loading stock at loading bay.

SAUDEE has partnership with local distributors to distribute its final products could resulted a huge reduction of daily deliveries by its own trucks as well as reduction of GHG.

#### Our progress to date

SAUDEE is planning to replace some of the old trucks that could increase GHG and targeting cost saving on the repair and maintenance as well as improving the fuel consumption of vehicles.



# SUSTAINABILITY STATEMENT (CONT'D)

## WORKPLACE: DEVELOPING A SUSTAINABLE WORKPLACE

We value our employees who are the main asset of the Group, we would be unable to deliver high quality products and services without employees' hard work and contribution. Thus, SAUDEE believes that continuing emphasis on human capital development and retention by providing employees safety working environment, invest in their growth and understand their needs will be creating a sustainable workplace and further improve its performance.

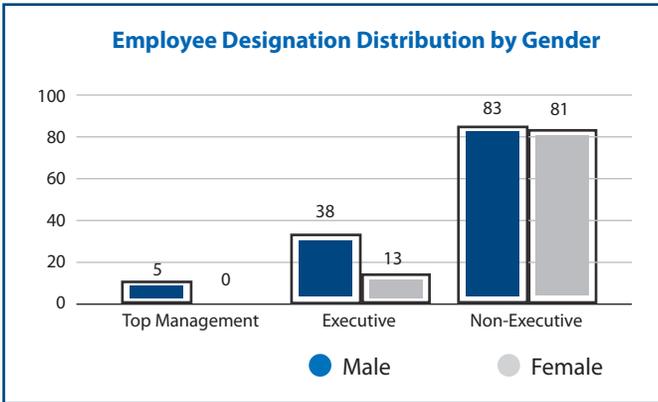
Besides, we encourage diversity and inclusiveness at the workplace and value individual differences without discrimination. The Group also strictly complying employment law to ensure the employees' right are protected and prevent any non-compliance of the regulation.

### Providing Equal Opportunities for Our Employees

SAUDEE adhere to equality practice during the recruitment and selection process. Our recruitment practice are based on merit and performance in order to avoid discrimination at the workplace.

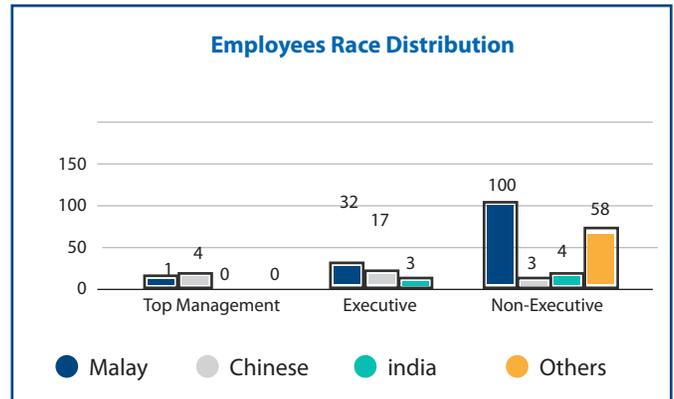
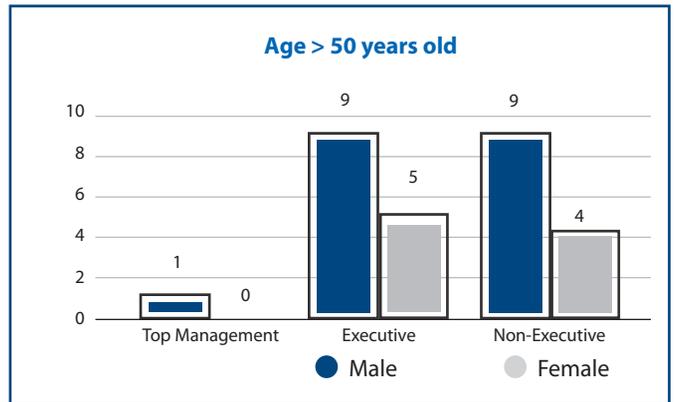
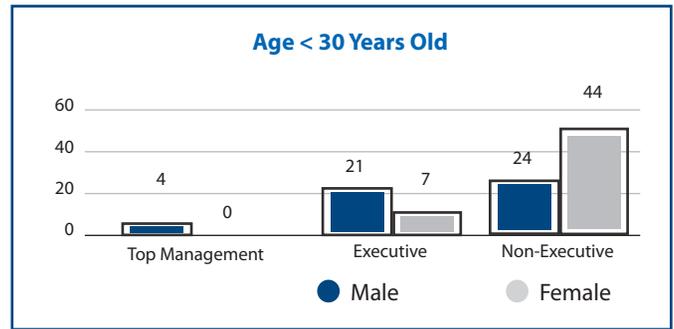
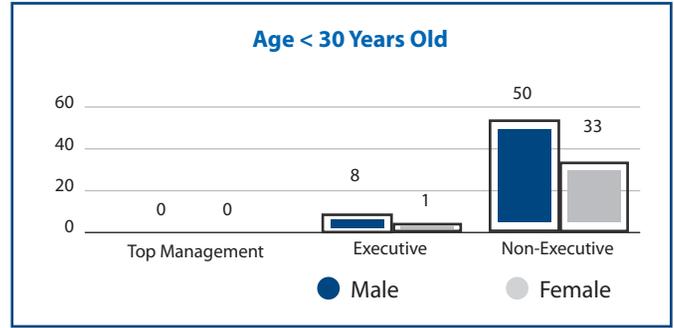
### Performance

We always recruit and promote staffs based on their experience, qualification, knowledge and performance regardless of gender, age and race. Below is illustrate our aim to build a workplace diversity in SAUDEE as we believe in the contribution that women bring to the workplace. The Company has appointed a female Independent Non-Executive Director to sit on the Board, therefore placing emphasis on gender diversity.



We also believes that young generation able to bring with them creativity and new-age thinking, the experienced hires bring a wealth of experience and knowledge in the industry. We also acknowledged the cultural expertise of diverse individuals can be leveraged for the benefit of the company.

Employees Gender Distribution:



# SUSTAINABILITY STATEMENT (CONT'D)

## WORKPLACE: DEVELOPING A SUSTAINABLE WORKPLACE (CONT'D)

### **Providing Equal Opportunities for Our Employees (Cont'd)**

#### *Our progress to date*

Continuous to adhere to equality practice for the recruitment and selection process.

### **Human Rights and Labour Practices**

SAUDEE strictly adhere to the Malaysia's Human Rights and Labour Regulations to ensure our employees' rights are protected and respected. The Malaysia's Human Rights and Labour Regulations are adhered by the Group:

1. Employment Act 1955
2. Employment Regulations 1957
3. Children and Young Persons (Employment) Act 1966
4. Employment (Restriction) Act 1968

### **Developing a Healthy and Safe Working Environment**

SAUDEE is committed to create a culture of health and safety within the organisation in which employees are trained to be aware of and adopt safe practices and healthy lifestyle. The Group health and safety is managed by the Environment Health and Safety Committee who will continue to monitor and improve the environment, health and safety management system, through the constant reminder of the organization about the importance of compliance with the requirements of the health and safety system to protect SAUDEE, its employees, contractors and others.

#### ➤ *The Environment Health and Safety Committee and Emergency Response Team*

The members of Environmental Health and Safety Committee (HSC) are consist of top management, managers and executives level. The HSC meets on a quarterly basis to review the health and safety concerns at the Group operation.

An Emergency Response Team (ERT) comprises of 30 employees from the Group. They are designated to response in the event of an emergency. Relevant training programme has provided to ERT such as Fire Safety, CPR training and Prevention Awareness training in order ERT prompt and appropriate response during an emergency to ensure the safety and wellbeing of our employees.

#### ➤ *Health Safety and Environmental Policy*

SAUDEE aims to minimise the likelihood of accidents or injuries during business operation by implementing Health Safety and Environmental Policy. The Group Health Safety and Environmental Policy 2<sup>nd</sup> revision was initiated in April 2018. It underlines the need of a safe and healthy work environment for all employees and the requirement in compliance with Legislation related to Occupational Health and Safety.

### *Performance*

In FYE2021, The Ministry of Health of Malaysia ("MOH") in its continuing effort to contain the spread of the Covid-19 pandemic had enforced various Standard Operating Procedures ("SOPs"). The Group adopted Covid-19 preventive measures in order to a safeguard employees and visitors' health.

The Standard Operating Procedures ("SOPs") are as below:

- Register names and mobile number through MySejahtera before entering premises
- Making sure all people wearing a mask all the time before entering
- Body temperature screening
- Hand sanitizers and face mask provided
- Social distancing enforced in office

The SOPs listed above are executed in all our workplaces to ensure the personal hygiene and mitigating the risk of all people from getting infected by Covid-19.

Besides, SAUDEE has carried out the following measures to address health and safety (H&S) issues at the workplace:

- Equipped and replenished appropriate Personal Protective Equipment for workers;
- Conducted safety programmes that include fire prevention, fire-fighting and rescue training;
- Install advance Sistem Pengawasan Kebakaran Automatik ("SPKA") system requirement and established Emergency Response Team ("ERT");
- Occupational First Aid;
- Safety operation;
- To promote safety awareness by:
  - o conducting a thorough workplace risk assessment;
  - o providing health and safety training and disseminate the seriousness H&S cases in electronic version such as video and design the quick test during induction session to enhance new staffs understanding on the health and safety issues; and
  - o conducting chemical handling programme.

# SUSTAINABILITY STATEMENT (CONT'D)

## WORKPLACE: DEVELOPING A SUSTAINABLE WORKPLACE (CONT'D)

### **Developing a Healthy and Safe Working Environment (Cont'd)**

#### *Performance (Cont'd)*

There were zero case of fatality was suffered by SAUDEE during the FYE 2021.

#### *Our progress to date*

- In FYE2022, the Group continue maintaining zero case of fatality in the workplace.
- The Group's Safety and Health Committee will also hold regular discussion and constantly keep up to date with the health and safety's best practices while putting them into implementation.
- Complied strictly with all required Covid-19 SOPs aimed at mitigating the risk of spreading the contagious disease at all office premises.

### **Developing and Sustainably Managing Our People**

The Board is aware that quality of life of its employee is vital to enable SAUDEE to achieve its strategic objective. The Board endeavour to create a positive work culture and embedded a learning culture within the Group to enable the employees continuously learn new skills and improve efficiency in carrying out their works. Besides, SAUDEE appreciate employee's talent by emphasising on talent development, motivation and retention measures. Our objective is to produce employees who are the brightest and the best across the business.

#### *Performance*

- *Human capital development – established learning culture*

SAUDEE attempt to embed learning culture within the Group by encouraging employees to engage various training to improve their knowledge, skills and exposure. This is important as SAUDEE is passionate to create a profound knowledge based workforce. However, this also leads to greater employee motivation, self- confidence, innovation, job satisfaction and morale among employees. Employees equipped with the necessary knowledge, skills and exposure and be able to align to company's goal. Internal promotion for existing employees is always encourage, this is one of the factors to encourage SAUDEE employees to develop their career by improving their knowledge, learning and strengthening skills.

Through yearly performance review, employees are made known about their strength and weakness as well as set new goals for the next year.

In FYE 2021, training programme provided to our staffs of which are shown below:

- TRAINING ON THE ISO 22000:2018 STANDARD INTERPRETATION & TRANSITION REQUIREMENTS
- TRAINING ON THE UNDERSTANDING THE HACCP REQUIREMENT FOR FOOD SAFET
- WHISTLE BLOWING POLICY & ANTI - CORRUPTION AND ANTI - BRIBERY POLICY
- ORAPI ASIA WEBINAR COVID'19 PROTECTING YOUR BUSINESS: FOOD PROCESSING INDUSTRIES
- CREAT VALUE WITH SUSTAINABILITY
- ESG WEBINAR FOR- FTSE4 GOOD BURSA MALAYSIA INDEX STARTS IN 1 HOUR
- TAKLIMAT PERAKUAN PENGINAPAN DI BAWAH SEKSYEN 24D AKTA STANDRD MINIMUM PERUMAHAN, PENGINAPAN DAN KEMUDAHAN PEKERJA 1990 (AKTA 446)
- TEA TALK SESSION STRESS SURVIVAL GUIDE: MANAGING DIFFICULT EMPLOYEES
- KURSUS PENGENDALIAN MAKANAN
- SETTING PANDEMIC PREVENTION AND OUTBREAK CONTROL TEAM ACCORDING TO KKM & DOSH GUIDELINE
- TAX SEMINAR
- CERTIFICATE IN BOILERMAN
- PROFESSIONAL CERTIFICATE FOR HALAL EXECUTIVE (PCHE)
- KURSUS PENGENDALIAN MAKANAN

# SUSTAINABILITY STATEMENT (CONT'D)

## WORKPLACE: DEVELOPING A SUSTAINABLE WORKPLACE (CONT'D)

### *Developing and Sustainably Managing Our People (Cont'd)*

#### *Performance (cont'd)*

#### *Human capital retention-understanding to our employees needs*

We understand that employee welfare and health are imperative. We need a healthy and thriving workforce to service our customers and to deliver our promise. Thus, overtime is minimal and only allowed on the need basis. SAUDEE also carried out staff activities and staff benefits to motivate and to reward our people to improve their quality of life and foster a sense of belonging in SAUDEE.

#### *Complying with Minimum Wage Order 2018*

The Minimum Wages Order came into effect on 1 Feb 2020, providing for a minimum wage set at RM1,200 per month. SAUDEE comply with this Minimum Wage Order and ensures wages offered to its employees are fair and equal regardless gender, race and age.

Staff welfares have been provided as shown below:

#### Staff benefits and welfare:

- Employee discount scheme is offered to employees for the purchase of SAUDEE frozen products. The scheme is to ensure all employees are able to enjoy the quality products with their family
- Insurance coverage and medical claim
- Transport allowance
- Leaves
- Hostels are provided to its employees with lower disposable income

Apart from the existing employee benefit package, the group has been presenting loyalty rewards to those long service employees who have been loyal and remain with the Group through thick and thin at our Annual Dinner.

#### *Our progress to date*

In FYE 2022, the Group endeavour introducing more comprehensive benefit package that will be rewarding to its employees such as various allowances introduce to operators and non-executive staffs and flexible working arrangements for certain level of staffs.

## COMMUNITY: DEVELOPING A SUSTAINABLE SOCIETY

### **Community Development**

SAUDEE strive to build relationship on trust by way of social initiatives, other contributions for the benefits of the local community and customers. SAUDEE believes that the social contributions will create business sustainability and enhances value for all its stakeholders. Hence, our ongoing efforts to incorporate sustainable practice into the Group business operations include increasing our participant with the local community through volunteering activities or donations that would benefit the community.

#### *Performance*

During Movement Control Order (MCO) period, Corporate Social Responsibility Committee strive forward to carry ongoing community engagement programmes such as

- hire Orang Kurang Upaya (OKU) work at SAUDEE plant; and
- contribution Raya goodies by respective Head of Department

SAUDEE creates and offers priority in job opportunity to local villagers including persons with disabilities by way of direct employment via walk in interview and local job fair.

#### *Our progress to date*

In FYE 2022, we strive towards hire more local villagers, engaging and contributing to local communities.

This Statement has been reviewed and approved by the Board of Directors at a meeting held on 11 November 2021.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (the “Board”) of Saudee Group Berhad (“SAUDEE or the Company”) is pleased to present the Corporate Governance Overview Statement (“CG Overview”) which provides shareholders and stakeholders with an overview of the corporate governance practices of the Company during the financial year ended 31 July 2021 (“FYE 2021”), with reference to the key corporate governance principles as set out in the Malaysian Code on Corporate Governance 2017 (“MCCG” or “the Code”).

The statement disclosed the manner and the extent in which the principles and practices set out in the MCCG and governance standards in accordance with the Main Market Listing Requirements (“Main LR”) of Bursa Securities have been adopted by the Company and its subsidiaries (the “Group”) for all its business dealings and affairs throughout the financial year ended 31 July 2021. It is also to be read together with the Corporate Governance Report 2021 of the Company (“CG Report”) which is available on the Company’s website: [www.saudee.com](http://www.saudee.com).

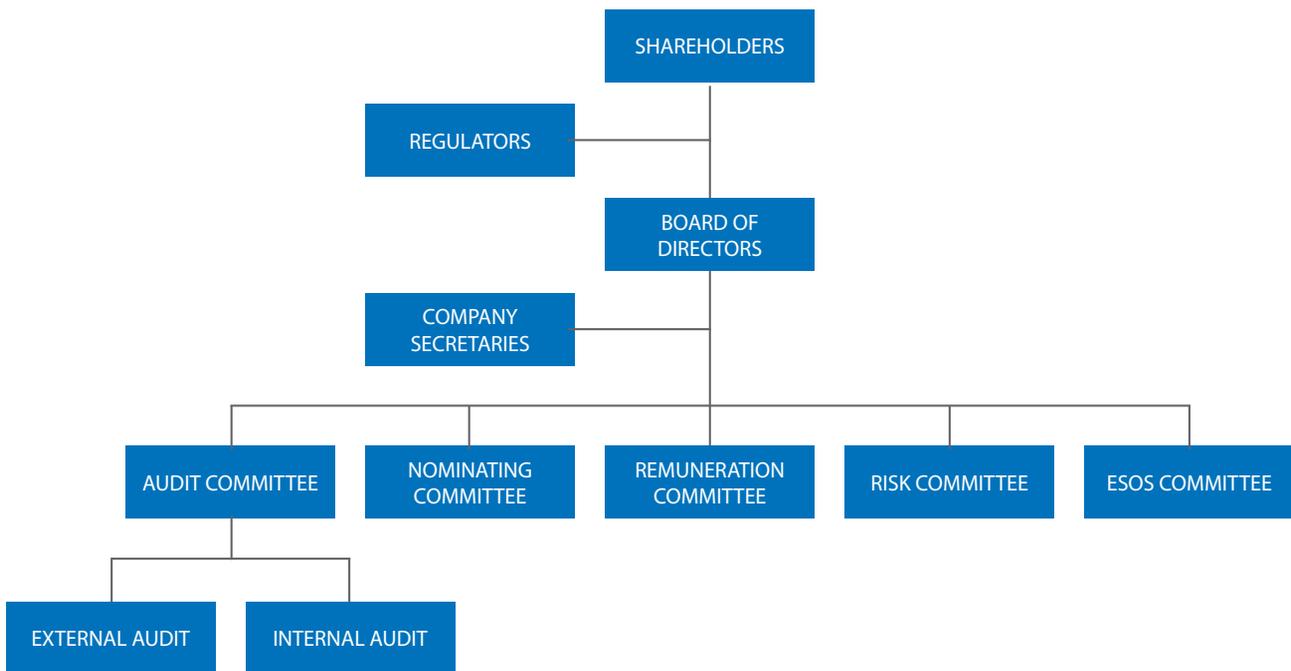
## EMBRACING THE CG CULTURE

The Board of SAUDEE acknowledges the importance of good corporate governance (“CG”) in protecting and enhancing the interest of shareholders. As such the Board conscientiously strives to attain high business ethics and governance in conducting the day-to-day business affairs of the Group, in order to build a sustainable business and discharging its regulatory role.

The Board believes that good CG adds value to the business of the Group and play an active role in guiding the Management through its oversight review while at the same time steer the Group’s business direction and strategy.

The Board will ensure that this practice continues by determining an action plan which includes reviewing of the identified CG practices, setting the appropriate timeframe in the CG activities and preparing disclosures on the Company’s practices to ensure they are implemented in substance to achieve the intended outcomes of building a good corporate governance culture throughout the Group.

Our Corporate Governance Framework, which is set out below is vital in contributing towards our growth and long term sustainability.



## SUMMARY OF CORPORATE GOVERNANCE REVIEW

The Board is pleased to disclose the key focus areas in which the Company has applied throughout the FYE 2021 in relation to the 3 Principles as set out in the Code:

- A. Board Leadership and Effectiveness;
- B. Effective Audit and Risk Management; and
- C. Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## SUMMARY OF CORPORATE GOVERNANCE REVIEW (Cont'd)

SAUDEE has benchmarked its practices against the relevant higher order practice and consistently applied all the practices advocated by the MCCG throughout the FYE 2021 except as otherwise disclosed herein. In addition, amongst the five (5) Step Ups of MCCG, two (2) Step Ups were voluntary adopted by the Board, ie. Step Ups 9.4 The Audit Committee should comprise solely of Independent Directors and Step Ups 10.3 Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies. The Step Ups are exemplary practices which support companies in moving towards greater excellence in corporate governance. In regard to the departure from the Practices, the Board has provided alternative practice which also achieved the Intended Outcome set up in the MCCG. All the explanation on the application of practices are contained in the CG Report.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### I. Board Responsibilities

The Board is always mindful of its responsibilities to the Company's shareholders and various stakeholders for creating and delivering sustainable value and long-term success through its leadership and management of the Company's businesses, in pursuing the objectives of the Group.

#### **Established clear functions reserved for the board and those delegated to management**

The Board functions on the principle that all significant and material matters are addressed by the Board as it is accountable for the strategic management, performance monitoring and measurement, enterprise risk management, standard of conduct and critical business issues. The Board is responsible for determining the long term direction and strategy of the Group, and creating value for shareholders.

The Board assumed the following principal responsibilities in discharging its functions:

- Reviewing and adopting strategic plans for the Group and monitoring thereof, and addressing the sustainability of the Group's businesses;
- Identifying and approving policies pertaining to the management of all risk categories including but not limited to, credit, financial, market, liquidity, operational, legal and reputational risks of the Group's business activities and ensure the implementation of appropriate systems to manage these risks;
- Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;
- Reviewing the adequacy and integrity of the framework and processes for internal controls, risk management, finance reporting and compliance;
- Ensuring sufficient succession planning for appointments to the Board and to the Senior Management positions by promoting boardroom diversity and reviewing the competence of the Management including appointing, training, determining remuneration packages of and, where appropriate, replacing the key management personnel.
- Developing and implementing an investor relation programme or shareholder communication policy and sustainability policy for the Company
- Responsibility for good corporate governance.

There is a division of functions between the Board and the management. The Board is duly assisted by the key management team of the Company, comprising Executive Directors, Chief Financial Officer and other key management of respective departments. The principal responsibilities of the management team are as follows:

- Developing, coordinating and implementing business and corporate strategies for the approval of the Board;
- Assume day to day responsibility for the Company's conformance with relevant laws and regulations and its compliance framework;
- Achieve the performance targets set by the Board;
- Report and furnish the Board with information, report, clarifications as and when required on the agenda item to be tabled to the Board, to enable the Board to arrive at a decision.
- Communicating to the staff and implementing the strategic plan approved by the Board and any decision of the Board to ensure that the objectives of the Company that were approved by the Board are met;
- Assisting the Board in the establishment of Company and Group policies by developing such policies for the Board's review and approval for adoption and implementing the approved policies;
- Developing effective management information and internal control systems of the Company to ensure that integrity and adequacy of the systems are intact.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### I. Board Responsibilities (Cont'd)

Key matters reserved for the Board's approval include but are not limited to the business continuity plan, issuance of new securities, proposed employee's share option scheme, business restructuring, acquisitions/disposals of material assets, and approval for the release of financial announcements. All Board decisions are recorded in the minutes, including the deliberation for each decision, along with actions to be taken and the individuals responsible for implementation. The Executive Directors of the Company participated in the subsidiaries' management meeting to ensure that decisions made by the Board are disseminated and delegated effectively to the management of the subsidiaries.

During the financial year ended 2021, the Company continued the practice of conducting Audit Committee meeting before Board meeting to allow discussion on any issues raised by the External Auditors and/or Internal Auditor to be brought up for the Board's attention. All members of the Board and Board Committees received complete agenda and documents relevant to the meetings at least 7 days in advance to allow them to have sufficient time to review for effective discussion and decision making during the meetings.

To ensure the effective discharge of its function and responsibilities, the Board delegates some of the Board's authorities and discretion to the Executive Directors, representing the management, as well as to properly constituted Board Committees, namely the Audit Committee, Nominating Committee, Remuneration Committee, Risk Committee and ESIS Committee with clearly defined Terms of Reference ("ToR"). Guided by their ToR, the Board Committees are conferred the authority to examine issues under their purview and make subsequent recommendations to the Board. This enables the Board to achieve operational efficiency and yet allow the Board to maintain control over major policies and decisions.

The Board has delegated specific responsibilities to the following committees:

- (i) Audit Committee
- (ii) Nominating Committee
- (iii) Remuneration Committee
- (iv) Risk Committee
- (v) ESOS Committee

TYPE OF COMMITTEE	PRINCIPAL FUNCTIONS
Audit Committee	To review and report on the Group's results, external audit procedures and internal audit function.
Nominating Committee	To assess, review the effectiveness of the Board and performance of each individual Directors and Independence of Non-Executive Directors and to recommend to the Board all new Board appointments.
Remuneration Committee	To assess, review and recommend to the Board the Directors' and Senior Management remuneration and benefits package.
Risk Committee	To review, assess and report the Enterprise risk including environmental, economic and social risks and opportunities within the Group to the Board.
ESOS Committee	To ensure that the ESOS Scheme is administered in accordance with the by-laws approved by the shareholders of the Company.

These Board Committees have been constituted with clear terms of reference which are defined in the Board Charter.

### Role and Responsibilities of Managing Director

Mr. Tan Khang Khim has resigned as Managing Director on 31 January 2021.

Role of Managing Director assumed by Mr Mak Siew Wei who is involved in the day-to-day running of the affairs of the Group and responsible for the product research and development, transformation and modernisation of the food production process through automation. He is assisted by the other Executive Director and the Management for the overall development and expansion of marketing networks as well as implementation of sales, distribution and promotional activities of the Group including the implementing of Board policies and decisions. He also has many years of experience in managing the Group's core businesses.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### I. Board Responsibilities (Cont'd)

#### Overseeing the Conduct of the Company's business

The Board oversees the performance of management mainly through the quarterly results which are tabled during the Board meeting. The Board would then make the necessary business decisions to adapt to changing circumstances. The Management is tasked with the responsibility to keep the Board informed on all matters which may materially affect the Company and its business. The Management is also required to present and brief the Board on the quarterly report of the Group's financial performance.

Periodic briefings on the Group's prospects and performance are also conducted for the Directors to ensure that the Board is well informed on the Group's operational, financial and corporate issues.

#### Access to Information and Independent Professional advice

In exercising their duties, all Directors have the same right of access to all information pertaining to the Group's business affairs and maintains a direct line of communication with senior management. During Board meeting, senior management and external advisors may be invited to advise and provide the Board with detailed explanations and clarifications whenever necessary on matters that are tabled. The Board is also supported by qualified Company Secretaries who serve as corporate governance counsels to the Board. The Company Secretaries assist the Board in adhering to the relevant corporate governance legislative promulgations and apprise the Board on the latest statutory and regulatory requirements relating to corporate governance.

#### Board Charter

The Board Charter addresses, amongst others, the Board obligations and responsibilities, Directors' Code of Conduct and Ethics, role of the Board, Executive Directors and Managing Director, Senior Independent Non-Executive Director, Individual Directors, the Management, Company Secretary, appointment of new directors, the balance and composition of the Board, remuneration policy and the establishment of Board Committees together with the required mandate and activities. The Board Charter will be reviewed periodically to ensure its relevance and compliance. The Board Charter is available at its corporate website.

The Board Charter is to guide the Directors in discharging their duties and responsibilities as Directors and is drafted in accordance with the fundamental requirements of provisions in the Companies Act 2016, Main LR, Capital Markets and Services Act 2007, Constitution of the Company, and other applicable rules or regulations governing the Group's business activities.

Further details relating to the Board Charter, Code of Conduct and Ethics, Anti-Corruption and Anti-Bribery Policy and Whistleblowing Policy are set out in the CG report and are also available on Company's corporate website at [www.saudee.com](http://www.saudee.com).

### II. Board Composition

The Board has six (6) directors, comprising of two (2) Executive Directors, three (3) Independent Non-Executive Directors and one (1) Senior Independent Non-Executive Director. The number of Independent Directors is in compliance with Rule 15.02 of the Main LR which stipulates that at least two Directors or 1/3 of the Board, whichever is higher, must be Independent Directors and also the recommendation by the MCCG that at least half of the Board comprises independent directors.

#### Boardroom Diversity and Independence

The Nominating Committee ("NC") is responsible for identifying, evaluating and recommending to the Board, suitable candidates to fill the Board vacancies. The combination of the skills, experience and expertise of the incumbent Directors allow the Board to apply a breadth and depth of perspectives when deliberating on contentious issues. The NC makes the recommendations following careful consideration of the required mix of skills, experience and diversity, as well as gender where appropriate.

The Board is presently of the view that there is no necessity to fix a specific gender diversity policy. The Board advocates the promotion of fair participation and equal opportunity in embracing a spirit of inclusion for all individuals of the right caliber. The appointment of Board member or management should be determined based on objective criteria, merit and with due regard for diversity in skills, experience and other qualities regardless of gender but will nevertheless consider appointing more directors of the female gender where suitable to be in line with the MCCG's target.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### II. Board Composition (Cont'd)

#### Boardroom Diversity and Independence (Cont'd)

##### Board Diversity

The Board recognises that diversity is important to enhance Board effectiveness as diversity broadens the debate within the Board by harnessing different insights and perspectives. The skillsets and diversity of the Board are as follows:

Name of Directors	Nationality	Designation	Industry/Background Experience								By Composition							
			Entrepreneur	Industrial	Marketing	Corporate	Accounting/ Finance	Governance risk and compliance	Information Technology	Law/legal	Age				Ethnicity		Gender	
											30-39	40-49	50-59	60-69	Bumiputera	Chinese	Male	Female
Mak Siew Wei	Malaysian	Executive Director	√	√	√	√	√	√		√		√				√	√	
Tay Ben Seng, Benson (Appointed w.e.f. 1 July 2021)	Malaysian	Executive Director	√	√	√	√	√	√	√	√	√					√	√	
Sim Yee Fuan	Malaysian	Senior Independent Non-Executive Director				√	√	√					√			√	√	
Chen Chee Peng	Malaysian	Independent Non-Executive Director	√	√		√		√	√	√			√			√	√	
Koay San San	Malaysian	Independent Non-Executive Director				√	√	√			√					√	√	
Datuk Sham Shamrat Sen Gupta (Appointed w.e.f. 1 July 2021)	Malaysian	Independent Non-Executive Director	√	√	√	√		√	√	√		√		√		√		

During the FYE 2021, there was one (1) woman representation on the Board.

Mr Tay Ben Seng, Benson and Datuk Sham Shamrat Sen Gupta were appointed as Executive Director and Independent Director of the Company respectively on 1 July 2021.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### II. Board Composition (Cont'd)

#### Boardroom Diversity and Independence (Cont'd)

##### *Boardroom Independence*

Notwithstanding the recommendation of the Code, the Board is presently of the view that there is no necessity to fix a maximum tenure limit for Independent Non-Executive Directors ("INED") as there are significant advantages to be gained from the long-serving Directors who possess tremendous insight and knowledge of the Company's businesses and affairs.

The Board and the NC have deliberated on the recommendation and hold the view that the ability of a Director to serve effectively as an Independent Director is very much dependent on his calibre, qualification, experience and personal quality, particularly his integrity and objectivity, and has no real connection to his tenure as an Independent Director.

On 28 September 2021, both the Board and the NC have assessed and reviewed on the independence, qualification, experience and performance of Mr Sim Yee Fuan, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years and recommended him to be retained as an INED of the Company based on the Board justifications that Mr Sim Yee Fuan has performed his duties diligently and provided independent views in participating in deliberations and decision making of the Board and Board Committees. The length of his service on the Board does not in any way interfere with his duties as an Independent Non-Executive Director of the Company. The Board believes that Mr Sim Yee Fuan's expertise and broad experience together with his accumulative knowledge of the Group's business and operation provide the Board with a diverse set of experiences and expertise which enhances the skills and experience profile of the Board.

In view of the assessment, the Board proposed to retain Mr Sim Yee Fuan, to continue acting as INED of the Company which is subject to the shareholders' approval at the forthcoming 13<sup>th</sup> AGM.

#### Nominating Committee ("NC")

The Board is assisted by NC which is chaired by an Independent Director to review, amongst others, the size and composition of the Board. NC reviews the effectiveness of the Board and performance of each individual director and assesses the independence of Non-Executive Directors of the Company on an annual basis to determine if the Board has the right size, sufficient diversity and independence to meet the Company's objectives and strategic goals.

Vide an assessment conducted on 28 September 2021, the Nominating Committee reviewed the required mix of skills, experience and other qualities of the Board and Board Committees and agreed that they have the necessary mix of skills, experience and other necessary qualities to serve effectively and the size of the Board remains appropriate for the current size of the Group.

On 28 September 2021, the NC has carried out annual evaluation of all Directors including the Independent Directors and was satisfied that the Independent Directors continued to exercise independent and objective judgement and acted in the interest of the Company and its stakeholders.

NC has carried out annual evaluation on the performance of each member of the Board, each Board Committee and reviewed the performance of the Board as a whole. Vide an assessment conducted on 28 September 2021, the annual evaluation involves members of the Board completing the evaluation questionnaires to appraise the performance of the Board and undertaking self and peer evaluation, whereby Directors will assess their own performance and that of their fellow directors. The NC had assessed the overall effectiveness of the Board and the performance of individual directors for the FYE 2021 and is satisfied with the effectiveness demonstrated.

#### Foster Commitment of the Director

The directors dedicated sufficient time to carry out their responsibilities in Board representations, such as Board meetings, Annual and Extraordinary General Meetings throughout the financial year. During the financial year ended 31 July 2021, six (6) Board Meetings have been held.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### II. Board Composition (Cont'd)

#### Foster Commitment of the Director (Cont'd)

The Board is satisfied with the level of time commitment given by the current Directors in the discharge of their roles and responsibilities as the Directors of the Company as evidenced by their attendance at the respective meetings office during the financial year ended 31 July 2021 set out below:

Name of Director	Designation	Number Meetings Attended	Percentage (%)
Mak Siew Wei	Executive Director	6/6	100
Tay Ben Seng, Benson (Appointed w.e.f. 1 July 2021)	Executive Director	N/A	N/A
Sim Yee Fuan	Senior Independent Non-Executive Director	6/6	100
Koay San San	Independent Non-Executive Director	6/6	100
Chen Chee Peng	Independent Non-Executive Director	5/5	100
Datuk Sham Shamrat Sen Gupta (Appointed w.e.f. 1 July 2021)	Independent Non-Executive Director	N/A	N/A

All Directors have complied with the minimum 50% attendance requirements in respect of board meeting as stipulated by the Main LR.

Under the existing practice, the Directors shall inform the Board before accepting new directorships in other companies and ensure that their number of directorships in public listed companies is in compliance with the Main LR.

#### Boardroom Professional Development

The Board does not have a policy to require each of the Directors to attend specific number and types of training programme each year. Nevertheless, the Board is responsible to ensure continuing education/training for the Directors to update their knowledge and enhance their skills through attendance at relevant programs to keep abreast with the latest developments on a continuous basis on the general regulatory, economic, industry and technical developments to further enhance their skills, knowledge and experience as well as update themselves on new developments in the business environment in order to fulfill their duties as Directors.

The Directors are also updated by the Company Secretaries on any change to legal and governance practices applicable to the Group, and receive briefing from External Auditors on updates in financial reporting, new accounting standards affecting the Group.

All Directors have completed the "Mandatory Accreditation Programme for Directors of Public Listed Companies" pursuant to Paragraph 15.08 of the Main LR.

The Board's Charter sets out the roles and responsibilities of the Board and Board Committees. It is available in the corporate's website at [www.saudee.com](http://www.saudee.com).

The Board Charter addresses, amongst others, the Board obligations and responsibilities, Directors' Code of Conduct and Ethics, role of the Board, Non-Executive Chairman, the and MD, the Management, Senior Independent Non-Executive Director, Individual Directors, Company Secretary, appointment of new directors, the right balance and composition of the Board, remuneration policy and the establishment of Board Committees together with the required mandate and activities.

The Company's Board Charter is subject to review periodically to ensure it remains consistent with the Board's objectives, current laws and CG practices. The Board Charter is available on the Company's corporate website.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### II. Board Composition (Cont'd)

#### Boardroom Professional Development (Cont'd)

The Board Charter is to guide the Directors in discharging their duties and responsibilities as Directors and is drafted in accordance with the fundamental requirements of provisions in the Companies Act 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Main LR), Capital Markets and Services Act 2007, Constitution of the Company and other applicable rules or regulations governing the Group's business activities.

The Board is also responsible to ensure continuing education/training for the Directors to update their knowledge and enhance their skills through attendance at relevant programs, so as to enable them to sustain their active participation in Board deliberations.

In accordance with Paragraph 15.08(3)(b) of the Main LR, the Directors had attended various training programmes in FYE2021 which include the following:

Name of Director	Training Programmes / Seminars	Mode of Training
Mak Siew Wei	Section 17A Malaysian Anti-Corruption Commission Act 2009	
	Leadership & Managing Organisation Change	
Tay Ben Seng, Benson	Refresher on Listing Requirement & Corporate Governance Practice	
Datuk Sham Shamrat Sen Gupta	Mandatory Accreditation Programme	Seminar
Sim Yee Fuan	Malaysia 2021 Budget	Webinar
	Corporate Tax Changes	
	Securities Commission Guidelines on Conduct of Director of Listed Company	Seminar
	Sustainability Reporting Workshop	
	Digitize & Orchestrate Your Business Continuity & Pandemic Plan	Webinar
Anti-Money Laundering Countering the Financing of Terrorism Programme		
Koay San San	Budget 2021	Seminar
	Tax Treatment and Incentive on Penjana announced by Government	Seminar

### III. Remuneration

The Board strives to ensure that there are formal and transparent remuneration policies and procedures in place to attract and retain Directors and Senior Management of the calibre needed to run the Group successfully. Therefore, the Board has established a Remuneration Committee with an objective to assist the Board in the review of formal policy which is set by the Board and consideration of a fair and attractive remuneration framework of the Directors and Senior Management which includes the remuneration packages and other terms of employment for the Executive Directors.

The Remuneration Committee consists of three (3) Independent Non-Executive Directors which is in line with the recommended by the Code. In formulating the framework and levels of remuneration, the RC ensures the remuneration framework remains supportive of the Company's corporate objectives, is aligned with the interests of the shareholders, is able to attract, retain and motivate the Executive Directors and Senior Management and are reflective of their performance, experience and level of responsibilities.

The remuneration of Non-Executive Directors comprising only directors' fees and other benefits if any. The directors' fees should reflect the experience, level of responsibilities, time commitment, expertise and the complexity of the Company's activities. The Company also reimburses reasonable expenses incurred by these Directors in the course of their duties. The Board, as a whole, determines the fees of the Non-Executive Directors with the Director concerned abstaining from deliberation and voting in respect of his/her individual remuneration. Directors' fees and other benefits, if any, are subject to approval by its shareholders at the AGM.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### III. Remuneration (Cont'd)

A summary of the remuneration of the Directors of the Group for the year ended 31 July 2021, distinguishing between Executive and Non-Executive Directors, with categorisation into appropriate components is set out below:

Name of Directors	Remuneration received from the Company			Remuneration received from Subsidiary Companies					Group Total (RM)
	Fees (RM)	Meeting and Other allowance (RM)	Total (RM)	Salary (RM)	Bonus (RM)	Allowances and other emoluments* (RM)	Benefit-in-kind (RM)	Total (RM)	
Mak Siew Wei (Executive Director)	35,033	3,000	38,033	324,000	16,875	41,828	-	382,703	420,736
Tay Ben Seng, Benson (Executive Director) <i>(Appointed w.e.f. 1 July 2021)</i>	3,000	-	3,000	29,423	-	3,694	-	33,117	36,117
Sim Yee Fuan (Senior Independent Non-Executive Director)	48,000	3,000	51,000	-	-	-	-	-	51,000
Koay San San (Independent Non- Executive Director)	36,000	3,000	39,000	-	-	-	-	-	39,000
Chen Chee Peng (Independent Non- Executive Director)	34,259	2,500	36,759	-	-	-	-	-	36,759
Datuk Sham Shamrat Sen Gupta (Independent Non- Executive Director) <i>(Appointed w.e.f. 1 July 2021)</i>	3,000	-	3,000	-	-	-	-	-	3,000
Datuk Chong Loong Men (Independent Non- Executive Director) <i>(Resigned w.e.f. 9 July 2021)</i>	32,904	1,500	34,404	-	-	-	-	-	34,404
Tan Khang Khim (Managing Director) <i>(Resigned w.e.f. 31 January 2021)</i>	18,000	2,000	20,000	136,080	-	14,776	-	150,856	170,856

\* Allowances and other emoluments inclusive of Company's contribution to employee provident fund and social security organisation contribution.

The remuneration (including salary, bonus, allowances, and other emoluments) of all key Senior Management of the Group on a named basis during the financial year ended 2021 in bands of RM50,000 are set out below:

Name of Senior Management	Range of Remuneration		
	RM50,000-RM100,000	RM100,000 –RM 150,000	RM300,000-RM 350,000
Chong Kok (Chief Financial Officer)			√
Mohd Azman Bin Manaf (General Manager)		√	
Augustine Quek Yong Seng (General Manager – Marketing)	√		

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### Audit Committee

The Audit Committee ("AC") comprises three (3) members, all of whom are Independent Directors and is chaired by a Senior Independent Non-Executive Director, Mr. Sim Yee Fuan who is not the Chairman of the Board to ensure the effectiveness and independence of the Committee. Mr. Sim is a Chartered Accountant registered with the Malaysian Institute of Accountants. Accordingly, the Company complies with paragraph 15.09(1)(c)(i) of the Main LR.

The Board noted on the practice that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee. Nonetheless, there was no former key audit partner being appointed as an Independent Director or member of the AC. The duties and responsibilities of the AC are spelt out in the ToR of the AC, a copy of which is available in the Company's website at [www.saudee.com](http://www.saudee.com).

The AC Chairman has access to the Executive Directors, Senior Management, External Auditors and Internal Auditors. The composition of AC is reviewed annually with the view to maintain an independent and effective AC. The appointment/ re-appointment of the External Auditors are reviewed by the AC annually based on their suitability, objectivity and independence. Based on the outcome of its assessment conducted on 11 November 2021, the AC decided to recommend to the Board to seek the shareholders' approval External Auditors, Messrs Grant Thornton Malaysia PLT, at the 13<sup>th</sup> AGM.

The summary of work of the Audit Committee relating to the FYE 2021 are highlighted on pages 46 to 49 of this Annual Report.

### Risk Management and Internal Control Framework

The Board recognises that risk management is an integral part of the Group's business operations and is important for the achievement of its business objectives. The Group has established a Risk Committee ("RC") in order to manage the overall risk exposure of the Group.

The RC is chaired by an Independent Non-Executive Director. During the FYE 2021, Risk Management meeting was held on 13 July 2021, to discuss and review on the risks of the major subsidiaries with the Head of Departments (HODs), and the said discussion/review were recorded in the summary of the Risk management Report.

The HODs have also been trained to identify the risks relating to their areas; the likelihood of these risks occurring; the consequences if they do occur; and the actions being and/or to be taken to manage these risks to the desired level. The risk profiles and risk treatment measures determined from this process were documented in risk registers with each business or operations areas having its respective risk register. The summary report of risk profile were reported to the AC and the Board.

The Board is also fully aware of its responsibility for the Group's system of internal controls which is to maintain a sound system of internal control to safeguard the Group's assets and investors' interest. The Standard Operating Procedures (SOPs) within the Group is to ensure the effective and efficient conduct of operations, financial controls and compliance with laws and regulations. The Group has engaged an external professional firm, JWC Consulting Sdn. Bhd. to carry out internal audit function and provide independent assurance on the adequacy and effectiveness of the internal control of the Group. The Audit Committee reviewed and deliberated on the findings together with the recommendation and management action plan from the Internal Auditors.

The Board members recognise that they have to declare their respective interests in transactions with the Group and abstain from deliberation and voting on the relevant resolution in respect of such transactions at the Board or at any general meetings convened to consider the matter. The Company has an internal framework to ensure it complies with the related party transactions as prescribed in the Main LR. The related party transactions are recorded and presented to the Audit Committee on a quarterly basis for review and discussion should any concern arise. The Audit Committee reviews any related party transactions and conflict of interest situation that may arise within the Group including any transactions, procedure or course of conduct that causes questions of management integrity to arise.

On 28 September 2021, the Board received assurance from the Executive Directors and the Chief Financial Controller that the Group's risk management and internal control system were in place during 2021 and were operating adequately and effectively to safeguard the Group's assets, as well as shareholders' investments, and the interests of other stakeholders.

The Statement on Risk Management & Internal Control is set out on pages 50 to 53 of this Annual Report to provide an overview of the risk management framework and state of internal control within the Group.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

### Communication with Stakeholders

SAUDEE ensures that its communication with the shareholders and various stakeholders is effective, transparent, timely and with quality disclosure. The Company's website has become a key communication channel for the Company to reach its shareholders and general public. The website has a number of sections which provide up-to-date information on Group activities, Board Charter, financial results, announcements released to Bursa Securities, annual reports and company profile, and other information on the Company that can be found on the Company's website at [www.saudee.com](http://www.saudee.com) and engagement through the investor relations function.

### Conduct of General Meeting

The Annual General Meeting ("AGM") is the principal forum of dialogue with shareholders. In accordance with the Companies Act 2016 and Main LR, Notice of AGM together with information on where the Company's Annual Report may be accessed, is sent to shareholders at least twenty one (21) days prior to the meeting. The Board acknowledges that AGM is an important means of communicating with its shareholders. In line with the CG practice, the notice of the 13<sup>th</sup> AGM will be issued to the shareholders at least 28 days before the AGM date.

At the 12<sup>th</sup> AGM of the Company held on 21 December 2020, all members of the Board, representatives of the management and External Auditor attended the meeting to respond to the questions raised by the shareholders or proxies.

Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Shareholders are welcome to raise queries by contacting the Company at any time throughout the year.

### Poll Voting

The Company has always made the necessary preparation for poll voting for all resolutions tabled at the AGM and Extraordinary General Meeting. The Company will explore the suitability and feasibility of employing electronic means for poll voting.

The Company conducted poll voting in respect of all resolutions put before the shareholders at the last AGM and EGM as required by the Main LR. The poll results of each resolution were announced to Bursa Securities after the AGM and EGM via Bursa Link on the same day.

This statement was made in accordance with a resolution of the Board dated 19 November 2021.

# AUDIT COMMITTEE REPORT

The Board of Directors of Saudee Group Berhad is pleased to present the report of the Audit Committee for the financial year ended 31 July 2021.

## MEMBERS OF THE AUDIT COMMITTEE

The members of the Audit Committee ("AC") during the financial year and up to the date of this AC report are as follows:-

Chairman : Sim Yee Fuan (Senior Independent Non-Executive Director)

Member : Koay San San (Independent Non-Executive Director)  
Chen Chee Peng (Independent Non-Executive Director)

This composition meets the requirements of Paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements ("Main LR"). Mr. Sim Yee Fuan the Chairman of the Committee is a Chartered Accountant registered with the Malaysian Institute of Accountants ("MIA"). Accordingly, the Company complies with Paragraph 15.09(1)(c)(i) of the Main LR.

Details of the Terms of Reference of the AC are available on the Company's corporate website [www.saudee.com](http://www.saudee.com)

## MEETING ATTENDANCES

The AC held five (5) meetings during the financial year ended 31 July 2021 ("FYE 2021") with the attendance of the Chief Financial Officer, Finance Manager, Internal Auditor, External Auditors and the Company Secretary.

A quorum consists of two (2) members present who must be Independent Directors. Other board members and senior management may attend the AC meetings upon invitation by the AC. Both Internal and External Auditors may request for meeting if they deemed it is necessary.

The details of attendance of the AC members are as follows:-

Directors	No. of meetings attended
Sim Yee Fuan	5/5
Koay San San	5/5
Chen Chee Peng	5/5

During the FYE 2021, the Chairman of the AC had engaged with the Senior Management, Internal Auditor and the External Auditors on a continuous basis, in order to keep abreast of matters and issues affecting the Group.

The Company Secretary acts as the secretary to the AC. Minutes of each meeting are distributed electronically to each Board member, and the Chairman of the AC reports the on key issues discussed at each meeting to the Board of Directors ("Board").

## SUMMARY OF WORK OF THE AUDIT COMMITTEE AND HOW IT HAS MET ITS RESPONSIBILITIES

The AC met at scheduled times with due notices of meetings issued, and with agenda planned and itemised so that issues raised were deliberated and discussed in a focused and detailed manner.

The Chairman of the AC reported on each meeting to the Board. Detailed audit reports by the External Auditors, Internal Auditors and the respective management response were circulated to members of AC before each meeting.

# AUDIT COMMITTEE REPORT (CONT'D)

## SUMMARY OF WORK OF THE AUDIT COMMITTEE AND HOW IT HAS MET ITS RESPONSIBILITIES (Cont'd)

The activities carried out by the AC during and subsequent to the FYE 2021 in the discharge of its duties and responsibilities are as follows:

### Financial Reporting

- a) At the meeting on 25 September 2020, the AC reviewed quarterly financial statements for the fourth quarter of 2020 and recommended to the Board for approval and announcement to Bursa Securities.

The AC reviewed the unaudited quarterly reports for the first quarter, second quarter and third quarter of the FYE 2020 at the AC meetings held on 21 December 2020, 26 March 2021 and 25 June 2021 respectively and recommended the same to the Board for approval and announcement to Bursa Securities.

The quarterly financial statements for FYE 2021 were prepared in accordance with the requirements of Chapter 9, Continuing Disclosure, Paragraph 9.22 of the Main LR and in compliance with Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board.

The Chief Financial Officer ("CFO") updates the AC regularly on the Group's financial performance and highlights key issues in connection with the preparation of the results, including the adoption of new accounting standards/policies. The CFO is responsible for ensuring that the Group is aware of impending changes to the accounting standards and also the relevant regulatory requirements, recognises the implication of those changes and complies with the requirements.

- b) The AC reviewed the impact of new or proposed changes in accounting standards and regulatory requirements of the Company; and considered and reviewed the integrity of information in the financial statements and quarterly reports, focusing particularly on:
- any changes in accounting policies and practices had been adopted;
  - the going concern basis applied in the Annual Financial Statements and Condensed Consolidated Financial Statements was appropriate;
  - prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRSs;
  - adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRSs, and Main LR; and
  - the Annual Financial Statements and Quarterly Condensed Consolidated Financial Statements did not contain material misstatements and gave a true and fair view of the financial position of the Group and its subsidiary companies for FYE2021.

### External Audit

The AC had met with the External Auditors, Messrs. Grant Thornton Malaysia PLT ("GT") without the presence of the executive members during year 2021.

During the meeting, the External Auditors tabled the Audit Planning Memorandum prior to the commencement of audit of financial statements for FYE 2021. The main particulars outlined included audit timeline, the nature and scope of audit, material litigation, proposed audit fee and deliberation on key areas of audit focus and fraud risk raised by the External Auditor. The AC also noted on the updates of MFRSs which were applicable to the Group.

Besides, the External Auditor presented the Audit Findings Report for the FYE 2021 for the AC's notation and discussion. The AC deliberated on audit issues raised by the External Auditors and the action plans required to address those issues. The External Auditors informed that the management had granted full co-operation to the External Auditors during their course of audit.

On 11 November 2021, the External Auditors briefed the Committee on the draft Audited Financial Statements for FYE 2021 before the same were proposed for the Board's approval. Besides, the AC reviewed the External Auditors Evaluation Form in respect for the FYE 2021. The assessment was guided by the External Auditors Evaluation Form as recommended by CG Guide the 3rd edition. Evaluation aspect in relation to the re-appointment included the calibre of the External Audit Firm, Quality Processes/ Performance, Audit Team, Independence and Objectivity, Audit Scope and Planning, Audit Fees and Audit Communications.

# AUDIT COMMITTEE REPORT (CONT'D)

## SUMMARY OF WORK OF THE AUDIT COMMITTEE AND HOW IT HAS MET ITS RESPONSIBILITIES (Cont'd)

### External Audit (Cont'd)

The AC concluded that based on the assessment, amongst others as set out below, the External Auditors performance for FYE 2021 was found to be adequate and thereby recommended the re-appointment of GT as the External Auditors of the Group to the Board for approval by its shareholders at the forthcoming 13<sup>th</sup> Annual General Meeting:

- satisfied with the independence and the performance of GT throughout its course of audit for FYE 2021;
- satisfied with the quality processes/ performance of the External Auditors;
- able to give adequate technical support when audit issue arise;
- adequate experience and resources of GT in the audit engagement; and
- agreed the provision of non-audit services by the external auditors prior to their commencement of such work and confirmed as permissible for them to undertake such work as provided under the By-Laws of the MIA.

### Internal Audit

At the meeting held on 25 September 2020, 25 June 2021 and 28 September 2021, the AC discharged its duties and responsibilities to review the internal audit function as follows:

- reviewed and approved the Internal Auditors' plans for the financial year to ensure adequate coverage over the activities of the respective subsidiaries;
- reviewed the internal audit reports presented by the Internal Auditors on findings, recommendations and management responses thereto and ensured that material findings were adequately addressed by management and reported relevant issues to the Board; and
- monitored the implementation of management's action plan on outstanding issues through follow-up reports to ensure that all key risks and control weakness were properly addressed.

### *Summary of work performed by Internal Audit Function*

At present, the Group does not have an in-house internal audit department. The Board has appointed an external professional firm, JWC Consulting Sdn. Bhd. (JWC) to carry out internal audit function.

JWC's principal role is to provide independent assurance on the adequacy and effectiveness of the internal control of the Group. It reports directly to the AC on its activities based on the approved annual Internal Audit Plan. The Internal Auditors presented its findings together with recommendations and management action plan to the AC for review.

During the year, JWC performed its internal audit function as follows:

- carried out periodic internal audit reviews in accordance with the approved internal audit plan to monitor compliance with the Group's procedures;
- reviewed effectiveness of the Group's systems of internal controls;
- supported the Audit Committee in evaluating the effectiveness of the existing internal control system, identify future requirements and co-develop a prioritized action plan to further enhance the internal control system;
- proposed the annual audit plan which focused on the risk area highlighted in the risk management report for the AC's approval;
- the areas audited for the FYE 2021 included Anti-Bribery and Anti-Corruption Policy and procedures, inventory management, property, plant and equipment management and maintenance of machinery ;
- reported audit findings and recommended improvements on internal controls system together with corrective actions to be taken; and
- carried out follow-up reviews to monitor the implementation of the recommendations for improvement for reporting to the AC.

The fees incurred for the internal audit services rendered during the FYE 2021 amounted to RM20,506.00.

### Risk Management

During the FYE 2021, the Risk Committee has carried our review by monthly meeting with all head of department to review and assess the risk management system based on risk profile set in year FYE 2021. At the meeting on 11 November 2021, the Risk Committee update AC that the risk profile will remain until the next review that will carried out in March 2022.

# AUDIT COMMITTEE REPORT (CONT'D)

## **SUMMARY OF WORK OF THE AUDIT COMMITTEE AND HOW IT HAS MET ITS RESPONSIBILITIES (Cont'd)**

### Others

The AC reviewed and discussed the recurrent related party transaction entered into by the Group on a quarterly basis to ensure that such transactions were undertaken at arm's length basis and on normal commercial terms not more favourable to the related party than those generally available to the public.

### **TRAINING**

During the year, AC members attended various seminars, training programmes and conferences. Kindly refer to the details of which are set out on page 42 of the Annual Report.

### **REVIEW OF STATEMENT BY EXTERNAL AUDITORS**

The external auditors have reviewed the Statement on Internal Control and Risk Management for the inclusion in the annual report of the Group for the FYE2021 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control.

### **CONCLUSION**

During the FYE 2021, the AC has carried out its duties and responsibilities in accordance with its terms of reference and held discussions with the Internal Auditors, External Auditors and relevant members of management to monitor, oversee, review and evaluate the effectiveness and adequacy of the Group's risk management and internal control and financial reporting. The AC is of the view that no material misstatements or losses, contingencies or uncertainties have arisen, based on the reviews made and discussions held.

This Report is made in accordance with a resolution of the Board of Directors dated 11 November 2021.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

This statement is made pursuant to Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements (Main LR), which requires public listed companies to include a statement in their annual reports on the statement of risk management and internal control within Saudee Group Berhad and its subsidiaries (“the Group”).

The Board is required to address Practice 10.1 and 10.2 of the Malaysian Code on Corporate Governance (“MCCG” or the “Code”) in the Statement on Risk Management and Internal Control for the financial year ended 31 July 2021 (FYE 2021) which was prepared in accordance with the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers” (the Guidelines) which is issued by the Taskforce on Internal Control.

## BOARD RESPONSIBILITY

The Board recognises the importance of maintaining a sound risk management framework and internal control system to cover controls relating to risk management, financial, operational and compliance to achieve the following objectives:

- a) Safeguard the shareholders’ interest and assets of the Group
- b) Identify and manage risks affecting the Group
- c) Ensure compliance with regulatory requirements
- d) Ensure the effectiveness and efficiency of operations to achieve objectives of the Group
- e) Ensure the integrity and reliability of financial information

The Group’s internal control system is designed to cater for the Group’s needs and manage the risks to which the Group is exposed. It should be noted that such system is designed to manage, rather than eliminate, the risk of failure to achieve business objective, and can only provide reasonable but not absolute assurance against material misstatements of management and financial information and records or against financial losses or fraud.

The Board has established a governance structure to ensure effective oversight of risk and control in the Group. It is assisted by the Risk Management Committee (RMC) and Audit Committee (AC) to oversee all matters with regard to risk and control. Risk-related and internal control matters which required the attention of the Board were recommended by the RMC and AC to the Board for its deliberation and approval.

The RMC, which consists of majority of independent directors, provides oversight on risk management matters relating to the business activities and operations of the Group. Chairman of RMC reviews and discusses the risks of the major subsidiaries with the respective business/ operations heads and Internal Auditor. The RMC also reviews the progress of action plans taken by management, recommends the risk management strategies and risk mitigation actions as well as raises issues of concern to manage and control the material risk components impacting the businesses of the Group.

The adequacy and effectiveness of internal controls were reviewed by the AC in relation to the audits conducted by Internal Auditor during the year. Audit issues and actions taken by Management to address the issues tabled by Internal Auditor were deliberated during the AC meetings. The minutes of the AC meetings are tabled to the Board on periodic basis. Further details of the activities undertaken by the AC are set out in the AC Report of this Annual Report.

## RISK MANAGEMENT

The Group acknowledges the identification and the management of risks play an important and integral part in achieving the Group’s business objectives and the management of its daily operations. The Board has adopted the Enterprise Risk Management (ERM) framework for all major subsidiaries to ensure that the Group’s assets are well protected and shareholders’ value is enhanced. With the ERM, departments of the said subsidiaries are required to identify risks and evaluate control within key functions/activities of their business processes. The risk profiles and status of the action plans are reviewed on a yearly basis by the RMC with the business/operations heads. There is on-going risk management process to identify, evaluate, monitor and manage significant and high risks faced by the Group throughout the FYE 2021.

The Board through its RMC, is entrusted with the responsibility of implementing and maintaining the ERM framework to achieve the following objectives:

- identify, assess, report and monitor significant risks in an effective manner;
- enable systematic risk review and reporting on key risks, existing control measures and any proposed action plans; and
- promote risk-aware culture and provide the necessary knowledge for risk management at every level of management within the Group.

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

## RISK MANAGEMENT (Cont'd)

The Group's risk assessment process is described in the following table:

1. Information gathering	<ul style="list-style-type: none"> <li>To obtain relevant information through the following methods:               <ol style="list-style-type: none"> <li>Interviews and discussion conducted with the Managers and Officers of the major subsidiaries to gather information on and to gain insight of the operating environment of the company.</li> <li>Audited and draft financial statements.</li> <li>Previous risk management reports.</li> </ol> </li> </ul>																																																	
2. Risk Identification	<ul style="list-style-type: none"> <li>Identify risks that affect the Group in business activities from the information gathered.</li> <li>Enable early detection of risk and ensure sound risk management practices are in place to manage the risk and appropriate actions are taken to mitigate the Group's exposure to risk.</li> <li>Four risk categories such as strategic, operational, financial and compliance.</li> </ul>																																																	
3. Risk quantification	<ul style="list-style-type: none"> <li>The risks identified are then quantified for their impact on the organization.</li> <li>The level of risk tolerance is expressed through the use of a risk impact and likelihood matrix with an established risk tolerance boundary demarcating those risks that are deemed to be high risk, significant risk, moderate risk and low risk.</li> <li>A risk event may have a combined score of (1) up to (25) depending on its likelihood and impact scores.</li> <li>The risk will be mapped into the following risk heat-chart:</li> </ul> <table border="1" data-bbox="505 1012 1479 1384"> <thead> <tr> <th colspan="2"></th> <th colspan="5">Impact (I)</th> </tr> <tr> <th colspan="2">Likelihood (L)</th> <th>Insignificant (1)</th> <th>Minor (2)</th> <th>Moderate (3)</th> <th>Major (4)</th> <th>High (5)</th> </tr> </thead> <tbody> <tr> <td>Almost certain (5)</td> <td>(5)</td> <td>L</td> <td>M</td> <td>S</td> <td>H</td> <td>H</td> </tr> <tr> <td>Most Likely (4)</td> <td>(4)</td> <td>L</td> <td>M</td> <td>S</td> <td>S</td> <td>H</td> </tr> <tr> <td>Possible (3)</td> <td>(3)</td> <td>L</td> <td>M</td> <td>M</td> <td>S</td> <td>S</td> </tr> <tr> <td>Unlikely (2)</td> <td>(2)</td> <td>L</td> <td>L</td> <td>M</td> <td>M</td> <td>M</td> </tr> <tr> <td>Rare (1)</td> <td>(1)</td> <td>L</td> <td>L</td> <td>L</td> <td>L</td> <td>L</td> </tr> </tbody> </table>			Impact (I)					Likelihood (L)		Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	High (5)	Almost certain (5)	(5)	L	M	S	H	H	Most Likely (4)	(4)	L	M	S	S	H	Possible (3)	(3)	L	M	M	S	S	Unlikely (2)	(2)	L	L	M	M	M	Rare (1)	(1)	L	L	L	L	L
		Impact (I)																																																
Likelihood (L)		Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	High (5)																																												
Almost certain (5)	(5)	L	M	S	H	H																																												
Most Likely (4)	(4)	L	M	S	S	H																																												
Possible (3)	(3)	L	M	M	S	S																																												
Unlikely (2)	(2)	L	L	M	M	M																																												
Rare (1)	(1)	L	L	L	L	L																																												
4. Risk responses	<ul style="list-style-type: none"> <li>For each risk identified, the management will have one or more of the following response options:               <ol style="list-style-type: none"> <li><b>Avoidance</b> Risk could have major impact but the cost of implementing additional controls outweigh the benefits</li> <li><b>Tolerate</b> Consciously accepting certain risk whereby impact is minor</li> <li><b>Mitigate</b> Taking steps to implement control action in reducing likelihood of occurrence and its impact</li> <li><b>Transfer</b> Pass on risk to other parties</li> <li><b>Acceptable</b> Maintain and monitor current actions.</li> </ol> </li> </ul>																																																	
5. Control Strategies-identify, develop and implement	<ul style="list-style-type: none"> <li>Monitor and check the effectiveness of the risk control measure, and whether the intended result is achieved. Every department head must make sure risk control reflect in SOP.</li> <li>Implement risk mitigation actions aimed to minimise existing or in some instances to prevent new or emerging risks from occurring.</li> </ul>																																																	

Principally, the Group's key risks identified during the year are system failure/ breakdown and exposure of Company's valuable information (recipe/ Mixture) to unauthorized parties. However, the control strategies have been in place to mitigate those risks to an acceptable level.

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

## KEY ELEMENTS OF INTERNAL CONTROL

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include:

- **Group Organisation Structure**

The Board has established a clear organisation structure with defined lines of responsibility and accountability aligned to the Group's business and operations requirements.

- **Oversight by Respective Board Committee**

The Board has delegated specific duties, roles and responsibilities to respective Board Committee, namely AC, RMC and Nominating Committee (NC). These Committees have the authority to examine all matters within the scope defined in their respective terms of reference and report their recommendations to the Board. NC reviews the effectiveness of the Board and performance of each individual director to ensure that the Board has the right size and appropriate mix of skills and experience to achieving the Group's objectives and goals.

- **Limit of Authorities**

Limit of authorities imposed on executive directors and management within the Group in respect of the day-to-day operation, investment, acquisitions and disposal of assets.

- **Standard Operating Policies and Procedures**

Policies and procedures are set out in operations manuals, guidelines and directives issued by the Group that govern the key business processes such as production, business development, procurement, finance, information technology and etc. which are updated from time to time to ensure compliance with internal controls and the relevant laws and regulations.

- **Human Resource Guidelines**

There are guidelines within the Group for hiring and termination of staff, formal training and development programmes for staff and annual performance appraisals to ensure that the staff are kept up to date with the necessary competencies in carrying out their duties and responsibilities.

- **Code of Ethics for Director and Employee Handbook**

Code of ethics provides guidance for establishing a standard of ethical behaviour for Directors. All employees of the Group are bound to follow employee handbook where employment issues are dealt with fairly and consistently. To ensure that all employees of the Group are clear on the ethical values in the Company, compliance with laws, rules and regulations, respect to colleague in the workplace, protection of Company's property, professionalism in all business practices are also covered under employee handbook.

- **Whistleblowing Policy**

Whistleblowing policy to provide an avenue for employees to report any suspected fraud, unethical behaviour and improper conduct in the workplace in a safe and confidential manner.

- **Periodical Meetings**

Management meetings are conducted regularly to review and discuss on the current progress against the targeted results to ensure timely responses and corrective actions to be taken. The Board receives and reviews reports from management on a regular basis to assess the Group's performance. These reports include the accounts and financial information reports which are tabled to Board for approval. Release of quarterly financial results to the public is made after they are reviewed by the AC and approved by the Board at their periodic meetings.

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

## KEY ELEMENTS OF INTERNAL CONTROL (Cont'd)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include: (Cont'd)

- **Internal Audit Function**

Internal audit function provides assurance of the effectiveness of internal control systems within the Group. Regular internal audit visits to review compliance with policies and procedures and report any significant non-compliance. Audits are carried out on major subsidiaries towards areas with significant risks as identified by RMC, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report on operational and management activities of these subsidiaries. The audit findings are submitted to the AC for review at its periodic meetings. The internal control system is reviewed regularly to ensure that its functions are carried out as planned and remains effective, and risk management process is being audited provide assurance on the management of risks.

The Board confirms that the above elements are in place throughout the financial year under review and up to the date of approval of this annual report and financial statements. The Board is of the opinion that the existing system of risk management and internal control accords with the Guidelines and that it is adequate to achieve the Group's objectives stated above.

## ASSURANCE FROM MANAGEMENT

The Board had received assurance from the Managing Director and the Chief Financial Controller that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, during the financial year under review. The representations made by the Group's subsidiaries in respect of their risk management and internal control systems have been taken into consideration by the Board in issuing this statement. Based on the assurance and the representations, the Board is of the view that the Group's risk management and internal control system is satisfactory to meet the Group's needs and has not resulted in any material losses, contingencies or uncertainties that require disclosure in the Group's annual report.

This Statement is made in accordance with the resolution of the Board dated 11 November 2021.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

This statement has been reviewed by the external auditors in compliance with Paragraph 15.23 of the Main LR and pursuant to the scope set out in the Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants for inclusion in the annual report of the Group for FYE 2021. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that cause them to believe that the statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and effectiveness of the risk management and internal control systems within the Group.

# ADDITIONAL COMPLIANCE INFORMATION

The following disclosure in compliance with the Listing Requirements of Bursa Securities:

## 1. UTILISATION OF PROCEEDS FROM NEW SHARES ISSUED

- a) On 4 September 2020, the Company completed the Private Placement I with the listing of and quotation for 14,637,000 Placement I Shares on the Main Market of Bursa Malaysia Securities Berhad.

The status of the utilisation of the proceeds from Private Placement was as follow:-

Use of proceeds	Intended Timeframe for Utilisation of Proceeds from the Completion of Private Placement	Proposed Utilisation RM'000	Actual Utilisation RM'000	Adjustment RM'000	Balance RM'000
Repayment of borrowings	Within 6 months	6,789	6,982	193	-
Estimated expenses for Private Placement	Immediate	320	127	(193)	-
		<u>7,109</u>	<u>7,109</u>	-	-

- b) On 20 April 2021 and 23 April 2021, the Company completed the Private Placement II with the listing of and quotation for 20,000,000 and 34,841,700 Placement II Shares respectively on the Main Market of Bursa Malaysia Securities Berhad.

On 23 June 2021, The Company completed the Rights Issue with Warrants with the listing of and quotation for 474,820,122 Rights Share and 237,410,060 Warrants B

The status of the utilization of the proceeds from Private Placement II and Rights Issue with Free Warrants B was as follows:-

Details of utilisation	Intended timeframe for utilisation	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation RM'000	Balance RM'000
Construction of a cold room	Within 24 months	20,000	-	-	20,000
Expansion of production capacity	Within 12 months	17,000	-	-	17,000
Marketing and advertisement	Within 24 months	10,000	-	-	10,000
Repayment of borrowings	Within 6 months	19,000	18,571	-	429
Acquisitions and/or investment in complementary business and/or assets	Within 24 months	15,000	-	-	15,000
Working capital	Within 24 months	961	-	-	961
Estimated expenses for the Corporate Exercises	Immediate	1,090	1,090	-	-

## ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

### 2. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year ended 31 July 2021 by the Company's Auditors, or a firm or company affiliated to the Auditors' firm are as follows:

Fees Incurred	Audit Fees RM	Non-Audit Fees # RM
The Company	41,000	79,800
The Group	148,000	99,800

# Non-audit fees consist of review of Statement on Risk Management and Internal Control, taxation fee and corporate exercise related fees.

### 3. OPITONS, WARRANTS OR CONVERTIBLE SECURITIES

*Employee Share Option Scheme ("ESOS") during the financial year*

At an extraordinary general meeting held on 28 December 2017, the Company's shareholders approved the establishment of a five (5) years ESOS of up to fifteen percent (15%) of the issued and paid up capital of the Company. The ESOS was implemented on 25 January 2018.

During the financial year under review, no options shares under the ESOS have been granted/exercised by the eligible employees.

Details of the ESOS options granted to the Director and senior management as at 31 July 2021 are as follows:-

	Since commencement of ESOS on 25 January 2018			
	Aggregate ESOS Options Granted	Aggregate ESOS Options Exercised	Aggregate ESOS Options Forfeited/ Lapsed	Aggregate ESOS Options Outstanding
Director	13,992,000	(13,992,000)	-	-
Senior Management	-	-	-	-
	<u>13,992,000</u>	<u>(13,992,000)</u>	<u>-</u>	<u>-</u>

Since the commencement of the scheme, 71.67% of the options under the scheme have been granted to Directors.

	Aggregate maximum allocation applicable (%)	Aggregate ESOS Options Granted Since 25 January 2018 (%)
Directors and senior management	71.67	71.67

The Company did not grant any options over the ordinary share pursuant to the ESOS to the Non-Executive Directors.

### 4. MATERIAL CONTRACT

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests either still subsisting as at 31 July 2021 or entered into since the end of the previous financial year.

### 5. RECURRENT RELATED PARTY TRANSACTIONS

The details of Recurrent Related Party Transactions and their actual amount entered into during the FYE 2021 are disclosed on pages 117 of the Annual Report.

# STATEMENT ON DIRECTORS' RESPONSIBILITIES

## IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Board has the overall responsibility to prepare the financial statements for each financial year as required by the Companies Act, 2016. The financial statements should be prepared in accordance with Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia and the relevant provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements so as to present a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and statements of cash flows for the year then ended.

In this regard, the Directors with the assistance of the Audit Committee:

- Ensured that suitable accounting policies were used and applied consistently.
- Ensured that new and revised MFRSs and Issues Committee Interpretations issued by Malaysian Accounting Standards Board that were relevant to the Group's operations and effective for the accounting period were fully adopted.
- Ensured proper accounting records were kept.
- Ensured adequate system of risk management and internal control were in place to safeguard the assets of the Group to prevent and detect fraud and other irregularities.
- Ensured that the financial statements presented a balanced and understandable assessment of the financial position of the Group and of the Company.
- Made appropriate enquires to the senior management of the Group to ensure that the Group have adequate resources to continue in operational existence in the foreseeable future.
- Ensure that the accounting estimates included in the financial statements were reasonable and prudent.

The financial statements for the year ended 31 July 2021 had been approved by the Board on 11 November 2021.



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# DIRECTORS' REPORT

## FOR THE FINANCIAL YEAR ENDED 31 JULY 2021

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended **31 July 2021**.

### PRINCIPAL ACTIVITIES

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

The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

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

### RESULTS

	GROUP RM	COMPANY RM
Loss for the financial year	<u>(4,372,939)</u>	<u>(33,718,905)</u>

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except for impairment loss on investment in a subsidiary amounting to RM32,999,998 as disclosed in Note 29 to the financial statements.

### DIVIDENDS

The Company is not in a position to pay any dividend in view of the current year loss and the accumulated losses as at the end of the reporting period.

### RESERVES AND PROVISIONS

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

### SHARE CAPITAL AND DEBENTURES

During the financial year, the Company has increased its issued and fully paid up ordinary share capital by way of issuance of:

- (i) 14,637,000 new ordinary shares through a private placement at an issue price of RM0.4857 per ordinary share for cash on 4 September 2020;
- (ii) 20,000,000 new ordinary shares through a private placement at an issue price of RM0.2252 per ordinary share for cash on 20 April 2021;
- (iii) 34,841,700 new ordinary shares through a private placement at an issue price of RM0.2102 per ordinary share for cash on 23 April 2021;
- (iv) 474,820,122 new ordinary shares at an issue price of RM0.15 together with 237,410,061 free detachable warrants on the basis of two rights shares together with one free warrant for every one existing ordinary share held;
- (v) 21,798,097 new ordinary shares pursuant to the exercise of Warrant A at an exercise price of RM0.50 per warrant for cash; and
- (vi) 3,545,000 new ordinary shares pursuant to the exercise of Warrant B at an exercise price of RM0.15 per warrant for cash.

The new ordinary shares issued during the financial year rank *pari passu* in all respects with the existing ordinary shares of the Company.

# DIRECTORS' REPORT

## FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONT'D)

### TREASURY SHARES

During the financial year, the Company did not repurchase or distribute any of its treasury shares.

As at 31 July 2021, the Company held 267,000 treasury shares out of the total 716,279,819 issued ordinary shares. Further relevant details are disclosed in Note 18 to the financial statements.

### WARRANTS

The salient features of the warrants are disclosed in Note 19 to the financial statements.

The movement of the warrants during the financial year are as follows:

	Exercise price (RM)	Number of warrants				Balance at 31.7.21
		Balance at 1.8.20	Issuance	Exercised	Lapsed	
Warrant A expiring 31 March 2021	0.50	44,999,982	-	(21,798,097)	(23,201,885)	-
Warrant B expiring 16 June 2024	0.15	-	237,410,060	(3,545,000)	-	233,865,060

### DIRECTORS

The directors of the Company in office since the beginning of the financial year to the date of this report are:

#### Directors of the Company:

Sim Yee Fuan

Koay San San

\* Mak Siew Wei (appointed on 11.8.20)

Chen Chee Peng (appointed on 19.8.20)

Tay Ben Seng, Benson (appointed on 1.7.21)

Datuk Sham Shamrat Sen Gupta (appointed on 1.7.21)

Datuk Chong Loong Men (appointed on 11.8.20 and resigned on 9.7.21)

Khoo Lay Tatt (resigned on 13.8.20)

Low Ai Choo (resigned on 17.8.20)

Ustaz Abdul Hamid Bin Sulaiman (resigned on 17.8.20)

Tan Khang Khim (resigned on 31.1.21)

#### Directors of the subsidiaries:

Mohammad Azman Bin Manaf

Chong Kok

\* The director is also director of the Company's subsidiaries

# DIRECTORS' REPORT

## FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONT'D)

### DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:

	Number of ordinary shares			Balance at 31.7.21
	Balance at 1.8.20	Bought	Sold	
<b>The Company</b>				
<b>Direct Interest:</b>				
Sim Yee Fuan	10,000	-	(10,000)	-
Mak Siew Wei	-	233,000	-	233,000

Other than as disclosed above, none of the other directors have any interest in shares in the Company and its related corporations during the financial year.

### DIRECTORS' REMUNERATION AND BENEFITS

During the financial year, the fees and other benefits received and receivable by the directors of the Company are as follows:

	COMPANY RM	SUBSIDIARY RM	GROUP RM
Fees	214,617	-	214,617
Salaries, allowances and other emoluments	15,500	478,175	493,675
Defined contribution plan	-	55,385	55,385
Indemnity given to or insurance effected for any director	18,030	-	18,030
	<b>248,147</b>	<b>533,560</b>	<b>781,707</b>

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown above) by reason of a contract made by the Company or a related corporation with a director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest, other than those related party transactions disclosed in the notes to the financial statements.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS OR AUDITORS

The amount of insurance premium paid for professional indemnity for the directors and officers of the Company during the financial year is RM18,030.

No indemnity has been given to or insurance effected for auditors of the Company during the financial year.

# DIRECTORS' REPORT

## FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONT'D)

### OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate provision had been made for doubtful debts; and
- (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their value as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

- (i) that would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (iii) that have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

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

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other persons, and
- (ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

In the opinion of the directors:

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due, and
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

### SIGNIFICANT EVENT

The details of the significant event are disclosed in Note 40 to the financial statements.

### EVENTS AFTER THE REPORTING PERIOD

The details of the events after the reporting period are disclosed in Note 41 to the financial statements.

# DIRECTORS' REPORT

## FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONT'D)

### AUDITORS

The total amount of fees paid to or receivable by the auditors, **Grant Thornton Malaysia PLT**, as remuneration for their services as auditors of the Group and of the Company for the financial year ended 31 July 2021 are RM148,000 and RM41,000 respectively.

The auditors, **Grant Thornton Malaysia PLT**, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors:

.....  
**Mak Siew Wei**

.....  
**Tay Ben Seng, Benson**

**Penang,**

**Date: 11 November 2021**

# DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 68 to 128 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 July 2021** and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors:

.....  
**Mak Siew Wei**

**Date: 11 November 2021**

.....  
**Tay Ben Seng, Benson**

# STATUTORY DECLARATION

I, **Chong Kok**, the officer primarily responsible for the financial management of **Saudee Group Berhad** do solemnly and sincerely declare that the financial statements set out on pages 68 to 128 are to the best of my knowledge and belief correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by )  
the abovenamed at Penang, this **11th** )  
day of **November 2021**. )

**Before me,**

.....  
**Chong Kok**  
**(MIA No.: 20192)**

.....  
**Liew Juan Leng (P162)**  
**Commissioner for Oaths**

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF SAUDEE GROUP BERHAD

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **Saudee Group Berhad**, which comprise the statements of financial position as at **31 July 2021** of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of accounting policies, as set out on pages 68 to 128.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at **31 July 2021**, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

#### Basis for Opinion

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

#### Independence and Other Ethical Responsibilities

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

#### Key Audit Matters

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

Key Audit Matters	How our audit addressed the Key Audit Matters
<p><b>Valuation of inventories</b> <i>(Note 10 to the financial statements)</i></p> <p>The Group holds significant inventories as at 31 July 2021 which exposes the Group to a risk that the inventories may become slow moving or obsolete and eventually non-saleable or selling below their carrying value.</p> <p>We focused on this area as it involves estimation uncertainty by the management in determining the accuracy of inventories written down and in assessing the adequacy of inventories not stated at the lower of cost and net realisable value.</p>	<p>Our audit procedures in relation to the valuation of inventories included, amongst others, the following:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of: <ul style="list-style-type: none"> <li>- The Group's inventory management process; and</li> <li>- how the Group identifies and assesses inventories write-downs.</li> </ul> </li> <li>• Attending the physical inventory count and paying attention to the physical condition of inventories;</li> <li>• Performing roll-back testing procedures on the reconciliation of inventories counted with the year end inventories quantities;</li> <li>• Reviewing the consistency of the application of management's methodology in determining and estimating the inventories written down from year to year;</li> <li>• Reviewing and testing the net realisable value of inventories on sampling basis; and</li> <li>• Evaluating the reasonableness and adequacy of the written down of inventories recognised for identified exposures.</li> </ul>

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF SAUDEE GROUP BERHAD (CONT'D)

### Key Audit Matters (Cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p><b>Impairment of trade receivables</b> (Note 11 to the financial statements)</p> <p>The Group has significant trade receivables as at 31 July 2021 which include certain amounts that are long outstanding and it is subject to credit risk exposure.</p> <p>We focus on this area as the assessment of expected credit losses of trade receivables involves management judgement and estimation uncertainty in determining the probability of default occurring by considering the ageing of trade receivables, historical loss experience and forward-looking information.</p>	<p>Our audit procedures in relation to the impairment of trade receivables included, amongst others, the following:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of: <ul style="list-style-type: none"> <li>- the Group's control over the customers collection process;</li> <li>- how the Group identifies and assesses the impairment of trade receivables; and</li> <li>- how the Group makes the accounting estimates for impairment of trade receivables</li> </ul> </li> <li>• Reviewing the application of the Group's policy for calculating expected credit losses and whether it complies with <i>MFRS 9</i>;</li> <li>• Reviewing the ageing of trade receivables and testing the reliability thereof;</li> <li>• Reviewing subsequent collections for major customers and overdue amounts;</li> <li>• Examining other evidence including customer correspondences; and</li> <li>• Assessing the recoverability of balances and the adequacy of impairment loss for significant outstanding balances based on the expected credit loss model applied by the Group.</li> </ul>
<p><b>Impairment assessment on investment in subsidiaries</b> (Note 7 to the financial statements)</p> <p>As at 31 July 2021, the Company reviewed its investment in subsidiaries for indications of impairment and where such indications exist, the Company performed an impairment assessment to determine the recoverable amounts of investment in subsidiaries. The Company estimated the recoverable amount of the respective cash generating units ("CGUs") based on their fair value less cost to sell or value-in-use ("VIU"), whichever is higher.</p> <p>Estimating the VIU of the CGUs involved management judgements and estimation uncertainty in relation to the future cash inflows and outflows that will be derived from the CGUs, and discounting them at the appropriate rate.</p>	<p>Our audit procedures in relation to the impairment assessment on investment in subsidiaries included, amongst others, the following:</p> <ul style="list-style-type: none"> <li>• Evaluating the model used in determining the value in use of the CGU as well as assessing the discount rate used;</li> <li>• Challenging the reasonableness of key assumptions based on our knowledge of the business and industry;</li> <li>• Performing sensitivity analysis on the key assumptions inputted to the model and understanding the impact on the overall carrying value of investment in subsidiaries with the alterations to the key assumptions; and</li> <li>• Assessing the adequacy of disclosures in the financial statements.</li> </ul>

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF SAUDEE GROUP BERHAD (CONT'D)

### Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

### Responsibilities of the Directors for the Financial Statements

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

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

### Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF SAUDEE GROUP BERHAD (CONT'D)

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

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### Other Matters

- (i) This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.
- (ii) The financial statements for the preceding year ended 31 July 2020 were audited by **Grant Thornton** whose report dated 23 October 2020, expressed an unqualified opinion on those financial statements. The practice of **Grant Thornton** has merged with **Grant Thornton Malaysia PLT** effective from 1 January 2021.

**Grant Thornton Malaysia PLT**  
**AF: 0737**  
**201906003682 (LLP0022494-LCA)**  
**Chartered Accountants**

**Penang**

**Date: 11 November 2021**

**Loo Wei Teng**  
**No. 03487/03/2022 J**  
**Chartered Accountant**

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 JULY 2021

	NOTE	GROUP		COMPANY	
		2021 RM	2020 RM	2021 RM	2020 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	32,887,029	35,245,502	-	-
Investment properties	5	550,000	550,000	-	-
Right-of-use assets	6	294,108	185,681	-	-
Investment in subsidiaries	7	-	-	24,099,615	57,099,613
Investment in an associate	8	329,608	263,118	-	-
Amount due from subsidiaries	9	-	-	37,396,077	-
		<u>34,060,745</u>	<u>36,244,301</u>	<u>61,495,692</u>	<u>57,099,613</u>
<b>Current assets</b>					
Inventories	10	11,265,548	10,628,129	-	-
Trade receivables	11	12,778,543	14,531,955	-	-
Other receivables, deposits and prepayments	12	1,423,411	2,083,809	11,518	11,518
Amount due from subsidiaries	9	-	-	4,026,740	18,971,386
Amount due from an associate	13	1,627	165,816	-	-
Current tax assets		841,311	636,492	1,088	1,275
Short term investment	14	30,087,897	-	30,087,897	-
Cash and bank balances	15	50,859,962	6,905,858	45,006,798	13,233
		<u>107,258,299</u>	<u>34,952,059</u>	<u>79,134,041</u>	<u>18,997,412</u>
Non-current assets held for sale	16	-	4,332,000	-	-
		<u>107,258,299</u>	<u>39,284,059</u>	<u>79,134,041</u>	<u>18,997,412</u>
<b>TOTAL ASSETS</b>		<u>141,319,044</u>	<u>75,528,360</u>	<u>140,629,733</u>	<u>76,097,025</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	17	146,234,155	68,660,016	146,234,155	68,660,016
Treasury shares	18	(118,276)	(118,276)	(118,276)	(118,276)
Warrant reserve	19	24,976,789	4,499,998	24,976,789	4,499,998
Revaluation reserve	20	3,042,437	3,129,364	-	-
Merger deficit		(29,296,614)	(29,296,614)	-	-
(Accumulated losses)/Retained profits	21	(19,792,690)	(17,826,867)	(30,580,442)	818,274
<b>Total equity</b>		<u>125,045,801</u>	<u>29,047,621</u>	<u>140,512,226</u>	<u>73,860,012</u>
<b>Non-current liabilities</b>					
Borrowings	22	235,266	6,575,367	-	-
Lease liabilities	6	160,844	63,492	-	-
Deferred tax liabilities	23	990,668	1,419,419	-	-
		<u>1,386,778</u>	<u>8,058,278</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>					
Trade payables	24	11,992,476	13,511,925	-	-
Other payables and accruals	25	2,688,300	3,738,075	117,507	207,351
Amount due to a subsidiary	9	-	-	-	2,029,662
Borrowings	22	73,239	21,045,487	-	-
Lease liabilities	6	132,450	126,974	-	-
		<u>14,886,465</u>	<u>38,422,461</u>	<u>117,507</u>	<u>2,237,013</u>
<b>Total liabilities</b>		<u>16,273,243</u>	<u>46,480,739</u>	<u>117,507</u>	<u>2,237,013</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>141,319,044</u>	<u>75,528,360</u>	<u>140,629,733</u>	<u>76,097,025</u>

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



# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 31 JULY 2021

	NOTE	GROUP		COMPANY	
		2021 RM	2020 RM	2021 RM	2020 RM
Revenue	26	80,778,690	78,511,104	-	-
Cost of sales		(71,419,113)	(91,077,195)	-	-
<b>Gross profit/(loss)</b>		<b>9,359,577</b>	(12,566,091)	-	-
Other income	27	862,504	1,089,932	69,228	9,125,335
Administrative expenses		(10,443,920)	(11,445,049)	(33,788,133)	(1,724,909)
Selling and distribution expenses		(3,015,445)	(3,379,325)	-	-
<b>Operating (loss)/profit</b>		<b>(3,237,284)</b>	(26,300,533)	<b>(33,718,905)</b>	7,400,426
Finance costs	28	(1,294,117)	(1,632,335)	-	-
Share of results of an associate		66,490	(73,685)	-	-
<b>(Loss)/Profit before tax</b>	29	<b>(4,464,911)</b>	(28,006,553)	<b>(33,718,905)</b>	7,400,426
Tax income/(expense)	31	91,972	(2,604,530)	-	-
<b>(Loss)/Profit for the financial year</b>		<b>(4,372,939)</b>	(30,611,083)	<b>(33,718,905)</b>	7,400,426
<b>Total other comprehensive income, net of tax:</b>					
<b>Items that will not be reclassified subsequently to profit or loss:</b>					
Revaluation of land		-	741,000	-	-
Transfer of revaluation surplus to retained profits		86,927	71,283	-	-
Realisation of revaluation surplus upon depreciation		(86,927)	(71,283)	-	-
Deferred tax impact on revaluation surplus		-	(177,840)	-	-
		-	563,160	-	-
<b>Total comprehensive (loss)/income for the financial year</b>		<b>(4,372,939)</b>	(30,047,923)	<b>(33,718,905)</b>	7,400,426
<b>Losses per share attributable to owners of the Company (sen)</b>					
- Basic	32	(1.47)	(18.04)		
- Diluted		(1.45)	(18.04)		

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JULY 2021

Non-distributable

	NOTE	Share Capital RM	Treasury Shares RM	Warrant Reserve RM	Revaluation Reserve RM	ESOS Reserve RM	Merger Deficit RM	Accumulated Losses RM	Total Equity RM
<b>2021</b>									
Balance at beginning		68,660,016	(118,276)	4,499,998	3,129,364	-	(29,296,614)	(17,826,867)	29,047,621
Total comprehensive loss for the financial year		-	-	-	(86,927)	-	-	(4,286,012)	(4,372,939)
<i>Transaction with owners:</i>									
Issuance of shares pursuant to:									
- Private placements	17	18,936,916	-	-	-	-	-	-	18,936,916
- Rights issue with Warrant B	17	45,867,623	-	25,355,395	-	-	-	-	71,223,018
- Exercise of Warrant A	17	10,899,049	-	-	-	-	-	-	10,899,049
- Exercise of Warrant B	17	531,750	-	-	-	-	-	-	531,750
Transfer of warrant reserve upon:									
- Exercise of Warrant A	17	2,179,809	-	(2,179,809)	-	-	-	-	-
- Exercise of Warrant B	17	378,606	-	(378,606)	-	-	-	-	-
Lapse of Warrant A	17	-	-	(2,320,189)	-	-	-	2,320,189	-
Share issuance expenses	17	(1,219,614)	-	-	-	-	-	-	(1,219,614)
Total transactions with owners of the Company		77,574,139	-	20,476,791	-	-	-	2,320,189	100,371,119
Balance at end		146,234,155	(118,276)	24,976,789	3,042,437	-	(29,296,614)	(19,792,690)	125,045,801

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONT'D)

Non-distributable

NOTE	Share Capital RM	Treasury Shares RM	Warrant Reserve RM	Revaluation Reserve RM	ESOS Reserve RM	Merger Deficit RM	Accumulated Losses RM	Total Equity RM
2020								
Balance at beginning	66,926,124	(118,276)	4,499,998	2,637,487	-	(29,296,614)	12,712,933	57,361,652
Total comprehensive loss for the financial year	-	-	-	491,877	-	-	(30,539,800)	(30,047,923)
<i>Transaction with owners:</i>								
17	1,211,860	-	-	-	-	-	-	1,211,860
	-	-	-	-	522,032	-	-	522,032
17	522,032	-	-	-	(522,032)	-	-	-
Total transactions with owners of the Company	1,733,892	-	-	-	-	-	-	1,733,892
Balance at end	68,660,016	(118,276)	4,499,998	3,129,364	-	(29,296,614)	(17,826,867)	29,047,621

# STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 JULY 2021

		— Non-distributable —					
	NOTE	Share Capital RM	Treasury Shares RM	Warrant Reserve RM	ESOS Reserve RM	Retained Profits RM	Total Equity RM
<b>2021</b>							
Balance at beginning		68,660,016	(118,276)	4,499,998	-	818,274	73,860,012
Total comprehensive loss for the financial year		-	-	-	-	(33,718,905)	(33,718,905)
<i>Transaction with owners:</i>							
<i>Issuance of shares pursuant to:</i>							
- Private placements	17	18,936,916	-	-	-	-	18,936,916
- Rights issue with Warrant B	17	45,867,623	-	25,355,395	-	-	71,223,018
- Exercise of Warrant A	17	10,899,049	-	-	-	-	10,899,049
- Exercise of Warrant B	17	531,750	-	-	-	-	531,750
<i>Transfer of warrant reserve upon:</i>							
- Exercise of Warrant A	17	2,179,809	-	(2,179,809)	-	-	-
- Exercise of Warrant B	17	378,606	-	(378,606)	-	-	-
Lapse of Warrant A	17	-	-	(2,320,189)	-	2,320,189	-
Share issuance expenses	17	(1,219,614)	-	-	-	-	(1,219,614)
Total transactions with owners of the Company		77,574,139	-	20,476,791	-	2,320,189	100,371,119
Balance at end		146,234,155	(118,276)	24,976,789	-	(30,580,442)	140,512,226
<b>2020</b>							
Balance at beginning		66,926,124	(118,276)	4,499,998	-	(6,582,152)	64,725,694
Total comprehensive income for the financial year		-	-	-	-	7,400,426	7,400,426
<i>Transaction with owners:</i>							
<i>Issuance of shares pursuant to exercise of ESOS</i>							
	17	1,211,860	-	-	-	-	1,211,860
Grant of ESOS to employees		-	-	-	522,032	-	522,032
Transfer of ESOS reserve upon exercised	17	522,032	-	-	(522,032)	-	-
Total transactions with owners of the Company		1,733,892	-	-	-	-	1,733,892
Balance at end		68,660,016	(118,276)	4,499,998	-	818,274	73,860,012

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



# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 JULY 2021

	GROUP		COMPANY	
	2021 RM	2020 RM	2021 RM	2020 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
(Loss)/Profit before tax	<b>(4,464,911)</b>	(28,006,553)	<b>(33,718,905)</b>	7,400,426
Adjustments for:				
Accretion of interest on lease liabilities	<b>8,311</b>	11,751	-	-
Allowance for expected credit losses on:				
- Trade receivables	<b>1,498,171</b>	642,542	-	-
- Other receivables	<b>20,139</b>	-	-	-
Bad debt written off on:				
- Trade receivables	<b>76,977</b>	67,229	-	-
- Other receivables	-	2,250,411	-	1,204,455
Depreciation of property, plant and equipment	<b>4,324,234</b>	4,763,312	-	-
Depreciation of right-of-use assets	<b>126,735</b>	105,634	-	-
Fair value adjustment of investment properties	-	(102,000)	-	-
Gain on derecognition of right-of-use assets and lease liabilities	<b>(827)</b>	-	-	-
Gain on disposal of non-current assets held for sale	<b>(157,785)</b>	-	-	-
Impairment loss on investment in a subsidiary	-	-	<b>32,999,998</b>	-
Interest expenses	<b>1,285,806</b>	1,620,584	-	-
Interest income	<b>(146,634)</b>	(145,843)	<b>(69,228)</b>	(96)
Inventories written down	<b>446,277</b>	-	-	-
Inventories written off	-	25,119,683	-	-
Loss/(Gain) on disposal of property, plant and equipment	<b>31,038</b>	(339,332)	-	-
Property, plant and equipment written off	<b>6,935</b>	74,950	-	-
Reversal of allowance for expected credit losses on trade receivables	<b>(198,794)</b>	(224,974)	-	-
Reversal of impairment loss on investment in subsidiaries	-	-	-	(9,125,239)
Reversal on inventories written down	-	(4,228,353)	-	-
Share of results of an associate	<b>(66,490)</b>	73,685	-	-
Share options granted under ESOS	-	522,032	-	-
Unrealised loss on foreign exchange, net	<b>41,600</b>	35,475	-	-
Operating profit/(loss) before working capital changes				
Changes in:	<b>2,830,782</b>	2,240,233	<b>(788,135)</b>	(520,454)
Inventories	<b>(1,083,696)</b>	914,750	-	-
Receivables	<b>1,009,298</b>	(3,569,509)	-	(1,503)
Payables	<b>(2,603,045)</b>	4,083,885	<b>(89,844)</b>	73,244
Associate	<b>164,189</b>	105,547	-	-
Cash generated from/(used in) operations	<b>317,528</b>	3,774,906	<b>(877,979)</b>	(448,713)
Income tax paid	<b>(206,072)</b>	(694,221)	<b>(1,066)</b>	(1,253)
Income tax refunded	<b>1,253</b>	872,999	<b>1,253</b>	1,253
Interest paid	<b>(1,285,806)</b>	(1,620,584)	-	-
Real property gains tax paid	<b>(336,779)</b>	-	-	-
Net cash (used in)/from operating activities	<b>(1,509,876)</b>	2,333,100	<b>(877,792)</b>	(448,713)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Change in fixed deposits pledged to licensed banks	<b>5,037,299</b>	(932,485)	-	-
Addition in short term investment	<b>(30,087,897)</b>	-	<b>(30,087,897)</b>	-
Interest received	<b>146,634</b>	145,843	<b>69,228</b>	96
Proceeds from disposal of non-current assets held for sale	<b>4,489,785</b>	-	-	-
Proceeds from disposal of property, plant and equipment	<b>50,200</b>	1,001,787	-	-
Purchase of property, plant and equipment	<b>(2,053,934)</b>	(1,624,119)	-	-
Net cash (used in)/from investing activities	<b>(22,417,913)</b>	(1,408,974)	<b>(30,018,669)</b>	96

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

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONT'D)

		GROUP		COMPANY	
		2021	2020	2021	2020
		RM	RM	RM	RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Net change in bankers' acceptance	<b>B</b>	<b>(16,631,608)</b>	(1,210,180)	-	-
Drawdown of term loans	<b>B</b>	-	1,991,748	-	-
Repayment of term loans	<b>B</b>	<b>(7,501,242)</b>	(1,082,697)	-	-
Repayment of finance lease liabilities	<b>B</b>	<b>(349,303)</b>	(517,030)	-	-
Repayment of lease liabilities	<b>B</b>	<b>(139,818)</b>	(112,600)	-	-
Net change in an associate's balance	<b>B</b>	-	(13,064)	-	-
Net change in subsidiaries' balances		-	-	<b>(24,481,093)</b>	(758,000)
Net proceeds from issuance of ordinary shares		<b>100,371,119</b>	1,211,860	<b>100,371,119</b>	1,211,860
Net cash from/(used in) financing activities		<b>75,749,148</b>	268,037	<b>75,890,026</b>	453,860
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>51,821,359</b>	1,192,163	<b>44,993,565</b>	5,243
<b>EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE</b>		<b>240</b>	241	-	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING</b>		<b>(1,433,120)</b>	(2,625,524)	<b>13,233</b>	7,990
<b>CASH AND CASH EQUIVALENTS AT END</b>	<b>A</b>	<b>50,388,479</b>	(1,433,120)	<b>45,006,798</b>	13,233
<b>A. Cash and cash equivalents</b>					
Fixed deposits with licensed banks		<b>471,483</b>	5,508,782	-	-
Cash in hand and at banks		<b>50,388,479</b>	1,397,076	<b>45,006,798</b>	13,233
Bank overdrafts		-	(2,830,196)	-	-
		<b>50,859,962</b>	4,075,662	<b>45,006,798</b>	13,233
Less: Fixed deposits pledged to licensed banks		<b>(471,483)</b>	(5,508,782)	-	-
Total cash and cash equivalents		<b>50,388,479</b>	(1,433,120)	<b>45,006,798</b>	13,233

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

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 JULY 2021 (CONT'D)

### B. Liabilities arising from financing activities

Reconciliation between the opening and closing balances in the statements of financial position for liabilities arising from financing activities is as follows:

	Balance at beginning RM	Cash flows RM	Others <sup>1</sup> RM	Balance at end RM
<b>GROUP</b>				
<b>2021</b>				
Bankers' acceptance	16,631,608	(16,631,608)	-	-
Term loans	7,501,242	(7,501,242)	-	-
Finance lease liabilities	657,808	(349,303)	-	308,505
Lease liabilities	190,466	(139,818)	242,646	293,294
Total liabilities arising from financing activities, excluding bank overdrafts	<u>24,981,124</u>	<u>(24,621,971)</u>	<u>242,646</u>	<u>601,799</u>
<b>2020</b>				
Bankers' acceptance	17,841,788	(1,210,180)	-	16,631,608
Term loans	6,592,191	909,051	-	7,501,242
Finance lease liabilities	1,174,838	(517,030)	-	657,808
Lease liabilities	199,072	(112,600)	103,994	190,466
Amount due to an associate	13,064	(13,064)	-	-
Total liabilities arising from financing activities, excluding bank overdrafts	<u>25,820,953</u>	<u>(943,823)</u>	<u>103,994</u>	<u>24,981,124</u>

<sup>1</sup> Others consist of non-cash movement as follows:

	<b>GROUP</b>	
	2021 RM	2020 RM
Accretion of interest on lease liabilities	8,311	11,751
Addition of lease liabilities	259,507	92,243
Derecognition of lease liabilities	<u>(25,172)</u>	-
	<u>242,646</u>	<u>103,994</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021

## 1. CORPORATE INFORMATION

The Company is a public company limited by shares, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

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

The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

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

The registered office of the Company is located at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Pulau Pinang and its principal place of business is located at Plot 331, Taman Perindustrian Sungai Petani Fasa 3, 08000 Sungai Petani, Kedah.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors dated on 11 November 2021.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

### 2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the accounting policies as set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 2. BASIS OF PREPARATION (Cont'd)

### 2.2 Basis of Measurement (Cont'd)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the reporting date.

External valuers are involved for valuation of significant assets, such as investment properties, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the management. Selection criteria of external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed according to the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

### 2.3 Functional and Presentation Currency

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

### 2.4 Adoption of Amendments to MFRSs

The accounting policies adopted by the Group and by the Company are consistent with those of the previous financial years except for the adoption of the following amendments to MFRSs that are mandatory for the current financial year:

#### **Effective for annual periods beginning on or after 1 January 2020**

*Amendments to References to the Conceptual Framework in MFRS Standards*

*Amendments to MFRS 3 Business Combinations: Definition of a Business*

*Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material*

*Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures: Interest Rate Benchmark Reform*

#### **Effective for annual periods beginning on or after 1 June 2020**

*Amendments to MFRS 16 Leases: Covid-19 - Related Rent Concessions*

Initial application of the above amendments to MFRSs did not have any material impact to the financial statements of the Group and of the Company.

### 2.5 Standards Issued But Not Yet Effective

The following are accounting standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and for the Company:

#### **Effective for annual periods beginning on or after 1 January 2021**

*Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts and MFRS 16 Leases: Interest Rate Benchmark Reform - Phase 2*

#### **Effective for annual periods beginning on or after 1 April 2021**

*Amendment to MFRS 16 Leases: Covid-19 - Related Rent Concessions beyond 30 June 2021*

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 2. BASIS OF PREPARATION (Cont'd)

### 2.5 Standards Issued But Not Yet Effective

#### **Effective for annual periods beginning on or after 1 January 2022**

*Amendments to MFRS 3 Business Combinations: Reference to the Conceptual Framework*

*Amendments to MFRS 116 Property, Plant and Equipment: Property, Plant and Equipment - Proceeds before Intended Use*

*Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract*

*Annual Improvements to MFRS Standards 2018 - 2020*

#### **Effective for annual periods beginning on or after 1 January 2023**

*MFRS 17 Insurance Contracts*

*Amendments to MFRS 4 Insurance Contracts - Extension of the Temporary Exemption from Applying MFRS 9*

*Amendments to MFRS 17 Insurance Contracts*

*Amendments to MFRS 101 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current*

*Amendments to MFRS 101 Presentation of Financial Statements: Disclosure of Accounting Policies*

*Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*

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

#### **Effective date yet to be confirmed**

*Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The initial application of the above standards is not expected to have any material impact to the financial statements of the Group and of the Company upon adoption.

### 2.6 Significant Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

#### 2.6.1 Judgements made in applying accounting policies

In the process of applying the Group's and the Company's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

##### **Determining the lease term of contract with renewal and termination option - Group as lessee**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has a lease contract that includes an extension and termination option. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option or to terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group has not included the extension options period as part of the lease term for leases of forklifts and office as it is not reasonably certain that the extension options will be exercised. The periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 2. BASIS OF PREPARATION (Cont'd)

### 2.6 Significant Accounting Estimates and Judgements (Cont'd)

#### 2.6.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### (i) Valuation of investment properties

The Group measures its investment properties at fair value amount with changes in fair value being recognised in profit or loss. The Group engaged independent professional valuers to determine fair values as at the end of the reporting period.

The carrying amount of the investment properties as at the end of the reporting period and the relevant revaluation bases and fair value are disclosed in Note 5 to the financial statements.

##### (ii) Inventories written down

Inventories of the Group are written down to the net realisable value based on the expected sales patterns of individual item held in inventory. Changes in the expected sales profiles may have an impact on the amount of inventories written down recorded. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 10 to the financial statements.

##### (iii) Provision for expected credit losses ("ECL") of trade receivables

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECL on the Group's trade receivables is disclosed in Note 36.3.1 to the financial statements.

##### (iv) Impairment of investment in subsidiaries

Investment in subsidiaries is tested for impairment whenever there is objective evidence or indication that these assets may be impaired. Judgment is required to determine if any such indication exists, based on the evaluation of both internal and external sources of information. If any such indication exists, the Company carries out impairment test based on the estimate of the higher of value-in-use or the fair value less cost to sell of the cash-generating unit ("CGU") to which the investment in the subsidiaries belong to. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the CGU and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

If the recoverable amount of the investment in a subsidiary is less than its carrying amount, an impairment loss is recognised in profit or loss to reduce the carrying amount of the investment in subsidiaries. An impairment loss of RM32,999,998 was recognised in profit or loss to write down a subsidiary to its recoverable amount during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 2. BASIS OF PREPARATION (Cont'd)

### 2.6 Significant Accounting Estimates and Judgements (Cont'd)

#### 2.6.2 Key sources of estimation uncertainty (Cont'd)

##### (iv) Impairment of investment in subsidiaries (Cont'd)

An assessment is also made at each end of the reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A reversal of impairment loss in relation to a subsidiary which amounted to RM9,125,239 was recognised in profit or loss in prior financial year.

##### (v) Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

## 3. ACCOUNTING POLICIES

The following accounting policies adopted by the Group and by the Company are consistent with those adopted in the previous financial years unless otherwise indicated below.

### 3.1 Consolidation

#### 3.1.1 Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Investment in subsidiaries is measured in the Company's financial statements at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

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

#### 3.1.2 Basis of consolidation

The Group's financial statements consolidate the audited financial statements of the Company and all of its subsidiaries, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiaries are all drawn up to the same reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.1 Consolidation (Cont'd)

#### 3.1.2 Basis of consolidation (Cont'd)

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in asset, such as inventory and property, plant and equipment) are eliminated in full in preparing the consolidated financial statements. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Temporary differences arising from the elimination of profits and losses resulting from intragroup transactions will be treated in accordance to Note 3.16 to the financial statements.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

#### 3.1.3 Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date which is the date on which control is transferred to the Group.

The Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interest in the acquiree, plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognised amount at fair value of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised in profit or loss.

For each business combination, the Group elects whether to recognise non-controlling interest in the acquiree at fair value, or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

#### 3.1.4 Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### 3.1.5 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.1 Consolidation (Cont'd)

#### 3.1.6 Associate

Associates are entities in which the Group has significant influence, but no control, over their financial and operating policies.

The Group's investment in its associate is accounted for using the equity method. Under the equity method, investment in an associate is carried in the statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The share of the result of an associate is reflected in profit or loss. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, where there has been a change recognised directly in the equity of an associate, the Group recognises its share of any changes and discloses this, when applicable, in the statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statements of other comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investment is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

The financial statements of the associates are prepared as of the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies of the associates in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates. The Group determines at the reporting date whether there is any objective evidence that the investments in the associates is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and their carrying value, then recognises the amount in the "share of profit of investments accounted for using the equity method" in profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

### 3.2 Property, Plant and Equipment

All property, plant and equipment, except for land and building, are measured at cost less accumulated depreciation and less any impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.2 Property, Plant and Equipment (Cont'd)

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

Land and buildings are measured at fair value less accumulated depreciation on land and buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity, to ensure that the carrying amount does not differ materially from the fair value of the land and buildings at the reporting date.

As at the date of revaluation, accumulated depreciation, if any, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus arising upon appraisal of land is recognised in other comprehensive income and credited to the 'revaluation reserve' in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to other comprehensive income.

Depreciation is recognised on the straight line method in order to write off the cost or valuation of each asset over its estimated useful life. Leasehold land is depreciated on a straight-line basis over the lease term of 47 years. Other property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Buildings	39 years
Plant, machinery and factory equipment	6.67% - 10%
Furniture, fittings and office equipment	10% - 50%
Electrical installation and renovation	2% - 10%
Motor vehicles	20%

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss in the financial year in which the asset is derecognised.

### 3.3 Investment Properties

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

Investment properties are initially measured at cost, including transaction costs. Cost includes expenditures that are directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.3 Investment Properties (Cont'd)

Subsequent to initial recognition, investment properties are measured at fair value and are revalued annually and are included in the statements of financial position at their open market values. Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss in the period in which they arise. The fair values are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property and supported by market evidence. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained profits; the transfer is not made through profit or loss.

### 3.4 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. It is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### *As a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities for lease payments made and/or to be made, and right-of-use assets representing the right to use the underlying assets.

#### (i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

Forklifts	2 to 3 years
Offices	2 to 3 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

#### (ii) Lease liabilities

At the commencement date of the lease, lease liabilities are recognised and measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.4 Leases (Cont'd)

#### *As a lessee (Cont'd)*

#### (ii) Lease liabilities (Cont'd)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### (iii) Short term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of premises and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

#### *As a lessor*

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the statements of comprehensive income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as other income in the period in which they are earned.

### 3.5 Impairment of Non-Financial Assets

The Group and the Company assess at the end of each reporting period whether there is an indication that an asset may be impaired. For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss except for assets that were previously revalued where the revaluation surplus was taken to other comprehensive income. In this case the impairment loss is also recognised in other comprehensive income up to the amount of any previous revaluation surplus.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.6 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### 3.6.1 Financial assets

##### (i) Initial recognition and measurement

Financial assets are measured at initial recognition at fair value and subsequently measured at amortised cost ("AC"), fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, at its transaction costs.

In order for a financial asset to be classified and measured at AC or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at AC are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group or the Company commits to purchase or sell the asset.

##### (ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group and the Company do not have any financial assets FVOCI as at the end of the reporting period.

#### **Financial assets at amortised cost**

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's and the Company's financial assets at amortised cost include cash and bank balances, trade and other receivables and amount due from subsidiaries and an associate.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.6 Financial Instruments (Cont'd)

#### 3.6.1 Financial assets (Cont'd)

##### (ii) Subsequent measurement (Cont'd)

###### Financial assets at FVTPL

Financial assets at FVTPL are carried in the statements of financial position at fair value with net changes in fair value recognised in the statements of comprehensive income.

This category includes derivative instruments and listed equity investments which the Group and the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are recognised as other income in the statements of comprehensive income when the right of payment has been established.

The Group's and the Company's financial assets at FVTPL include short term investment.

##### (iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's and the Company's statements of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, it evaluates if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

##### (iv) Impairment

The Group and the Company recognise allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets, and lease receivables. ECLs are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.6 Financial Instruments (Cont'd)

#### 3.6.1 Financial assets (Cont'd)

##### (iv) Impairment (Cont'd)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether the financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts owing. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedures for recovery amounts due.

#### 3.6.2 Financial liabilities

##### (i) Initial recognition and measurement

All financial liabilities are recognised initially at fair value, and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables, borrowings, and amount due to a subsidiary.

##### (ii) Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

The Group and the Company do not have any financial liabilities measured at fair value through profit or loss as at the end of the reporting period.

##### **Financial liabilities at amortised cost**

This is the category most relevant to the Group and to the Company. After initial recognition, trade and other payables, amount due to a subsidiary and interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statements of comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.6 Financial Instruments (Cont'd)

#### 3.6.2 Financial liabilities (Cont'd)

##### (iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statements of comprehensive income.

#### 3.6.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### 3.6.4 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in statements of comprehensive income over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

### 3.7 Inventories

Inventories comprises raw materials, packing material, work-in-progress, finished goods and are stated at the lower of cost and net realisable value.

Cost of raw material and packing material comprise the original cost of purchase plus the cost of bringing the inventories to their present location and condition and is determined on the first-in, first-out basis.

Cost of finished goods and work-in-progress consist of raw material, packing material, direct labour and an appropriate proportion of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### 3.8 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, short term demand deposits, and highly liquid investments which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

### 3.9 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.10 Share Capital, Share Issuance Costs and Dividends

#### Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

#### Share issuance costs

Incremental external costs directly attributable to the issuance of new shares are deducted against equity.

#### Dividends

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained profits and recognised as a liability in the period in which they are declared or approved.

### 3.11 Treasury Shares

When share capital recognised as equity is repurchased, the amount of the consideration paid including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statements of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

### 3.12 Warrants

Warrants are classified as equity instrument and its value is allocated based on the market prices on their first day of quotation in the stock exchange. The issuance of the ordinary shares upon exercise of the warrants is treated as new subscription of ordinary shares for the consideration equivalent to the exercise price of the warrants.

Upon exercise of warrants, the proceeds are credited to share capital. The warrants reserve in relation to the unexercised warrants at the expiry of the warrants will be reversed.

### 3.13 Revenue

The Group is in the business of manufacturing and selling of frozen food.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

#### 3.13.1 Manufacture and sale of frozen food

Revenue from manufacturing and sale of frozen food is recognised at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

##### 3.13.1.1 Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sales of frozen foods provide customers with discounts and fixed rebates. The rights of return, discounts and fixed rebates give rise to variable consideration.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.13 Revenue (Cont'd)

#### 3.13.1 Manufacture and sale of frozen food (Cont'd)

##### 3.13.1.1 Variable consideration (Cont'd)

###### Rights of return

Certain contracts provide the customers with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in *MFRS 15* on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

###### Discounts

The Group gives trade discounts to certain customers once the customers have made early settlement. To estimate the variable consideration for the expected future trade discount, the Group applied the expected value method. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future trade discounts.

###### Fixed rebates

The Group provides retrospective unconditional fixed rebates to certain customers. Rebates are offset against amounts payable by the customers. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method. The selected method that best predicts the amount of variable consideration is primarily driven by the transaction price at the date of the contract with customers. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

##### 3.13.2 Interest income

Interest income is recognised as it accrues using the effective interest rate method in profit or loss.

##### 3.13.3 Rental income

Rental income is accounted for on a straight-line basis over the lease terms. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

##### 3.13.4 Contract balances

This refers to the closing balances of the trade receivables and amount due from an associate as at the end of the reporting period.

###### **Trade receivables and amount due from an associate**

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

### 3.14 Borrowing Costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest rate method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and undertakes activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.15 Employee Benefits

#### 3.15.1 Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

A provision is made for the estimated liability for leave as a result of services rendered by employees up to the reporting date.

#### 3.15.2 Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

As required by law, companies in Malaysia make such contributions to the Employee Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred.

#### 3.15.3 Employees' share options scheme ("ESOS")

Eligible employees of the Group and of the Company received remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the ESOS reserve over the vesting period.

The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's and the Company's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon market or non-vesting condition, which are tested as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The ESOS reserve is transferred to retained profits upon expiry of the share options.

The proceeds received net of directly attributable transaction costs are credited to share capital when the options are exercised.

### 3.16 Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.16 Income Tax (Cont'd)

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date, except for investment properties carried at fair value model. Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3.3 to the financial statements, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

### 3.17 Foreign Currency Translation

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities measured at historical cost in a foreign currency at the end of the reporting period are translated to the functional currency at the exchange rate at the date of the transaction except for those measured at fair value shall be translated at the exchange rate at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.18 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

### 3.19 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

### 3.20 Related Parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) Has control or joint control over the Group;
  - (ii) Has significant influence over the Group; or
  - (iii) Is a member of the key management personnel of the ultimate holding company of the Group, or the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group.
  - (ii) One entity is an associate or joint venture of the other entity.
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
  - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the ultimate holding company or the entity.
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

### 3.21 Non-current Asset Held for Sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Classification of the asset as held for sale occurs only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary and the sale must be highly probable. Management must be committed to a plan to sell the assets which are expected to qualify for recognition as a completed sale within one year from the date of classification. Action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or the plan will be withdrawn.

Immediately before classification as held for sale, the assets are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs to sell.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 4. PROPERTY, PLANT AND EQUIPMENT GROUP

### GROUP

	-----At valuation-----		-----At cost-----					Total RM
	Leasehold land RM	Buildings RM	Plant, machinery and factory equipment RM	Furniture, fittings and office equipment RM	Electrical installation and renovation RM	Motor vehicles RM	Capital work-in-progress RM	
<b>2021</b>								
<b>At Valuation/Cost</b>								
Balance at beginning	5,500,000	10,000,000	37,159,131	1,726,754	4,588,277	647,859	8,911	59,630,932
Additions	-	-	369,846	64,898	13,500	549,230	1,056,460	2,053,934
Disposals	-	-	(32,350)	-	-	(76,754)	-	(109,104)
Written off	-	-	(20,580)	-	-	-	-	(20,580)
Reclassification	-	-	8,911	-	-	-	(8,911)	-
Balance at end	<u>5,500,000</u>	<u>10,000,000</u>	<u>37,484,958</u>	<u>1,791,652</u>	<u>4,601,777</u>	<u>1,120,335</u>	<u>1,056,460</u>	<u>61,555,182</u>
<b>Accumulated depreciation</b>								
Balance at beginning	-	482,000	19,139,592	1,271,470	3,184,847	307,521	-	24,385,430
Depreciation	132,550	241,000	3,225,351	154,740	423,731	146,862	-	4,324,234
Disposals	-	-	(21,595)	-	-	(6,271)	-	(27,866)
Written off	-	-	(13,645)	-	-	-	-	(13,645)
Balance at end	<u>132,550</u>	<u>723,000</u>	<u>22,329,703</u>	<u>1,426,210</u>	<u>3,608,578</u>	<u>448,112</u>	<u>-</u>	<u>28,668,153</u>
<b>Carrying amount</b>	<u>5,367,450</u>	<u>9,277,000</u>	<u>15,155,255</u>	<u>365,442</u>	<u>993,199</u>	<u>672,223</u>	<u>1,056,460</u>	<u>32,887,029</u>
<b>2020</b>								
<b>At Valuation/Cost</b>								
Balance at beginning	5,000,000	10,000,000	51,716,174	5,602,004	7,117,346	3,303,053	-	82,738,577
Additions	-	-	1,366,993	29,158	-	219,057	8,911	1,624,119
Revaluation	500,000	-	-	-	-	-	-	500,000
Disposals	-	-	(1,001,243)	(1,310)	-	-	-	(1,002,553)
Written off	-	-	(14,922,793)	(3,903,098)	(2,529,069)	(2,874,251)	-	(24,229,211)
Balance at end	<u>5,500,000</u>	<u>10,000,000</u>	<u>37,159,131</u>	<u>1,726,754</u>	<u>4,588,277</u>	<u>647,859</u>	<u>8,911</u>	<u>59,630,932</u>
<b>Accumulated depreciation</b>								
Balance at beginning	120,500	241,000	30,917,722	4,846,409	5,154,326	3,077,520	-	44,357,477
Depreciation	120,500	241,000	3,456,230	287,286	554,444	103,852	-	4,763,312
Disposals	-	-	(338,861)	(1,237)	-	-	-	(340,098)
Written off	-	-	(14,895,499)	(3,860,988)	(2,523,923)	(2,873,851)	-	(24,154,261)
Elimination of accumulated depreciation on revaluation	(241,000)	-	-	-	-	-	-	(241,000)
Balance at end	<u>-</u>	<u>482,000</u>	<u>19,139,592</u>	<u>1,271,470</u>	<u>3,184,847</u>	<u>307,521</u>	<u>-</u>	<u>24,385,430</u>
<b>Carrying amount</b>	<u>5,500,000</u>	<u>9,518,000</u>	<u>18,019,539</u>	<u>455,284</u>	<u>1,403,430</u>	<u>340,338</u>	<u>8,911</u>	<u>35,245,502</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

- (i) The leasehold land and buildings were revalued to fair values based on the valuations performed by independent professional valuers using the market comparison approach. The appraised values were derived from observable prices per square foot for comparable properties in similar locations (i.e. Level 3). Please refer to Note 2.2 to the financial statements for definition of Level 1 to 3 of the fair value hierarchy. Had the leasehold land and buildings been carried under the cost model, the total carrying amounts of their entire classes that would have been recognised in the financial statements are as follows:

	GROUP	
	2021 RM	2020 RM
Leasehold land	1,772,282	1,825,461
Buildings	7,756,549	8,041,361
	<b>9,528,831</b>	<b>9,866,822</b>

- (ii) The leasehold land and buildings of the Group have been pledged to the financial institutions as securities for banking facilities granted to the Group as disclosed in Note 22 to the financial statements.

- (iii) The carrying amount of leased assets which are pledged as securities for finance lease liabilities as disclosed in Note 22 to the financial statements are as follows:

	GROUP	
	2021 RM	2020 RM
Plant, machinery and factory equipment	-	1,297,724
Motor vehicle	351,959	84,600
	<b>351,959</b>	<b>1,382,324</b>

- (iv) Included in the property, plant and equipment is a motor vehicle of a subsidiary with net carrying amounts of **RM47,000** (2020: RM84,600) which is registered under the name of a director's spouse of the subsidiary in trust for the said subsidiary.

- (v) The information of right-of-use assets which are included in the property, plant and equipment is as follows:

	GROUP			
	Carrying amount RM	Current depreciation RM	Disposal RM	Revaluation RM
<b>2021</b>				
Leasehold land, at valuation	5,367,450	132,550	-	-
Motor vehicles, at cost	351,959	50,591	317,950	-
<b>2020</b>				
Leasehold land, at valuation	5,500,000	120,500	-	741,000
Plant, machinery and factory equipment, at cost	1,297,724	295,440	662,381	-
Motor vehicle, at cost	84,600	37,600	-	-

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 5. INVESTMENT PROPERTIES

	GROUP	
	2021 RM	2020 RM
<b>Freehold land</b>		
<b>At fair value</b>		
Balance at beginning	550,000	4,780,000
Fair value adjustments recognised in profit or loss	-	102,000
Less: Reclassification to non-current assets held for sale (Note 16)	-	(4,332,000)
Balance at end	<u>550,000</u>	<u>550,000</u>

Investment properties of the Group have been pledged to a financial institution as securities for banking facilities granted to the Group as disclosed in Note 22 to the financial statements.

The fair values of investment properties were measured based on valuations performed by independent professional valuers using the market comparison approach. The appraised values were derived from observable prices per square foot for comparable properties in similar locations (i.e. Level 3). Please refer to Note 2.2 to the financial statements for definition of Level 1 to 3 of the fair value hierarchy.

## 6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### Group as a lessee

The Group has lease contracts for forklifts and office used in its operations. The leases of forklifts and offices have lease term of 2 to 3 years. The lease contracts restrict the Group from assigning and subleasing the leased assets.

The Group also has certain leases of premises, equipment and motor vehicle with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

### Right-of-use assets

Set out below are the carrying amounts of right-of-use assets and the movements during the financial year:

	Forklifts RM	Office RM	Total RM
<b>2021</b>			
Balance at beginning	151,972	33,709	185,681
Addition	-	259,507	259,507
Depreciation	(102,954)	(23,781)	(126,735)
Derecognition	-	(24,345)	(24,345)
Balance at end	<u>49,018</u>	<u>245,090</u>	<u>294,108</u>
<b>2020</b>			
Balance at beginning	199,072	-	199,072
Addition	52,916	39,327	92,243
Depreciation	(100,016)	(5,618)	(105,634)
Balance at end	<u>151,972</u>	<u>33,709</u>	<u>185,681</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Cont'd)

### *Lease liabilities*

Set out below are the carrying amount of lease liabilities recognised and the movements during the financial year:

	<b>GROUP</b>	
	<b>2021</b>	2020
	<b>RM</b>	RM
Balance at beginning	<b>190,466</b>	199,072
Addition	<b>259,507</b>	92,243
Accretion of interest on lease liabilities	<b>8,311</b>	11,751
Payments	<b>(139,818)</b>	(112,600)
Derecognition	<b>(25,172)</b>	-
Balance at end	<b>293,294</b>	190,466
Analysed as:		
Current	<b>132,450</b>	126,974
Non-current	<b>160,844</b>	63,492
	<b>293,294</b>	190,466

The maturity analysis of lease liabilities is disclosed in Note 36.4 to the financial statements.

The following are the amounts recognised in profit or loss:

	<b>GROUP</b>	
	<b>2021</b>	2020
	<b>RM</b>	RM
Accretion of interest on lease liabilities	<b>8,311</b>	11,751
Depreciation of right-of-use assets	<b>126,735</b>	105,634
Gain on derecognition of right-of-use assets and lease liabilities	<b>(827)</b>	-
Expenses relating to lease of low value assets	<b>117,452</b>	62,596
Expenses relating to short-term leases	<b>160,016</b>	159,031
<b>Total amount recognised in profit or loss</b>	<b>411,687</b>	339,012

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 7. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2021 RM	2020 RM
Unquoted shares, at cost	56,463,544	56,463,544
ESOS granted to employees of subsidiaries	636,069	636,069
	<b>57,099,613</b>	57,099,613
Less: Accumulated impairment losses		
Balance at beginning	-	(9,125,239)
Addition	(32,999,998)	-
Reversal	-	9,125,239
Balance at end	<b>(32,999,998)</b>	-
	<b>24,099,615</b>	57,099,613

The details of the subsidiaries, all of which were incorporated in Malaysia are as follows:

Name of subsidiaries	Effective Equity Interest		Principal Activities
	2021 %	2020 %	
Saudi Cold Storage Sdn. Bhd.	100	100	Wholesaler and dealer of fresh and frozen foods.
Perusahaan Saudee Sdn. Bhd.	100	100	Manufacturer and dealer of processed poultry, beef products, frozen foods and bakery product.

### Impairment on investment in subsidiaries

The Company reviews the investment in subsidiaries for impairment annually. The recoverable amounts of the investment in subsidiaries are assessed by reference to their fair value less cost to sell, which approximate the net assets of the subsidiaries at the end of the reporting period. Accordingly, an impairment loss of RM32,999,998 was recognised during the financial year, while there was a reversal of impairment loss of RM9,125,239 in the prior financial year, in respect of investment in Saudi Cold Storage Sdn. Bhd.

## 8. INVESTMENT IN AN ASSOCIATE

	GROUP	
	2021 RM	2020 RM
Unquoted shares, at cost	390,000	390,000
Share of post-acquisition results	(60,392)	(126,882)
	<b>329,608</b>	263,118

The details of the associate, which is incorporated in Malaysia, are as follows:

Name of associate	Effective Equity Interest		Principal Activity
	2021	2020	
Hokubee Saudee (M) Sdn. Bhd.	39%	39%	Trading of beef products and frozen foods.

The financial year of Hokubee Saudee (M) Sdn. Bhd. is 31 December. For the purpose of applying the equity method of accounting, appropriate adjustments have been made for the effects of significant transactions between that date and 31 July 2021.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 8. INVESTMENT IN AN ASSOCIATE (Cont'd)

Summarised financial information in respect of the Group's associate is as follows:

	2021 RM	2020 RM
<b>As at 31 July</b>		
Non-current assets	919	1,451
Current assets	870,513	815,090
Current liabilities	<u>(26,283)</u>	<u>(141,880)</u>
Net assets	<u>845,149</u>	<u>674,661</u>
<b>Year ended 31 July</b>		
Revenue	1,321,398	2,508,944
Net profit/(loss), representing total comprehensive income/(loss)	<u>170,488</u>	<u>(188,937)</u>
<b>Reconciliation of net assets to carrying amount</b>		
Group's share of net assets, representing carrying amount in the statements of financial position	<u>329,608</u>	<u>263,118</u>
<b>Group's share of results</b>		
<b>Year ended 31 July</b>		
Group's share of profit/(loss)	<u>66,490</u>	<u>(73,685)</u>

## 9. AMOUNT DUE FROM/(TO) SUBSIDIARIES

	COMPANY	
	2021 RM	2020 RM
<b>Amount due from a subsidiary</b>		
Non-current	37,396,077	-
Current	4,026,740	18,971,386
<b>Total amount due from a subsidiary</b>	<u>41,422,817</u>	<u>18,971,386</u>
<b>Amount due to a subsidiary</b>		
Current	<u>-</u>	<u>2,029,662</u>

The amount due from subsidiaries are non-trade, unsecured, non-interest bearing and classified based on the expected timing of realisation.

The amount due to a subsidiary was non-trade, unsecured, non-interest bearing and repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 10. INVENTORIES

	GROUP	
	2021 RM	2020 RM
<b>At cost</b>		
Raw materials	6,049,543	4,594,057
Packing materials	1,658,883	2,472,803
Work-in-progress	150,438	228,819
Finished goods	3,406,684	3,332,450
	<b>11,265,548</b>	<b>10,628,129</b>
Cost of inventories recognised in profit or loss:		
Inventories recognised as cost of sales	70,972,836	70,185,865
Inventories written down	446,277	-
Inventories written off	-	25,119,683
Reversal of inventories written down	-	(4,228,353)

The reversal of inventories written down is made in the prior financial year when the related inventories were sold above their carrying amounts.

## 11. TRADE RECEIVABLES

	GROUP	
	2021 RM	2020 RM
Trade receivables		
- Third parties	16,526,356	16,035,097
- Related parties*	-	945,294
	<b>16,526,356</b>	<b>16,980,391</b>
Less: Allowance for expected credit losses	<b>(3,747,813)</b>	<b>(2,448,436)</b>
	<b>12,778,543</b>	<b>14,531,955</b>

\* Being amount due from companies in which a close family member of certain former directors has substantial financial interests.

All the trade receivables are denominated in RM. The normal credit terms granted to trade receivables range from **30 to 120 days** (2020: 30 to 120 days). Other credit terms are assessed and approved on a case-by-case basis.

The movement of allowance for expected credit losses during the financial year is as follows:

	GROUP	
	2021 RM	2020 RM
Balance at beginning	2,448,436	6,376,533
Addition	1,498,171	642,542
Reversal	(198,794)	(224,974)
Written off	-	(4,345,665)
	<b>1,299,377</b>	<b>(3,928,097)</b>
Balance at end	<b>3,747,813</b>	<b>2,448,436</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2021 RM	2020 RM	2021 RM	2020 RM
Sundry receivables	<b>425,679</b>	1,227,291	-	-
Less: Allowance for expected credit losses	<b>(20,139)</b>	-	-	-
	<b>405,540</b>	1,227,291	-	-
Deposits	<b>126,593</b>	92,315	<b>1,000</b>	1,000
Prepayments	<b>891,278</b>	764,203	<b>10,518</b>	10,518
	<b>1,423,411</b>	2,083,809	<b>11,518</b>	11,518

The movement of allowance for expected credit losses during the financial year is as follows:

	GROUP	
	2021 RM	2020 RM
Balance at beginning	-	283,657
Current year	<b>(20,139)</b>	-
Written off	-	(283,657)
Balance at end	<b>(20,139)</b>	-

The currency profile of other receivables, deposits and prepayments is as follows:

	GROUP		COMPANY	
	2021 RM	2020 RM	2021 RM	2020 RM
Ringgit Malaysia	<b>1,115,576</b>	2,024,412	<b>11,518</b>	11,518
United States Dollar	<b>305,480</b>	57,149	-	-
Renminbi	<b>2,355</b>	2,248	-	-
	<b>1,423,411</b>	2,083,809	<b>11,518</b>	11,518

## 13. AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is unsecured, non-interest bearing and generally settled within the credit term of **60 days** (2020: 60 days).

## 14. SHORT TERM INVESTMENT

The short term investment represents investment in money market instruments with different maturity period and can be redeemed at any time upon notice given to the financial institution.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 15. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2021 RM	2020 RM	2021 RM	2020 RM
Fixed deposits with licensed banks	471,483	5,508,782	-	-
Cash in hand and at banks	50,388,479	1,397,076	45,006,798	13,233
	<b>50,859,962</b>	<b>6,905,858</b>	<b>45,006,798</b>	<b>13,233</b>

Included in the fixed deposits with licensed banks is an amount of **RM81,483** (2020: RM81,483) held in trust by a former director.

The fixed deposits with licensed banks have been pledged to financial institution as securities for banking facilities granted to the Group as disclosed in Note 22 to the financial statements.

The effective interest rates per annum and maturities of the fixed deposits with licensed banks of the Group as at the end of the reporting period ranged from **1.40% to 1.85%** (2020: 0.25% to 3.90%) per annum and **1 to 12 months** (2020: 1 to 12 months) respectively.

The currency profile of cash and bank balances is as follows:

	GROUP		COMPANY	
	2021 RM	2020 RM	2021 RM	2020 RM
Ringgit Malaysia	50,847,502	6,893,721	45,006,798	13,233
United States Dollar	7,385	7,421	-	-
Thai Baht	131	137	-	-
Renminbi	4,944	4,579	-	-
	<b>50,859,962</b>	<b>6,905,858</b>	<b>45,006,798</b>	<b>13,233</b>

## 16. NON-CURRENT ASSETS HELD FOR SALE

	GROUP	
	2021 RM	2020 RM
<b>Freehold land</b>		
Reclassified from investment properties (Note 5)	-	4,332,000

On 29 May 2020, the Group has entered into Sale and Purchase Agreements to dispose of four pieces of land lots for a cash consideration of RM4,489,785. The disposal transaction has completed during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 17. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2021 RM	2020 RM	2021 RM	2020 RM
<b>Issued and fully paid:</b>				
Balance at beginning	<b>146,637,900</b>	137,315,900	<b>68,660,016</b>	66,926,124
Issuance of shares pursuant to:				
- Exercise of ESOS	-	9,322,000	-	1,211,860
- Private placements	<b>69,478,700</b>	-	<b>18,936,916</b>	-
- Rights issue with Warrant B	<b>474,820,122</b>	-	<b>45,867,623</b>	-
- Exercise of Warrant A	<b>21,798,097</b>	-	<b>10,899,049</b>	-
- Exercise of Warrant B	<b>3,545,000</b>	-	<b>531,750</b>	-
Transfer of ESOS reserve upon exercised	-	-	-	522,032
Transfer of warrant reserve upon:				
- Exercise of Warrant A	-	-	<b>2,179,809</b>	-
- Exercise of Warrant B	-	-	<b>378,606</b>	-
Share issuance expenses	-	-	<b>(1,219,614)</b>	-
Balance at end	<b>716,279,819</b>	146,637,900	<b>146,234,155</b>	68,660,016

During the financial year, the Company has increased its issued and fully paid up ordinary share capital by way of issuance of:

- (i) 14,637,000 new ordinary shares through a private placement at an issue price of RM0.4857 per ordinary share for cash on 4 September 2020;
- (ii) 20,000,000 new ordinary shares through a private placement at an issue price of RM0.2252 per ordinary share for cash on 20 April 2021;
- (iii) 34,841,700 new ordinary shares through a private placement at an issue price of RM0.2102 per ordinary share for cash on 23 April 2021;
- (iv) 474,820,122 new ordinary shares at an issue price of RM0.15 together with 237,410,060 free detachable warrants on the basis of two rights shares together with one free warrant for every one existing ordinary share held;
- (v) 21,798,097 new ordinary shares pursuant to the exercise of Warrant A at an exercise price of RM0.50 per warrant for cash; and
- (vi) 3,545,000 new ordinary shares pursuant to the exercise of Warrant B at an exercise price of RM0.15 per warrant for cash.

The new ordinary shares issued during the financial year rank *pari passu* in all respects with the existing ordinary shares of the Company.

## 18. TREASURY SHARES

The Company's mandate relating to the share buyback of up to 10% of the existing total paid-up share capital, inclusive of all treasury shares that have been bought back, was approved by the shareholders of the Company at the annual general meeting held on 21 December 2020.

Of the total **716,279,819** (2020: 146,637,900) issued and paid-up ordinary shares as at the end of the reporting period, **267,000** (2020: 267,000) ordinary shares are held as treasury shares by the Company. As at the end of the reporting period, the number of outstanding ordinary shares in issue is therefore **716,012,819** (2020: 146,370,900) ordinary shares.

Treasury shares have no rights to voting, dividends and participation in other distribution.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 19. WARRANT RESERVE

	GROUP AND COMPANY	
	2021	2020
	RM	RM
Balance at beginning	4,499,998	4,499,998
Rights issue with Warrant B	25,355,395	-
Transfer of warrant reserve upon:		
- Exercise of Warrant A	(2,179,809)	-
- Exercise of Warrant B	(378,606)	-
Lapse of Warrant A	(2,320,189)	-
	<b>24,976,789</b>	<b>4,499,998</b>

Warrant reserve represents the fair value of the warrants issued pursuant to rights issue exercise undertaken by the Company.

### 19.1 Warrant A

During the financial year, 21,798,097 Warrant A has been exercised and the remaining 23,201,885 unexercised Warrant A has been lapsed on 31 March 2021 and thereafter ceased to be valid for any purpose.

The salient features of the Warrant A are as follows:

- (i) The warrants are detachable and separately tradable;
- (ii) Each warrant entitles the holder to subscribe for 1 new ordinary share in the Company at an exercise price of RM0.50; and
- (iii) The warrants are exercisable over a period of 5 years until 31 March 2021.

### 19.2 Warrant B

On 17 June 2021, the Company had issued 237,410,060 Warrant B in conjunction with the issuance of rights shares.

The Warrant B is constituted by a deed poll dated 5 May 2021 ("Deed Poll"). The salient features of the Warrant B are as follows:

- (i) The warrants are detachable and separately tradable;
- (ii) Each warrant entitles the holder to subscribe for 1 new ordinary share in the Company at an exercise price of RM0.15;
- (iii) The warrants are exercisable over a period of 3 years until 16 June 2024;
- (iv) The exercise price and the number of warrants are subject to adjustment in the event of alteration to the share capital of the Company in accordance with the provisions in the Deed Poll;
- (v) The warrant holders are not entitled to participate in any distribution and/or offer of further securities in the Company (except for the issue of new warrants pursuant to adjustment as mentioned in item (iv) above), unless and until such warrant holders exercise their rights to subscribe for new ordinary shares; and
- (vi) The new ordinary shares to be issued upon exercise of the warrants, shall upon issuance and allotment, rank *pari passu* with the then existing ordinary shares, except that they will not be entitled to dividends, rights, allotments and/or other distributions, declared by the Company which entitlement thereof precedes the allotment date of the new ordinary shares allotted pursuant to the exercise of the warrants.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 19. WARRANT RESERVE (Cont'd)

The movement of the warrants during the financial year are as follows:

	Number of warrants				Balance at end
	Balance at beginning	Issuance	Exercised	Lapsed	
<b>2021</b>					
Warrant A expiring 31 March 2021	44,999,982	-	(21,798,097)	(23,201,885)	-
Warrant B expiring 16 June 2024	-	237,410,060	(3,545,000)	-	233,865,060
<b>2020</b>					
Warrant A expiring 31 March 2021	44,999,982	-	-	-	44,999,982

## 20. REVALUATION RESERVE

	GROUP	
	2021 RM	2020 RM
Balance at beginning	3,129,364	2,637,487
Revaluation of land	-	741,000
Realisation of revaluation surplus upon depreciation	(86,927)	(71,283)
Deferred tax impact on revaluation surplus	-	(177,840)
Balance at end	3,042,437	3,129,364

This is in respect of revaluation surplus net of deferred tax arising from the revaluation of the Group's leasehold land and buildings and is non-distributable.

## 21. RETAINED PROFITS

### COMPANY

The franking of dividends of the Company is under the single tier system and therefore there is no restriction on the Company to distribute dividends subject to the availability of retained profits.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 22. BORROWINGS

	<b>GROUP</b>	
	<b>2021</b>	2020
	<b>RM</b>	RM
<b>Non-current liabilities</b>		
Secured:		
<u>Finance lease liabilities</u>		
Minimum payments:		
Within one year	<b>86,400</b>	476,567
More than one year and less than two years	<b>86,400</b>	165,065
More than two years and less than five years	<b>167,479</b>	54,367
	<b>340,279</b>	695,999
Future finance charges	<b>(31,774)</b>	(38,191)
	<b>308,505</b>	657,808
Amount due within one year included under current liabilities	<b>(73,239)</b>	(448,082)
	<b>235,266</b>	209,726
<u>Term loans</u>		
Total amount repayable	-	7,501,242
Amount due within one year included under current liabilities	-	(1,135,601)
	-	6,365,641
	<b>235,266</b>	6,575,367
<b>Current liabilities</b>		
Secured:		
Finance lease liabilities	<b>73,239</b>	448,082
Term loans	-	1,135,601
Bankers' acceptance	-	16,631,608
Bank overdrafts	-	2,830,196
	<b>73,239</b>	21,045,487
<b>Total borrowings</b>	<b>308,505</b>	27,620,854

The borrowings are secured by way of:

- (i) Legal charge over the leasehold land and buildings and investment properties of the Group as disclosed in Note 4 and Note 5 to the financial statements respectively;
- (ii) Fixed deposits with licensed banks of the Group as disclosed in Note 15 to the financial statements;
- (iii) Legal charge of certain properties belonging to a former director of the Company;
- (iv) Joint and several guarantee of certain former directors and a third party;
- (v) Corporate guarantee of the Company and a subsidiary; and
- (vi) Lease assets as disclosed in Note 4 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 22. BORROWINGS (Cont'd)

A summary of the effective interest rates and the maturities of the borrowings is as follows:

	Effective interest rates per annum (%)	Total RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
<b>2021</b>						
Finance lease liabilities	2.18 – 2.53	308,505	73,239	76,959	158,307	-
<b>2020</b>						
Finance lease liabilities	2.18 - 3.60	657,808	448,082	157,325	52,401	-
Term loans	3.75 - 6.22	7,501,242	1,135,601	1,507,130	3,323,404	1,535,107
Bankers' acceptance	2.31 - 5.25	16,631,608	16,631,608	-	-	-
Bank overdrafts	6.47 - 7.56	2,830,196	2,830,196	-	-	-

## 23. DEFERRED TAX LIABILITIES

	GROUP	
	2021 RM	2020 RM
Balance at beginning	1,419,419	(1,362,951)
Recognised in profit or loss	(428,751)	2,570,492
Recognised in other comprehensive income	-	177,840
	<b>990,668</b>	<b>1,385,381</b>
Under provision in prior year	-	34,038
Balance at end	<b>990,668</b>	<b>1,419,419</b>

The deferred tax liabilities as at the end of the reporting period are made up of the temporary differences arising from:

	GROUP	
	2021 RM	2020 RM
Revaluation reserve	960,768	988,219
Investment properties	38,100	464,600
Provisions	(8,200)	(33,400)
	<b>990,668</b>	<b>1,419,419</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 24. TRADE PAYABLES

	GROUP	
	2021	2020
	RM	RM
Third parties	<b>11,992,476</b>	13,508,591
Related party*	-	3,334
	<b>11,992,476</b>	<b>13,511,925</b>

\* Being amount due to a company in which a close family member of certain former directors has substantial financial interest.

The currency profile of trade payables is as follows:

	GROUP	
	2021	2020
	RM	RM
Ringgit Malaysia	<b>8,768,412</b>	10,829,727
United States Dollar	<b>3,143,941</b>	2,603,091
Singapore Dollar	<b>80,123</b>	79,107
	<b>11,992,476</b>	<b>13,511,925</b>

Trade payables are non-interest bearing and are generally on **30 to 90 days** (2020: 30 to 90 days) credit terms.

## 25. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2021	2020	2021	2020
	RM	RM	RM	RM
Sundry payables	<b>1,145,106</b>	1,623,883	<b>24,086</b>	13,301
Accruals	<b>984,805</b>	974,831	<b>93,421</b>	194,050
Deposit received	<b>350,000</b>	798,978	-	-
Sales tax payable	<b>208,389</b>	340,383	-	-
	<b>2,688,300</b>	<b>3,738,075</b>	<b>117,507</b>	<b>207,351</b>

Included in the deposit received are:

- (i) security deposits of **RM350,000** (2020: RM350,000) received from the distributors of the Group's products and are refundable on termination of the distributorship agreement; and
- (ii) **RM Nil** (2020: RM448,978) arising from the disposal of the investment properties as disclosed in Note 16 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 25. OTHER PAYABLES AND ACCRUALS (Cont'd)

The currency profile of other payables and accruals is as follows:

	GROUP		COMPANY	
	2021 RM	2020 RM	2021 RM	2020 RM
Ringgit Malaysia	2,620,741	3,482,855	117,507	207,351
Euro	-	200,825	-	-
United States Dollar	-	14,322	-	-
Singapore Dollar	67,559	40,073	-	-
	<b>2,688,300</b>	<b>3,738,075</b>	<b>117,507</b>	<b>207,351</b>

## 26. REVENUE

### 26.1 Disaggregated revenue information

	GROUP	
	2021 RM	2020 RM
Manufacture and sale of frozen food recognised at a point in time upon delivery of goods to the customers, representing total revenue from contracts with customers	<b>80,778,690</b>	78,511,104
<b>Geographical markets</b>		
Malaysia	<b>80,535,513</b>	78,511,104
Japan	<b>243,177</b>	-
<b>Total revenue from contracts with customers</b>	<b>80,778,690</b>	<b>78,511,104</b>

### 26.2 Performance obligations

The performance obligations are spelt out in Note 3.13 to the financial statements.

## 27. OTHER INCOME

	GROUP		COMPANY	
	2021 RM	2020 RM	2021 RM	2020 RM
Bad debt recovered	10,737	-	-	-
Fair value adjustment of investment properties	-	102,000	-	-
Gain on derecognition of right-of-use assets and lease liabilities	827	-	-	-
Gain on disposal of non-current assets held for sale	157,785	-	-	-
Gain on disposal of property, plant and equipment	-	339,332	-	-
Balance carried forward	<b>169,349</b>	441,332	-	-

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 27. OTHER INCOME (Cont'd)

	GROUP		COMPANY	
	2021 RM	2020 RM	2021 RM	2020 RM
Balance brought forward	169,349	441,332	-	-
Interest income	146,634	145,843	69,228	96
Others	267,196	220,008	-	-
Realised gain on foreign exchange	4,760	-	-	-
Rental income	75,771	51,543	-	-
Reversal of allowance for expected credit losses on trade receivables	198,794	224,974	-	-
Reversal of impairment loss on investment in subsidiaries	-	-	-	9,125,239
Unrealised gain on foreign exchange	-	6,232	-	-
	<b>862,504</b>	<b>1,089,932</b>	<b>69,228</b>	<b>9,125,335</b>

## 28. FINANCE COSTS

	GROUP	
	2021 RM	2020 RM
Interest expenses on:		
- Accretion of interest on lease liabilities	8,311	11,751
- Finance lease liabilities	42,340	64,903
- Term loans	496,908	313,252
- Bankers' acceptance	550,602	935,844
- Bank overdrafts	195,956	306,585
	<b>1,294,117</b>	<b>1,632,335</b>

## 29. (LOSS)/PROFIT BEFORE TAX

	GROUP		COMPANY	
	2021 RM	2020 RM	2021 RM	2020 RM
This is arrived at after charging:				
Allowance for expected credit losses on:				
- Trade receivables	1,498,171	642,542	-	-
- Other receivables	20,139	-	-	-
Auditors' remuneration:				
- Statutory audit				
- current year	148,000	145,000	41,000	38,000
- over provision in prior year	(7,000)	-	(2,000)	-
- Other services	24,800	24,800	4,800	4,800

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 29. (LOSS)/PROFIT BEFORE TAX (Cont'd)

	GROUP		COMPANY	
	2021 RM	2020 RM	2021 RM	2020 RM
Bad debts written off on:				
- Trade receivables	<b>76,977</b>	67,229	-	-
- Other receivables	-	2,250,411	-	1,204,455
Depreciation of:				
- Property, plant and equipment	<b>4,324,234</b>	4,763,312	-	-
- Right-of-use assets	<b>126,735</b>	105,634	-	-
Employee benefits expense (Note 30)	<b>8,327,120</b>	9,252,462	<b>230,117</b>	202,000
Expenses relating to lease of low value assets	<b>117,452</b>	62,596	-	-
Expenses relating to short-term leases	<b>160,016</b>	159,031	-	-
Impairment loss on investment in a subsidiary	-	-	<b>32,999,998</b>	-
Inventories written down	<b>446,277</b>	-	-	-
Inventories written off	-	25,119,683	-	-
Loss on disposal of property, plant and equipment	<b>31,038</b>	-	-	-
Loss on foreign exchange				
- Realised	<b>128,292</b>	44,727	-	-
- Unrealised	<b>41,600</b>	41,707	-	-
Property, plant and equipment written off	<b>6,935</b>	74,950	-	-
Reversal of inventories written down	-	(4,228,353)	-	-

## 30. EMPLOYEE BENEFITS EXPENSE

	GROUP		COMPANY	
	2021 RM	2020 RM	2021 RM	2020 RM
Fees	<b>214,617</b>	182,000	<b>214,617</b>	182,000
Salaries, wages, allowances and other emoluments	<b>7,436,283</b>	7,832,390	<b>15,500</b>	20,000
Defined contribution plan	<b>584,909</b>	622,195	-	-
Social security contribution	<b>91,311</b>	93,845	-	-
Share options granted under ESOS	-	522,032	-	-
	<b>8,327,120</b>	9,252,462	<b>230,117</b>	202,000

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 30. EMPLOYEE BENEFITS EXPENSE (Cont'd)

Included in the employee benefits expense is the directors' remuneration as follows:

	GROUP		COMPANY	
	2021 RM	2020 RM	2021 RM	2020 RM
<b>Executive Directors:</b>				
<i>Directors of the Company</i>				
Fees	<b>58,808</b>	86,000	<b>58,808</b>	86,000
Salaries and other emoluments	<b>483,675</b>	1,253,439	<b>5,500</b>	3,500
Defined contribution plan	<b>55,385</b>	145,920	-	-
Benefit-in-kind	-	10,015	-	-
<i>Directors of the subsidiaries</i>				
Salaries and other emoluments	<b>425,374</b>	409,116	-	-
Defined contribution plan	<b>34,177</b>	32,640	-	-
Benefit-in-kind	<b>20,208</b>	6,235	-	-
Total Executive Directors' remuneration	<b>1,077,627</b>	1,943,365	<b>64,308</b>	89,500
<b>Non-Executive Directors:</b>				
<i>Directors of the Company</i>				
Fees	<b>155,809</b>	96,000	<b>155,809</b>	96,000
Allowances	<b>10,000</b>	16,500	<b>10,000</b>	16,500
Total Non-Executive Directors' remuneration	<b>165,809</b>	112,500	<b>165,809</b>	112,500
<b>Total</b>	<b>1,243,436</b>	2,055,865	<b>230,117</b>	202,000

This directors' remuneration can be further analysed as:

	GROUP		COMPANY	
	2021 RM	2020 RM	2021 RM	2020 RM
<b>Present directors:</b>				
- Executive	<b>903,496</b>	1,943,365	<b>41,033</b>	89,500
- Non-executive	<b>129,759</b>	112,500	<b>129,759</b>	112,500
	<b>1,033,255</b>	2,055,865	<b>170,792</b>	202,000
<b>Past directors:</b>				
- Executive	<b>174,131</b>	-	<b>23,275</b>	-
- Non-executive	<b>36,050</b>	-	<b>36,050</b>	-
	<b>210,181</b>	-	<b>59,325</b>	-
<b>Total</b>	<b>1,243,436</b>	2,055,865	<b>230,117</b>	202,000

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 31. TAX INCOME/(EXPENSE)

	GROUP		COMPANY	
	2021 RM	2020 RM	2021 RM	2020 RM
<b>Statements of comprehensive income:</b>				
Deferred tax				
- Origination and reversal of temporary differences	428,751	(2,570,492)	-	-
- Under provision in prior year	-	(34,038)	-	-
	428,751	(2,604,530)	-	-
Real property gains tax	(336,779)	-	-	-
Tax income/ (expense) recognised in profit or loss	91,972	(2,604,530)	-	-
<b>Deferred tax relate to items recognised in other comprehensive income (Note 23)</b>				
Revaluation of land	-	(177,840)	-	-
The reconciliation of the tax income/(expense) of the Group and of the Company is as follows:				
	GROUP		COMPANY	
	2021 RM	2020 RM	2021 RM	2020 RM
(Loss)/Profit before tax	(4,464,911)	(28,006,553)	(33,718,905)	7,400,426
Share of results of an associate	(66,490)	73,685	-	-
	(4,531,401)	(27,932,868)	(33,718,905)	7,400,426
Income tax at Malaysian statutory tax rate of 24%	1,087,536	6,703,888	8,092,537	(1,776,102)
Adjustments:				
Income not subject to tax	54,108	24,503	16,240	2,190,057
Expenses not deductible for tax purposes	(391,511)	(1,711,255)	(8,108,777)	(413,955)
	750,133	5,017,136	-	-
Deferred tax assets not recognised	(1,094,391)	(7,595,491)	-	-
Utilisation of unrecognised unabsorbed capital allowances	319,058	-	-	-
Annual crystallisation of deferred tax on revaluation reserve	27,451	18,063	-	-
Effect of real property gains tax rate applied on the fair value changes of the investment properties	426,500	(10,200)	-	-
Effect of real property gains tax	(336,779)	-	-	-
	91,972	(2,570,492)	-	-
Under provision in prior year	-	(34,038)	-	-
	91,972	(2,604,530)	-	-

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 31. TAX INCOME/(EXPENSE) (Cont'd)

The following deferred tax assets (gross amount) have not been recognised as at the end of the reporting period as it is not probable that future taxable profit will be available against which they may be utilised:

	GROUP	
	2021	2020
	RM	RM
Unabsorbed capital allowances	94,206	-
Unabsorbed reinvestment allowance	467,033	1,309,899
Unused tax losses	26,826,252	24,626,086
Provisions	5,036,535	3,257,488
	<b>32,424,026</b>	<b>29,193,473</b>

The gross amount and future availability of unused tax losses, unabsorbed capital allowances and reinvestment allowance which are available to be carried forward for set-off against future taxable income are estimated as follows:

	GROUP	
	2021	2020
	RM	RM
Unused tax losses	26,826,252	24,664,040
Unabsorbed capital allowances	5,441,487	6,770,895
Unabsorbed reinvestment allowance	7,047,783	7,047,783

The unused tax losses can be carried forward for seven consecutive years of assessment immediately following that year of assessment ("YA") of which tax losses was incurred and this is effective from YA 2018. Unabsorbed reinvestment allowance at the end of the qualifying reinvestment allowance period of fifteen years can be carried forward for seven consecutive years of assessment. However, unabsorbed capital allowance can be carried forward indefinitely.

The unabsorbed reinvestment allowance is still within the qualifying reinvestment allowance period of fifteen years until YA 2026, while the unused tax losses will expire in the following YAs:

	GROUP	
	2021	2020
	RM	RM
YA 2026	7,717,511	7,717,511
YA 2027	16,946,529	16,946,529
YA 2028	2,162,212	-
	<b>26,826,252</b>	<b>24,664,040</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 32. LOSSES PER SHARE

### 32.1 Basic losses per share

Basic losses per share is calculated by dividing the Group's loss for the financial year by the weighted average number of ordinary shares in issue during the financial year as follows:

	GROUP	
	2021 RM	2020 RM
Loss for the financial year (RM)	<u>(4,372,939)</u>	<u>(30,611,083)</u>
Weighted average number of ordinary shares in issue	<u>298,412,910</u>	<u>169,726,938*</u>
Basic losses per share (sen)	<u>(1.47)</u>	<u>(18.04)</u>

\* The weighted average number of ordinary shares in issue takes into account the weighted average effect of rights issue during the financial year as disclosed in Note 17 to the financial statements.

### 32.2 Diluted losses per share

Diluted losses per share is calculated by dividing the loss for the financial year by the weighted average number of ordinary shares in issue during the financial year adjusted for the dilutive effects of all potential ordinary shares.

	GROUP	
	2021	2020
Loss for the financial year (RM)	<u>(4,372,939)</u>	<u>(30,611,083)</u>
Weighted average number of ordinary shares in issue	<u>298,412,910</u>	<u>169,726,938</u>
Adjustment for conversion of Warrant B	<u>3,962,000</u>	<u>-</u>
	<u>302,374,910</u>	<u>169,726,938</u>
Diluted losses per share (sen)	<u>(1.45)</u>	<u>(18.04)</u>

The dilutive losses per share in the prior year equals the basic losses per share due to the anti-dilutive effect of the warrants which have been ignored in calculating the diluted losses per share.

## 33. CAPITAL COMMITMENTS

	GROUP	
	2021 RM	2020 RM
Approved but not provided for: - Enterprise resource planning system	<u>1,052,920</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 34. RELATED PARTIES DISCLOSURES

### (i) Related party transactions

Related party transactions have been entered into at terms agreed between the parties during the financial year.

	GROUP	
	2021 RM	2020 RM
Sales of goods to an associate	2,470,462	2,014,550
Sales of goods to related parties*	-	7,475,922
Purchase of goods from a related party*	-	230,475
Subcon charges received from an associate	13,755	70,125
Delivery charges paid to a related party*	-	19,854
Administrative services paid to an associate	33,000	54,000
Purchase of motor vehicle from former director's spouse	-	190,000
Rental of motor vehicle paid to former director's spouse	-	33,250

\* Being companies in which a close family member of certain former directors has substantial financial interests.

### (ii) Compensation of key management personnel

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group.

Key management includes all the Directors of the Company and its subsidiaries and certain members of senior management of the Group.

	GROUP		COMPANY	
	2021 RM	2020 RM	2021 RM	2020 RM
Key management personnel compensation:				
- fees	214,617	182,000	214,617	182,000
- short term employee benefit	997,875	1,679,055	15,500	20,000
- defined contribution plan	98,994	178,560	-	-
- Benefit-in-kind	20,208	16,250	-	-
	<b>1,331,694</b>	<b>2,055,865</b>	<b>230,117</b>	<b>202,000</b>
Analysed as:				
- Directors	1,243,436	2,055,865	230,117	202,000
- Key management personnel	88,258	-	-	-
	<b>1,331,694</b>	<b>2,055,865</b>	<b>230,117</b>	<b>202,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 35. CONTINGENT LIABILITIES

### GROUP

A subsidiary of the Group, Perusahaan Saudee Sdn. Bhd. ("PSSB") received Letters of Claims from the Royal Malaysian Customs Department ("RMCD") under Section 30(1) of Sales Tax Act 1972 for non-payment of sales tax and late penalties in relation to letter of Claim dated 19 January 2015 for sales tax amounting to RM1,333,914.62 covering period from 1 November 2011 to 31 October 2014 relating to sale of beef and rabbit burgers said to be packed in air-tight containers and penalty amounting to RM323,676.19 up to 31 January 2015 ("Claim").

PSSB had submitted an appeal letter on 31 October 2017 for the cancellation of the Claim to RMCD based on a lab test which concluded that the requirement to be classified as "air-tight" container under the Custom Duties Order 2017 is not met. RMCD had rejected the appeal of the Claim and instructed PSSB to make the payment. PSSB has complied with the instructions of RMCD without prejudice and made the 10% upfront payment amounting to RM165,760 and the remaining balance shall be based on the installment payments for 36 months approved by RMCD.

On 29 July 2020, PSSB had submitted an appeal letter in relation to the remission of the sales tax and penalty to the Ministry of Finance ("MOF") on the basis that PSSB has submitted for cancellation of sales tax license in 2002 based on guidance from RMCD that sales tax is not applicable and RMCD has accepted the cancellation.

On 26 April 2021, MOF has rejected the appeal letter submitted by PSSB and PSSB is required to pay the remaining installment payments of sales tax and penalty. PSSB has completed the installment payments subsequent to the year end. In view of the appeal in relation to the remission of the sales tax and penalty was unsuccessful, PSSB has charged out the amount of RM1,333,914.62 and RM323,676.19 to profit or loss during the financial year.

On 19 August 2021, PSSB has re-submitted the appeal letter to MOF upon completion of installment payments of sales tax and penalty.

## 36. FINANCIAL INSTRUMENTS

### 36.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC") and fair value through profit or loss ("FVTPL").

	Carrying amount RM	AC RM	FVTPL RM
<b>GROUP</b>			
<b>2021</b>			
<b>Financial assets</b>			
Trade receivables	12,778,543	12,778,543	-
Other receivables and refundable deposits	532,133	532,133	-
Amount due from an associate	1,627	1,627	-
Short term investment	30,087,897	-	30,087,897
Cash and bank balances	50,859,962	50,859,962	-
	<b>94,260,162</b>	<b>64,172,265</b>	<b>30,087,897</b>
<b>Financial liabilities</b>			
Borrowings	308,505	308,505	-
Trade payables	11,992,476	11,992,476	-
Other payables and accruals excluding non-refundable deposits and sales tax payable	2,479,911	2,479,911	-
	<b>14,780,892</b>	<b>14,780,892</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 36. FINANCIAL INSTRUMENTS (Cont'd)

### 36.1 Categories of financial instruments (Cont'd)

	Carrying amount RM	AC RM	FVTPL RM
<b>GROUP (cont'd)</b>			
2020			
Financial assets			
Trade receivables	14,531,955	14,531,955	-
Other receivables and refundable deposits	1,319,606	1,319,606	-
Amount due from an associate	165,816	165,816	-
Cash and bank balances	6,905,858	6,905,858	-
	<u>22,923,235</u>	<u>22,923,235</u>	<u>-</u>
Financial liabilities			
Borrowings	27,620,854	27,620,854	-
Trade payables	13,511,925	13,511,925	-
Other payables and accruals excluding non-refundable deposits and sales tax payable	2,948,714	2,948,714	-
	<u>44,081,493</u>	<u>44,081,493</u>	<u>-</u>
<b>COMPANY</b>			
2021			
<b>Financial assets</b>			
Refundable deposits	1,000	1,000	-
Amount due from subsidiaries	41,422,817	41,442,817	-
Short term investment	30,087,897	-	30,087,897
Cash and bank balances	45,006,798	45,006,798	-
	<u>116,518,512</u>	<u>86,450,615</u>	<u>30,087,897</u>
<b>Financial liabilities</b>			
Other payables and accruals	117,507	117,507	-
2020			
Financial assets			
Refundable deposits	1,000	1,000	-
Amount due from subsidiaries	18,971,386	18,971,386	-
Cash and bank balances	13,233	13,233	-
	<u>18,985,619</u>	<u>18,985,619</u>	<u>-</u>
Financial liabilities			
Other payables and accruals	207,351	207,351	-
Amount due to a subsidiary	2,029,662	2,029,662	-
	<u>2,237,013</u>	<u>2,237,013</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 36. FINANCIAL INSTRUMENTS (Cont'd)

### 36.2 Financial risk management

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, foreign currency risk and interest rate risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

### 36.3 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. The Group's exposure to credit risk arises mainly from receivables and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statements of financial position.

The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries as well as advances provided to its subsidiaries.

As the Group only deals with reputable financial institutions, the credit risk associated with deposits placed with them is minimal. The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms.

#### 36.3.1 Trade receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is limited to the carrying amounts in the statements of financial position.

With a credit policy in place to ensure that credit risk is monitored on an on-going basis, management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at net after deducting allowance for expected credit losses. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

The ageing analysis of the trade receivables of the Group as at the end of the reporting period is as follows:

	Gross RM	Allowance for expected credit losses RM	Net RM
<b>GROUP</b>			
<b>2021</b>			
Not past due	4,880,905	-	4,880,905
1 to 30 days past due	5,126,039	-	5,126,039
31 to 60 days past due	1,330,536	-	1,330,536
61 to 90 days past due	552,124	-	552,124
More than 90 days past due	888,939	-	888,939
	<b>7,897,638</b>	-	<b>7,897,638</b>
Impaired	3,747,813	(3,747,813)	-
	<b>16,526,356</b>	<b>(3,747,813)</b>	<b>12,778,543</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 36. FINANCIAL INSTRUMENTS (Cont'd)

### 36.3 Credit risk (Cont'd)

#### 36.3.1 Trade receivables (Cont'd)

	Gross RM	Allowance for expected credit losses RM	Net RM
<b>GROUP</b>			
2020			
Not past due	7,370,582	-	7,370,582
1 to 30 days past due	3,469,285	-	3,469,285
31 to 60 days past due	1,249,094	-	1,249,094
61 to 90 days past due	734,545	-	734,545
More than 90 days past due	1,708,449	-	1,708,449
	7,161,373	-	7,161,373
Impaired	2,448,436	(2,448,436)	-
	<u>16,980,391</u>	<u>(2,448,436)</u>	<u>14,531,955</u>

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment record with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

As at the end of the reporting period, trade receivables of **RM7,897,638** (2020: RM7,161,373) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 36. FINANCIAL INSTRUMENTS (Cont'd)

### 36.3 Credit risk (Cont'd)

#### 36.3.1 Trade receivables (Cont'd)

##### Maximum exposure to credit risk

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at the end of the reporting period which are grouped together as they are expected to have similar risk nature.

	Gross RM	Allowance for expected credit losses RM	Net RM
<b>Credit risk rating</b>			
<b>2021</b>			
Low risk	12,778,543	-	12,778,543
High risk	3,747,813	(3,747,813)	-
	<b>16,526,356</b>	<b>(3,747,813)</b>	<b>12,778,543</b>
<b>2020</b>			
Low risk	14,531,955	-	14,531,955
High risk	2,448,436	(2,448,436)	-
	<b>16,980,391</b>	<b>(2,448,436)</b>	<b>14,531,955</b>

High risk customers are individual customers with outstanding balance of more than 5 months. Based on management's past experience, the rate of default for balances above 5 months is considered highly probable thus such customers are individually assessed and impaired.

In managing the credit risk exposure from these customers, management has entered into distributorship agreements with reputable distributors so that such customers deals directly with the Group's distributors thus minimising credit exposure from these customers.

The allowance for expected credit losses ("ECL") from trade receivables under "Low risk" are measured at an amount equal to lifetime ECL using a simplified approach. The expected credit losses on trade receivables are estimated based on past default experience and an analysis of the trade receivables' current financial position, adjusted for factors that are specific to the trade receivables such as liquidation and bankruptcy. Forward-looking information such as Malaysia's gross domestic product rate has been incorporated in determining the expected credit losses. The ECL calculated for trade receivables under "Low risk" was not material hence no allowance was made.

#### 36.3.2 Financial guarantees

The Company provides unsecured financial guarantees to financial institutions for banking facilities granted to subsidiaries up to a limit of **RM Nil** (2020: RM33,491,748). The maximum exposure to credit risk is amounted to **RM Nil** (2020: RM25,332,972), representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting period, there was no indication that any of the subsidiaries would default on repayment.

Financial guarantees have not been recognised since the fair value on initial recognition was not material.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 36. FINANCIAL INSTRUMENTS (Cont'd)

### 36.3 Credit risk (Cont'd)

#### 36.3.3 Intercompany loans and advances

The Company provides advances to its subsidiaries and monitors the results of the subsidiaries regularly.

The maximum exposure to credit risk is represented by its carrying amount in the statements of financial position.

As at the end of the reporting period, there was no indication that the advances to its subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to its subsidiaries.

### 36.4 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due. The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on the undiscounted contractual payments:

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than five years RM	More than five years RM
<b>GROUP</b>					
<b>2021</b>					
<i>Non-derivative financial liabilities</i>					
Borrowings	308,505	340,279	86,400	253,879	-
Lease liabilities	293,294	307,379	140,932	166,447	-
Trade payables	11,992,476	11,992,476	11,992,476	-	-
Other payables and accruals excluding non-refundable deposits and sales tax payable	2,479,911	2,479,911	2,479,911	-	-
Total undiscounted financial liabilities	<b>15,074,186</b>	<b>15,120,045</b>	<b>14,699,719</b>	<b>420,326</b>	-
<b>2020</b>					
<i>Non-derivative financial liabilities</i>					
Borrowings	27,620,854	29,147,897	21,522,107	6,020,009	1,605,781
Lease liabilities	190,466	199,200	134,400	64,800	-
Trade payables	13,511,925	13,511,925	13,511,925	-	-
Other payables and accruals excluding non-refundable deposits and sales tax payable	2,948,714	2,948,714	2,948,714	-	-
Total undiscounted financial liabilities	<b>44,271,959</b>	<b>45,807,736</b>	<b>38,117,146</b>	<b>6,084,809</b>	<b>1,605,781</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 36. FINANCIAL INSTRUMENTS (Cont'd)

### 36.4 Liquidity risk (Cont'd)

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than five years RM	More than five years RM
<b>COMPANY</b>					
<b>2021</b>					
<b>Non-derivative financial liabilities</b>					
Other payables and accrual, representing total undiscounted financial liabilities	117,507	117,507	117,507	-	-
2020					
<i>Non-derivative financial liabilities</i>					
Other payables and accruals	207,351	207,351	207,351	-	-
Amount due to a subsidiary	2,029,662	2,029,662	2,029,662	-	-
* Financial guarantees	-	25,332,972	25,332,972	-	-
Total undiscounted financial liabilities	2,237,013	27,569,985	27,569,985	-	-

\* This has been included for illustration purpose only as the related financial guarantees have not crystallised as at the end of the reporting period.

### 36.5 Foreign currency risk

The Group's exposure to currency risk arises mainly from transactions entered into in currencies other than its functional currency, i.e. Ringgit Malaysia ("RM"). The major foreign currency transacted is United States Dollar ("USD"), Euro ("EUR"), Singapore Dollar ("SGD") and Renminbi ("RMB").

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure.

#### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD, EUR, SGD and RMB exchange rates against RM, with all other variables held constant, of the Group's loss before tax. A 5% strengthening of RM against the following currencies at the end of the reporting period would have decreased in loss before tax by the amount shown below and a corresponding weakening would have an equal but opposite effect. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period.

	GROUP	
	2021 RM	2020 RM
USD	(141,554)	(127,875)
EUR	-	(10,041)
SGD	(7,384)	(5,959)
RMB	365	112
Decrease in loss before tax	(148,573)	(143,763)

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 36. FINANCIAL INSTRUMENTS (Cont'd)

### 36.6 Interest rate risk

The Group's fixed rate instruments are exposed to a risk of change in its fair value due to changes in interest rates. The Group's floating rate instruments are exposed to a risk of change in cash flows due to changes in interest rates.

The interest rate profile of the Group's interest bearing financial instruments based on its carrying amounts as at the end of the reporting period are as follows:

	GROUP	
	2021	2020
	RM	RM
<b>Fixed rate instruments</b>		
Financial assets	471,483	5,508,782
Financial liabilities	<u>308,505</u>	<u>17,289,416</u>
<b>Floating rate instruments</b>		
Financial liabilities	<u>-</u>	<u>10,331,438</u>

#### Sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss nor does it designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

#### Sensitivity analysis for variable rate instruments

An increase of 100 basis point at the end of the reporting period would have increased the Group's loss before tax by **RM Nil** (2020: RM103,314) and a corresponding decrease would have an equal but opposite effect. These changes are considered to be reasonably possible based on observation of current market conditions. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

## 37. FAIR VALUE MEASUREMENT

### 37.1 Fair value measurement of financial instruments

The carrying amounts of financial assets and financial liabilities of the Group and of the Company as at the end of the reporting period approximate their fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the non-current portion of finance lease liabilities are reasonable approximation of fair values due to the insignificant impact of discounting.

### 37.2 Fair value measurement of non-financial assets

The directors determine the recurring fair values of the Group's leasehold land, buildings and investment properties based on the followings:

- (a) With reference to valuation report by external independent professional valuer using the market comparison method, being comparison of current price in an active market for similar properties in the same location and condition and where necessary, adjusting for location, accessibility, visibility, time, size, present market trends and other differences; and

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 37. FAIR VALUE MEASUREMENT (Cont'd)

### 37.2 Fair value measurement of non-financial assets (Cont'd)

- (b) Current market values with reference to the selling prices of similar properties.

Details of the Group's leasehold land, buildings, investment properties and short term investment and information about the fair value hierarchy are as follows:

	Level 1 RM	Level 2 RM	Level 3 RM	Total fair value RM	Carrying amount RM
<b>GROUP</b>					
<b>2021</b>					
Leasehold land	-	-	5,500,000	5,500,000	5,367,450
Buildings	-	-	10,000,000	10,000,000	9,277,000
Investment properties	-	-	550,000	550,000	550,000
Short term investment	<b>30,087,897</b>	-	-	-	-
<b>2020</b>					
Leasehold land	-	-	5,500,000	5,500,000	5,500,000
Buildings	-	-	10,000,000	10,000,000	9,518,000
Investment properties	-	-	550,000	550,000	550,000
Non-current assets held for sale	-	-	4,332,000	4,332,000	4,332,000

#### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as at the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 during the financial year.

#### Level 1 fair value

Level 1 fair value of the short term investment is derived by reference to their quoted market prices in active markets at the end of the reporting period.

#### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the leasehold land, buildings and investment properties.

Level 3 fair value of leasehold land, buildings and investment properties have been generally derived using the market comparison approach. Selling prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input in this valuation approach is price per square foot of comparable properties.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 38. SEGMENTAL REPORTING

### GROUP

#### Business segments

The Group has only one reportable segment which involved in the manufacture and sale of frozen food. Since the Group has only one business segment, no operating segmental information is prepared.

#### Geographical Information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Revenue information based on the geographical location of the customers are disclosed in Note 26.1 to the financial statements.

No geographical segment information for non-current assets is presented as the Group's non-current assets are all based in Malaysia.

#### Major customers

The Group does not have any major customers that contributed 10% or more of its total revenue.

## 39. CAPITAL MANAGEMENT

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity and total loans and borrowings to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total borrowings divided by total equity as follows:

	GROUP	
	2021	2020
	RM	RM
Total borrowings	308,505	27,620,854
Less: Cash and bank balances	(50,859,962)	(6,905,858)
Net (cash)/debt	(50,551,457)	20,714,996
Total equity	125,045,801	29,047,621
Debt-to-equity ratio	N/A <sup>(i)</sup>	0.71

<sup>(i)</sup> N/A – Not applicable as net cash position

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2021 (CONT'D)

## 40. SIGNIFICANT EVENT

The World Health Organisation declared the 2019 Novel Coronavirus ("COVID-19") outbreak a pandemic on 11 March 2020. This was followed by our government issuing a Gazetted Order known as the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the COVID-19 outbreak in Malaysia. The COVID-19 outbreak also resulted in travel restrictions, lockdown and other precautionary measures imposed in various countries. The emergence of the COVID-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia.

The pandemic has business impact towards food service industry such as restaurant chain and hotel and the Group has been experiencing the business disruptions during this pandemic. The Group will monitor closely the development of the pandemic while taking measures to control the costs in order to mitigate the adverse consequences arising from this pandemic.

Based on the assessment and information available at the date of this report, the Group has sufficient working capital to sustain its business operations and to continue its business as a going concern.

## 41. EVENTS AFTER THE REPORTING PERIOD

- (i) On 30 August 2021, the Company has offered 92,775,000 options to eligible employees under Employee Share Option Scheme at an exercise price of RM0.075 per share option; and
- (ii) On 8 November 2021, the Company issued 69,000,000 new ordinary shares through a private placement at an issue price of RM0.0666 per ordinary share for cash. The new ordinary shares rank *pari passu* in all respects with the existing ordinary shares of the Company.

# LIST OF PROPERTIES HELD

Title/ Location	Approximate Age of Building Tenure/ Date of expiry of lease	Description/ Existing use	Land area/ Built-up area	Net book value as at 31.07.2021 (RM'000)	Year of Revaluation (R)
<b>Registered Owner: Perusahaan Saudee Sdn Bhd</b>					
Plot 331, Jalan PKNK 3/7, Kawasan Perusahaan Sungai Petani Fasa 3, 08000 Sungai Petani, Kedah Darul Aman/ Title no. HSD 52055, Lot No. PT 30508, Town of Sungai Petani, District of Kuala Muda, State of Kedah	21 years/ Leasehold/ 2056	This property is an individually designed detached factory complex, comprising a double-storey detached factory cum office and guard house with toilet/ manufacturing activities	Approximately 30,351 square metres/ Approximately 11,641 square metres	14,644	2018 (R)
<b>Registered Owner: Saudi Cold Storage Sdn Bhd</b>					
Title Nos. HSD 7759, 7761 and 7761 Lot Nos. 3573, 3574 and 3575, Town of Alor Setar, District of Kota Setar, State of Kedah	Not applicable / Freehold	Vacant land	Approximately 396.6961 square metres	550	2021 (R)
<b>TOTAL</b>				15,194	

# SHARE BUY-BACK STATEMENT

## 1. DISCLAIMER STATEMENT

This Statement is important and if you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused the content of this Share Buy-Back Statement ("Statement") in relation to the Proposed Renewal of Share Buy-Back Mandate (as defined herein) prior to its issuance, takes no responsibility for the contents of the Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Statement.

## 2. RATIONALE FOR THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR SAUDEE GROUP BERHAD ("SAUDEE" OR THE "COMPANY") TO PURCHASE UP TO 10% OF ITS TOTAL NUMBER OF ISSUED ORDINARY SHARES ("SHARES") AT ANY GIVEN POINT IN TIME ("PROPOSED SHARE BUY-BACK") ("PROPOSED RENEWAL OF SHARE BUY-BACK MANDATE")

The Proposed Share Buy-Back, if exercised, would potentially benefit the Company and its shareholders as follows:

- i. to allow the Company to take preventive measures against speculation particularly when SAUDEE Shares are undervalued which would in turn stabilize the market price of SAUDEE Shares and hence, enhance investors' confidence;
- ii. to allow the Company flexibility in achieving the desired capital structure, in terms of the debt and equity composition, and the size of equity; and
- iii. the Purchased Shares may be held as treasury shares and distributed to shareholders as dividends and/or resold in the open market with the intention of realising a potential capital gain if the Purchased Shares are resold at price(s) higher than their purchase price(s).

## 3. RETAINED PROFITS

Based on the audited financial statements of SAUDEE for the financial year ended 31 July 2021, the Company has accumulated losses of RM30,580,442 and consolidated accumulated losses of RM19,792,690 as at 31 July 2021.

## 4. SOURCE OF FUNDING

The Proposed Share Buy-Back will be financed from internally generated funds and/or external borrowings as long as the amount of fund for the Share Buy-Back has not exceeded the amount of retained profits. The Company has sufficient resource to undertake the Proposed Share Buy-Back in view that based on the audited financial statements of SAUDEE as at 31 July 2021, the Company has cash and cash equivalent balance of approximately RM45,006,798 and consolidated cash and cash equivalent of approximately RM50,859,962 as at 31 July 2021.

In the event borrowings are used for the purchase of SAUDEE Shares, the Board will ensure that the Company has the capability to repay the borrowings and that such repayment will not have a material effect on the Company's cash flow. Any funds utilized by SAUDEE for the Proposed Share Buy-Back will consequentially reduce the resources available to SAUDEE for its operations by a corresponding amount for shares bought back.

## 5. INTERESTS OF DIRECTORS, MAJOR/SUBSTANTIAL SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the shareholders in the Company as a consequence of the Proposed Share Buy-Back, none of the Directors and/or major/substantial shareholders of SAUDEE nor persons connected to them has any interest, direct or indirect, in the Proposed Share Buy-Back and, if any, the resale of the treasury shares.

# SHARE BUY-BACK STATEMENT (CONT'D)

## 5. INTERESTS OF DIRECTORS, MAJOR/SUBSTANTIAL SHAREHOLDERS AND PERSONS CONNECTED TO THEM (Cont'd)

Based on the Register of Directors and the Register of Substantial Shareholders of SAUDEE as at 11 November 2021 and assuming that SAUDEE implements the Proposed Share Buy-Back in full, the effects of the Proposed Share Buy-Back on the shareholdings of the Directors, major/substantial shareholders and person connected to Director of SAUDEE are as follows:

Ordinary Shares (Scenario A)	Existing as at 19 November 2021 (a)				After the Proposed Share Buy Back (b)			
	Direct		Indirect		Direct		Indirect	
Name	No. of Share	%	No. of Share	%	No. of Share	%	No. of Share	%
<b>Directors</b>								
Mak Siew Wei	233,000	0.03	-	-	233,000	0.03	-	-
Sim Yee Fuan	500,000	0.06	-	-	500,000	0.07	-	-
Chen Chee Peng	-	-	-	-	-	-	-	-
Koay San San	-	-	-	-	-	-	-	-
Tay Ben Seng, Benson	-	-	-	-	-	-	-	-
Datuk Sham Shamrat Sen Gupta	-	-	-	-	-	-	-	-
<b>Major/Substantial Shareholders</b>								
Focus Dynamics Centre Sdn Bhd	138,050,000	17.58	-	-	138,050,000	19.53	-	-
Focus Dynamics Group Berhad	-	-	138,050,000*	17.58	-	-	138,050,000*	19.53

# SHARE BUY-BACK STATEMENT (CONT'D)

## 5. INTERESTS OF DIRECTORS, MAJOR/SUBSTANTIAL SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM (Cont'd)

Warrants (Scenario B)	Existing as at 19 November 2021 (a)			(i) : Assuming full exercise of SAUDEE Warrants B 2021/2024 (c)			(ii) : After (i) and Proposed Share Buy-Back (d)				
	No. of Share	%	Indirect	Direct	%	No. of Share	Direct	%	Indirect	%	No. of Share
<b>Directors</b>											
Mak Siew Wei	233,000	0.03	-	233,000	0.02	-	233,000	0.03	-	-	-
Sim Yee Fuan	500,000	0.06	-	500,000	0.05	-	500,000	0.05	-	-	-
Chen Chee Peng	-	-	-	-	-	-	-	-	-	-	-
Koay San San	-	-	-	-	-	-	-	-	-	-	-
Tay Ben Seng, Benson	-	-	-	-	-	-	-	-	-	-	-
Datuk Sham Shamrat Sen Gupta	-	-	-	-	-	-	-	-	-	-	-
<b>Major/Substantial Shareholders</b>											
Focus Dynamics Centre Sdn Bhd	138,050,000	17.58	-	138,050,000	13.55	-	138,050,000	15.05	-	-	-
Focus Dynamics Group Berhad			138,050,000*			138,050,000*			138,050,000*	15.05	

Note:

\* Deemed interest by virtue of its wholly-owned subsidiary's shareholding in the Company.

- (a) Based on the total number of issued shares of 785,087,819 Shares, exclusive of 267,000 shares held as Treasury Shares.
- (b) Based on the total number of issued shares of 706,819,419 Shares assuming that the Proposed Share Buy-Back is carried out in full and all that shares so purchased are held as treasury shares.
- (c) Assuming the issued 1,018,877,879 shares, exclusive of 267,000 shares held as Treasury Shares and upon full exercise of 233,790,060 SAUDEE Warrants B 2021/2024.
- (d) Assuming the issued 917,230,479 shares based on note (c) above and after the proposed Share Buy-Back.

# SHARE BUY-BACK STATEMENT (CONT'D)

## 6. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

### 6.1 Potential Advantages of the Proposed Share Buy-Back

The potential advantages of the Proposed Renewal of Share Buy-Back Mandate are set out in section 2 of the Statement.

### 6.2 Potential Disadvantages of the Proposed Share Buy-Back

The potential disadvantages of the Proposed Renewal of Share Buy-Back Mandate are as follows:-

- a) if the Proposed Share Buy-Back is implemented, it will reduce the financial resources of SAUDEE and may result in SAUDEE foregoing interest income and/or better investment opportunities that may emerge in the future; and
- b) it would also result in the reduction of financial resources available for distribution in the form of cash dividends to shareholders of SAUDEE in the immediate future.

Nevertheless, the Board is of the view that the Proposed Share Buy-Back is not expected to have any potential material disadvantages to the Company and its shareholders as it will be implemented only after careful consideration of the financial resources of SAUDEE and the resultant impact on the shareholders of the Company.

## 7. MATERIAL FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK

The material financial effect of the Proposed Share Buy-Back on the share capital, consolidated Net Tangible Assets ("NTA"), working capital, earnings, dividends and the substantial shareholders' shareholdings in SAUDEE are set out below:

### 7.1 Share Capital

As at 19 November 2021, the issue and paid-up capital of SAUDEE was RM 68,660,016 comprising 785,354,819 Shares, inclusive of 267,000 shares held as Treasury Shares. In the event that 78,535,400 Share representing 10% of the issued and paid-up share capital of the Company are purchased and cancelled, the effect on the share capital of the Company are illustrated as follows:-

<b>Scenario A</b>	<b>No. of Shares</b>
Issued and paid-up share capital as at 19 November 2021, inclusive of 267,000 shares held as Treasury Shares	785,354,819
Less:	
Maximum number of SAUDEE Shares to be purchased and cancelled*	(78,535,400)
Resultant issued and paid up capital	<u>706,819,419</u>
<b>Scenario B</b>	<b>No. of Shares</b>
Issued and paid-up share capital as at 19 November 2021, inclusive of 267,000 shares held as Treasury Shares	785,354,819
Assuming full exercise of Saudee Warrants B 2021/2024	233,790,060
Enlarged share capital	1,019,144,879
Less:	
Maximum number of SAUDEE Shares to be purchased and cancelled*	(101,914,400)
Resultant issued and paid up capital	<u>917,230,479</u>

\* Rounded down to the nearest board lot

The Proposed Share Buy-Back will not have any effect on the issued and paid-up share capital of the Company if the Shares purchased are retained as treasury shares. However, the rights attaching to the treasury shares as to voting, dividends and participation in other distributions or otherwise will be suspended. While these Shares remain as treasury shares, the Companies Act 2016 ("Act") prohibits the taking into account of such Shares in calculating the number of percentage of Shares or of a class of shares in the company for any purposes including, without limiting the generality of this provision, the provisions of any law or requirements of the constitution of the company or the listing requirements of a stock exchange on substantial shareholdings, takeovers, notices, requisitioning of meetings, quorum for meetings and the result of votes on resolutions. on substantial shareholdings, takeovers, notices, requisitioning of meetings, quorum for meetings and the result of votes on resolutions.

# SHARE BUY-BACK STATEMENT (CONT'D)

## 7. MATERIAL FINANCIAL EFFECTS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK MANDATE (Cont'd)

### 7.2 NTA

The effects of the Proposed Share Buy-Back on the consolidated NTA of the Group would depend on the purchase price and number of Purchased Shares, the effective funding cost to SAUDEE to finance the Purchased Shares or any loss in interest income to SAUDEE.

The Proposed Share Buy-Back will reduce the consolidated NTA per Share at the time of purchase if the purchase price exceeds the consolidated NTA per Share and conversely will increase the consolidated NTA per Share at the time of purchase if the purchase price is less than the consolidated NTA per Share.

Should the Purchased Shares be resold, the consolidated NTA will increase if the Company realizes a capital gain from the resale, and vice-versa. However, the quantum of the increase in NTA will depend on the selling prices of the Purchased Shares and the number of Purchased Shares resold.

### 7.3 Working Capital

The Proposed Share Buy-Back is likely to reduce the working capital of the Group, the quantum of which would depend on the purchase price of the Purchased Shares, the number of Purchased Shares and any associated costs incurred in making the purchase.

### 7.4 Earnings

The effects of the Proposed Share Buy-Back on the EPS of the SAUDEE Group will depend on the purchase price of the SAUDEE Shares, the number of SAUDEE Shares purchased and the effective funding cost to SAUDEE to finance the Purchased Shares or any loss in interest income to the Group.

If the Purchased Shares are to be retained as treasury shares or cancelled subsequently, the number of Shares applied in the computation of the EPS will be reduced, and accordingly, all other things being equal, the Proposed Share Buy-Back will have a positive impact on the EPS of the Group.

In the event the Purchased Shares are resold subsequently, depending on the price at which the said Shares are resold, the Proposed Share Buy-Back may have a positive effect on the EPS of the Group if there is a gain on the disposal and vice-versa.

### 7.5 Dividends

Assuming the Proposed Share Buy-Back Mandate is implemented in full, dividends would be paid on the remaining total number of issued Shares of SAUDEE (excluding the Purchased Shares). The Proposed Share Buy-Back may have an impact on the Company's dividend for the financial year ending 31 July 2022 as it would reduce the cash available which may otherwise be used for dividend payments. Nevertheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

Any dividends to be declared by SAUDEE in the future would depend on, inter-alia, the profitability and cash flow position of the Group.

### 7.6 Substantial Shareholders Shares

Shares bought back by the Company under the Proposed Share Buy-Back that are retained as treasury shares will result in a proportionate increase in the percentage shareholdings of the Substantial Shareholders in the Company. Please refer to Section 5 of this Statement for further details.

## 8. IMPLICATIONS OF THE PROPOSED SHARE BUY-BACK RELATING TO THE MALYSIAN CODE ON TAKE-OVERS AND MERGERS, 2016 (THE "CODE")

Based on the Company's total number of issued Shares and the current shareholdings of the substantial shareholders and/or parties acting in concert as at 19 November 2021, none of the substantial shareholders and/or parties acting in concert with them will be required to make a mandatory general offer in the event of the implementation of Proposed Share Buy-Back in full.

# SHARE BUY-BACK STATEMENT (CONT'D)

## 8. 8.IMPLICATIONS OF THE PROPOSED SHARE BUY-BACK RELATING TO THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 2016 (THE "CODE") (Cont'd)

As it is not intended for the share buy-back exercise to trigger the obligation to undertake a mandatory general offer under the Code by any of the Company's shareholders and/or parties acting in concert with them, the Board will ensure that such number of SAUDEE Shares are purchased, retained as Treasury Shares, cancelled or distributed pursuant to the Proposed Share Buy-Back would not result in triggering any mandatory offer obligation on the part of its shareholders and/or parties acting in concert with them.

In this connection, the Board is aware of the requirements of the Code and will be mindful of the requirements when making any purchase of SAUDEE Shares pursuant to the Proposed Share Buy-Back.

## 9. PURCHASES, RESALE, TRANSFER AND CANCELLATION MADE BY THE COMPANY OF ITS OWN SHARES IN THE PRECEDING 12 MONTHS

The company had not purchased, resold, transferred or cancelled any shares in the preceding twelve (12) months.

## 10. PROPOSED INTENTION OF THE DIRECTORS TO DEAL WITH THE SHARES SO PURCHASED

If the Proposed Share Buy-Back, is exercised, the shares shall be dealt with in the following manner:-

- cancel the Shares so purchased; or
- retain the Shares so purchased as treasury shares; or
- retain part of the Shares so purchased as treasury shares and cancel the remainder; or
- distribute the treasury shares as share dividends to shareholders; or
- resell the treasury shares on Bursa Securities; or
- transfer the treasury shares, or any of the shares for the purposes of or under an employees' share scheme; or transfer the treasury shares, or any of the shares as purchase consideration; or

in any other manner as prescribed by the Act, rules, regulations and guidelines pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force.

## 11. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of SAUDEE Shares traded on Bursa Securities for the preceding twelve (12) months are as follows:

	High RM	Low RM
<b>2020</b>		
November	0.46	0.38
December	0.46	0.40
<b>2021</b>		
January	0.42	0.34
February	0.35	0.26
March	1.02	0.26
April	0.28	0.18
May	0.28	0.16
June	0.28	0.14
July	0.30	0.13
August	0.14	0.07
September	0.10	0.07
October	0.08	0.07

Last transacted market price as at 19 November 2021 (being the latest practical date prior to the printing of this Statement) was RM0.06.

(Source: Yahoo Finance)

# SHARE BUY-BACK STATEMENT (CONT'D)

## 12. PUBLIC SHAREHOLDING SPREAD

As at 19 November 2021, the public shareholding spread of the Company was approximately 82.32%. In this regard, the Board undertakes to purchase Shares only to the extent that the public shareholding spread of SAUDEE shall not fall below 25% of the total number of issued shares of the Company (excluding treasury shares) at all times pursuant to the Proposed Share Buy-Back, in accordance with Paragraphs 8.02(1) and 12.14 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

## 13. DIRECTORS' STATEMENT

After taking into consideration all relevant factors, the Board is of the opinion that the Proposed Renewal of Share Buy-Back Mandate described above is in the best interest of the Company.

## 14. DIRECTORS' RECOMMENDATION

The Board recommends that you vote in favour of the ordinary resolution to be tabled at the forthcoming Thirteenth Annual General Meeting ("13<sup>th</sup> AGM") to give effect to the Proposed Renewal of Share Buy-Back Mandate.

## 15. RESPONSIBILITY STATEMENT

This Statement has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

## 16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas 13700 Seberang Jaya, Penang during normal office hours from Monday to Friday (except for public holidays) from the date of this Statement up to and including the date of the forthcoming 13<sup>th</sup> AGM:

- i. Constitution of SAUDEE; and
- ii. The audited consolidated financial statements of SAUDEE for the past two (2) financial years ended 31 July 2020 and 31 July 2021 respectively.

## 17. FURTHER INFORMATION

There is no other information concerning the Proposed Renewal of Share Buy-Back Mandate as shareholders and other professional advisers would reasonably require and expect to find in the Statement for the purpose of making informed assessment as to the merits of approving the Proposed Renewal of Share Buy-Back Mandate and the extent of the risks involved in doing so.

# ANALYSIS OF SHAREHOLDINGS

## ORDINARY SHARES AS AT 19 NOVEMBER 2021

Class of Equity Securities	:	Ordinary Shares
Number of Ordinary Shares	:	785,087,819*
Number of holders of Ordinary Shares	:	9,955
Voting Rights	:	One vote per Share

\* excluding a total of 267,000 shares retained as treasury shares.

## DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of Holdings	No. of Holders	No. of Shares	%
Less than 100	23	762	0.00
100 – 1,000	750	393,530	0.05
1,001 – 10,000	2,928	18,891,655	2.40
10,001 – 100,000	4,931	201,512,370	25.67
100,001 – 39,254,389	1,322	427,289,502	54.43
39,254,390 and above	1	137,000,000	17.45
<b>Total</b>	<b>9,955</b>	<b>785,087,819</b>	<b>100.00</b>

## THIRTY LARGEST SECURITIES HOLDERS

No.	Name	Shareholdings	%
1	Affin Hwang Nominees (Tempatan) Sdn Bhd Exempt an for Lazarus Corporate Finance Pty Ltd	137,000,000	17.45
2	Wong Yin @ Wong Soo Ying	15,000,000	1.91
3	Teo Yong Swee	9,020,000	1.15
4	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sia Koon Eng (SIA0036C)	7,000,000	0.89
5	Koay Kim Eam	6,443,800	0.82
6	Wong Hui Ling	6,250,000	0.80
7	Yong Shu Kong	5,500,000	0.70
8	Ting Chek Hua	5,200,000	0.66
9	Santira Kesu A/L Rengasamy	5,000,000	0.64
10	Yik Phooi Har	5,000,000	0.64
11	Yap Boon Wuh	4,264,000	0.54
12	Cheah Joo Kiang	4,138,000	0.53
13	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kai Leun (MY3569)	4,070,000	0.52
14	Khor Lee Fang	3,500,000	0.45
15	Chin Shuk Ha	3,450,000	0.44
16	Euro Chemo-Pharma Sdn. Bhd.	3,200,000	0.41
17	Lim Kian Huat	3,063,300	0.39
18	Lee Lay Lay	3,000,000	0.38
19	Toh Bok Piew	2,900,000	0.37
20	Phuah Soon Kee	2,399,100	0.31
21	Dang Bek Hin	2,251,600	0.29

# ANALYSIS OF SHAREHOLDINGS (CONT'D)

## THIRTY LARGEST SECURITIES HOLDERS (Cont'd)

No.	Name	Shareholdings	%
22	Wong Kiat Thong	2,063,500	0.26
23	Chai Mee King	2,000,000	0.25
24	Chia Hooi Liang	2,000,000	0.25
25	Chong Wei Lik	2,000,000	0.25
26	Kamaruzzaman Bin Abu	2,000,000	0.25
27	Kanapathi Saravanan A/L Kanisan	2,000,000	0.25
28	Lau Kim San	2,000,000	0.25
29	Pang Kim Loon	2,000,000	0.25
30	Wong Kok Sin	2,000,000	0.25
	<b>TOTAL</b>	<b>255,714,200</b>	<b>32.55</b>

## DIRECTORS' SHAREHOLDINGS

Name	Direct Shareholding	%	Indirect Shareholding	%
Mak Siew Wei	233,000	0.03	-	-
Sim Yee Fuan	500,000	0.06	-	-
Koay San San	-	-	-	-
Chen Chee Peng	-	-	-	-
Tay Ben Seng, Benson	-	-	-	-
Datuk Sham Shamrat Sen Gupta	-	-	-	-

## SUBSTANTIAL SHAREHOLDERS

Name	Direct Shareholding	%	Indirect Shareholding	%
Focus Dynamics Centre Sdn. Bhd.	138,050,000	17.58	-	-
Focus Dynamics Group Berhad	-	-	138,050,000 <sup>(1)</sup>	17.58

<sup>(1)</sup> Deemed interest by virtue of its wholly-owned subsidiary's substantial shareholding in the Company.

# ANALYSIS OF WARRANTS B HOLDINGS

## WARRANTS B AS AT 19 NOVEMBER 2021

Number of warrants B	:	233,790,060
Number of Warrants B holder	:	1,656
Exercise price of Warrants B	:	RM0.15
Exercise Period of Warrants B	:	16 June 2024
Exercise Rights	:	Each Warrant B entitles the holder to subscribe for one new ordinary share in the Company during the Exercise Period
Voting Rights in the meeting of Warrant B holder	:	One vote per Warrant B

## DISTRIBUTION SCHEDULE OF WARRANTS B HOLDERS

Size of Holdings	No. of Holders	No. of Warrants	%
Less than 100	1	87	0.00
100 – 1,000	53	31,250	0.01
1,001 – 10,000	359	2,366,141	1.01
10,001 – 100,000	847	38,569,482	16.50
100,001 – 11,689,502	396	192,823,100	82.48
11,689,503 and above	0	0	0.00
<b>Total</b>	<b>1,656</b>	<b>233,790,060</b>	<b>100.00</b>

## THIRTY LARGEST WARRANTS B HOLDERS

No.	Name	No. of Warrants	%
1	Mohd Ja'afar Bin Abdul Rahman @ Aman	6,679,900	2.86
2	Daniel Yapp Yun Tshing	4,354,000	1.86
3	Muhd Nur Irfan Bin Shamsudin	4,270,000	1.83
4	Lim Kian Huat	4,000,000	1.71
5	SJ Sec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kee Koi Tatt (SMT)	3,200,300	1.37
6	Low Loong Kuan	3,000,000	1.28
7	Low Loong Kuan	3,000,000	1.28
8	Tan Eng Hock	2,930,000	1.25
9	Rosmawati Binti Mahmud	2,728,000	1.17
10	Lim Keng Seang	2,700,000	1.15
11	Lee Kian Seong	2,100,000	0.90
12	Ong Bok Lim	2,050,000	0.88
13	Chiang Siong Chiew @ Chiong Siong Chiew	2,000,000	0.86
14	Lim Fook Giap	1,880,000	0.80
15	Che Omar Bin Che Daud	1,700,000	0.73
16	Chor Kiang Mong	1,600,000	0.68
17	Lim Keat Wah	1,600,000	0.68
18	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Che Hashim Bin Omar	1,550,000	0.66
19	Koay Kim Eam	1,540,600	0.66
20	Duta Digital Sdn. Bhd.	1,534,200	0.66
21	Er Soon Puay	1,500,000	0.64
22	Colin Soh Cheng Hoe	1,500,000	0.64
23	Lau Peng Lee	1,500,000	0.64
24	Ooi Swee An	1,500,000	0.64

# ANALYSIS OF WARRANTS B HOLDINGS (CONT'D)

## THIRTY LARGEST WARRANTS B HOLDERS (Cont'd)

No.	Name	No. of Warrants	%
25	Wong Hui Ling	1,499,800	0.64
26	Sim Tze Yang	1,396,000	0.60
27	Goh Siew Im	1,250,000	0.53
28	Pakirisamy Baskaran A/L P Thangavelu	1,250,000	0.53
29	Phuah Soon Kee	1,185,000	0.51
30	Ahmad Hariri Bin Ishak	1,150,000	0.49
	<b>TOTAL</b>	<b>68,147,900</b>	<b>29.13</b>

## DIRECTORS' WARRANTS B HOLDINGS

Name	Direct No. of Warrants held	%	Indirect No. of Warrants held	%
Mak Siew Wei	-	-	-	-
Sim Yee Fuan	-	-	-	-
Koay San San	-	-	-	-
Chen Chee Peng	-	-	-	-
Tay Ben Seng, Benson	-	-	-	-
Datuk Sham Shamrat Sen Gupta	-	-	-	-

# PROXY FORM



## SAUDEE GROUP BERHAD

(Company No. 200801036832 (838172-P))  
(Incorporated in Malaysia)

CDS Account No.	
No. of shares held	

I/We \_\_\_\_\_ (Full Name in Block Letters and NRIC No./ Passport No./ Registration No.)  
of \_\_\_\_\_ (Address)  
being a member/members of the above Company appoint (Proxy 1) \_\_\_\_\_ (Full Name in Block Letters and NRIC No./ Passport No.)  
of \_\_\_\_\_ (Address)  
Email Address \_\_\_\_\_ Contact No. \_\_\_\_\_  
and/or failing him/her (Proxy 2), \_\_\_\_\_ (Full Name in Block Letters and NRIC No./ Passport No.)  
of \_\_\_\_\_ (Address)  
Email Address \_\_\_\_\_ Contact No. \_\_\_\_\_

or failing him/her, the Chairman of the Meeting as my/our Proxy to vote in my/our name(s) on my/our behalf at the Thirteenth Annual General Meeting of the Company to be conducted on a fully virtual using the Remote Participation and Voting facilities from the Broadcast Venue at Level 10, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 30 December 2021 at 2.00 p.m. and at any adjournment thereof in the manner indicated below :-

Resolution		For	Against
To re-elect Mr. Sim Yee Fuan, who retires pursuant to Clause 102(1) and (2) of the Company's Constitution as a Director of the Company.	Ordinary Resolution 1		
To re-elect Mr. Tay Ben Seng, Benson, who retires pursuant to Clause 107(2) of the Company's Constitution as a Director of the Company.	Ordinary Resolution 2		
To re-elect Datuk Sham Shamrat Sen Gupta, who retires pursuant to Clause 107(2) of the Company's Constitution as a Director of the Company.	Ordinary Resolution 3		
To re-appoint Messrs Grant Thornton Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.	Ordinary Resolution 4		
To approve the payment of Directors' fees of not exceeding RM250,000.00 (FY2021:RM250,000.00) to Directors of the Company for the financial year ending 31 July 2022.	Ordinary Resolution 5		
To approve the payment of benefits of not exceeding RM36,000.00 to the Directors of the Company from 31 December 2021 until the next Annual General Meeting of the Company.	Ordinary Resolution 6		
To authorise Mr. Sim Yee Fuan to continue to act as an Independent Non-Executive Director of the Company.	Ordinary Resolution 7		
To empower the Directors to issue and allot shares up to 10% of the total number of issued shares of the Company.	Ordinary Resolution 8		
To approve the purchase by the Company of its own shares of up to 10% of its total number of issued shares.	Ordinary Resolution 9		

(Please indicate with an "X" in the appropriate box against each Resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote or abstain from voting at his/her discretion.)

The proportion of my/our holding to be represented by my/our proxies are as follows:-

	No. of shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2021.

Signature of Shareholder or Common Seal

### Notes:

- Only a depositor whose name appears on the Record of Depositors of the Company as at 23 December 2021 shall be entitled to attend the Thirteenth Annual General Meeting or appoint proxies to attend, speak and/or vote on his/her behalf.
- A proxy may but need not be a member of the Company. There is no restriction as to the qualification of the proxy.
- A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting.
- Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorized.
- Where a Member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each security account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a Member of the Company is an exempt authorized nominee as defined under the Central Depositories Act, which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorized Nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy must be deposited with the Poll Administrator's office at Boardroom.com Sdn Bhd, Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor or email to admin.registrar@boardroom.com.my or fax to +603 7890 1032 not less than twenty four (24) hours before the time appointed for holding the meeting or any adjournment thereof.
- Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolutions set out above will be put to vote by way of poll.
- The Thirteenth Annual General Meeting will be conducted on a fully virtual basis at the Broadcast Venue. The members are advised to refer to the Administrative Guide on the registration and voting process for the said meeting.



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AFFIX  
STAMP

**The Poll Administrator of  
SAUDEE GROUP BERHAD**  
**Company No. 200801036832 (838172-P)**  
c/o Boardroom.com Sdn Bhd  
Level 5, Block B, Dataran PHB,  
Saujana Resort, Section U2,  
40150 Shah Alam, Selangor

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## **SAUDEE GROUP BERHAD**

200801036832 (838172-P)

Plot 331, Taman Perindustrian Sungai Petani  
Fasa III, 08000 Sungai Petani  
Kedah Darul Aman, Malaysia

**TEL** | **604 442 6800**  
**FAX** | **604 442 6801**

**[WWW.SAUDEE.COM](http://WWW.SAUDEE.COM)**