





KHEE SAN BERHAD
Reg no. 199401018697 (304376-A)

2023

Annual Report

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Enclosed
Form of Proxy

CORPORATE INFORMATION

BOARD OF DIRECTORS

YONG LOONG CHEN
Executive Chairman

EDWARD TAN JUAN PENG
Chief Executive Officer

MOHANADAS A/L K.P.BALAN
Independent Non-Executive Director

ONG PHUI FATT
Independent Non-Executive Director

SUZANA MANJA BINTI IBRAHIM
Independent Non-Executive Director

AUDIT COMMITTEE

MOHANADAS A/L K.P.BALAN
(Chairman)

ONG PHUI FATT
(Member)

SUZANA MANJA BINTI IBRAHIM
(Member)

REMUNERATION COMMITTEE

MOHANADAS A/L K.P.BALAN
(Chairman)

ONG PHUI FATT
(Member)

EDWARD TAN JUAN PENG
(Member)

NOMINATING COMMITTEE

ONG PHUI FATT
(Chairman)

MOHANADAS A/L K.P.BALAN
(Member)

SUZANA MANJA BINTI IBRAHIM
(Member)

CORPORATE ADMINISTRATION AND COMPLIANCE COMMITTEE

ONG PHUI FATT
(Chairman)

EDWARD TAN JUAN PENG
(Member)

NG CHEE KEONG
(Member)

LEE CHAI HONG
(Member)

RISK MANAGEMENT COMMITTEE

ONG PHUI FATT
(Chairman)

SUZANA MANJA BINTI IBRAHIM
(Member)

EDWARD TAN JUAN PENG
(Member)

COMPANY SECRETARIES

SIEW SUET WEI
(MAICSA 7011254)
SSM PC No. 202008001690

LIM YEN TENG
(LS0010182)
SSM PC No. 201908000028

SHARE REGISTRAR

BINA MANAGEMENT (M) SDN. BHD.
Lot 10, The Highway Centre
Jalan 51/205, 46050 Petaling Jaya
Selangor Darul Ehsan
Tel : +603-7784 3922
Fax : +603-7784 1988
Email : binawin@binamg168.com

AUDITORS

KRESTON JOHN & GAN (AF 0113)
Unit B-10-8, Megan Avenue II
Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : +603-2381 2828

REGISTERED OFFICE

5-9A The Boulevard Offices
Mid Valley City
Lingkar Syed Putra
59200 Kuala Lumpur
Tel : +603-2282 6331
Fax : +603-2201 9331
Email : cosec@accoris.my

PRINCIPAL PLACE OF BUSINESS

Lot 1819 - 1824 & 1832
Jalan Kolej
43300 Seri Kembangan
Selangor Darul Ehsan
Tel : +603-8943 1390
Fax : +603-8943 1351
Website : www.kheesanbhd.com

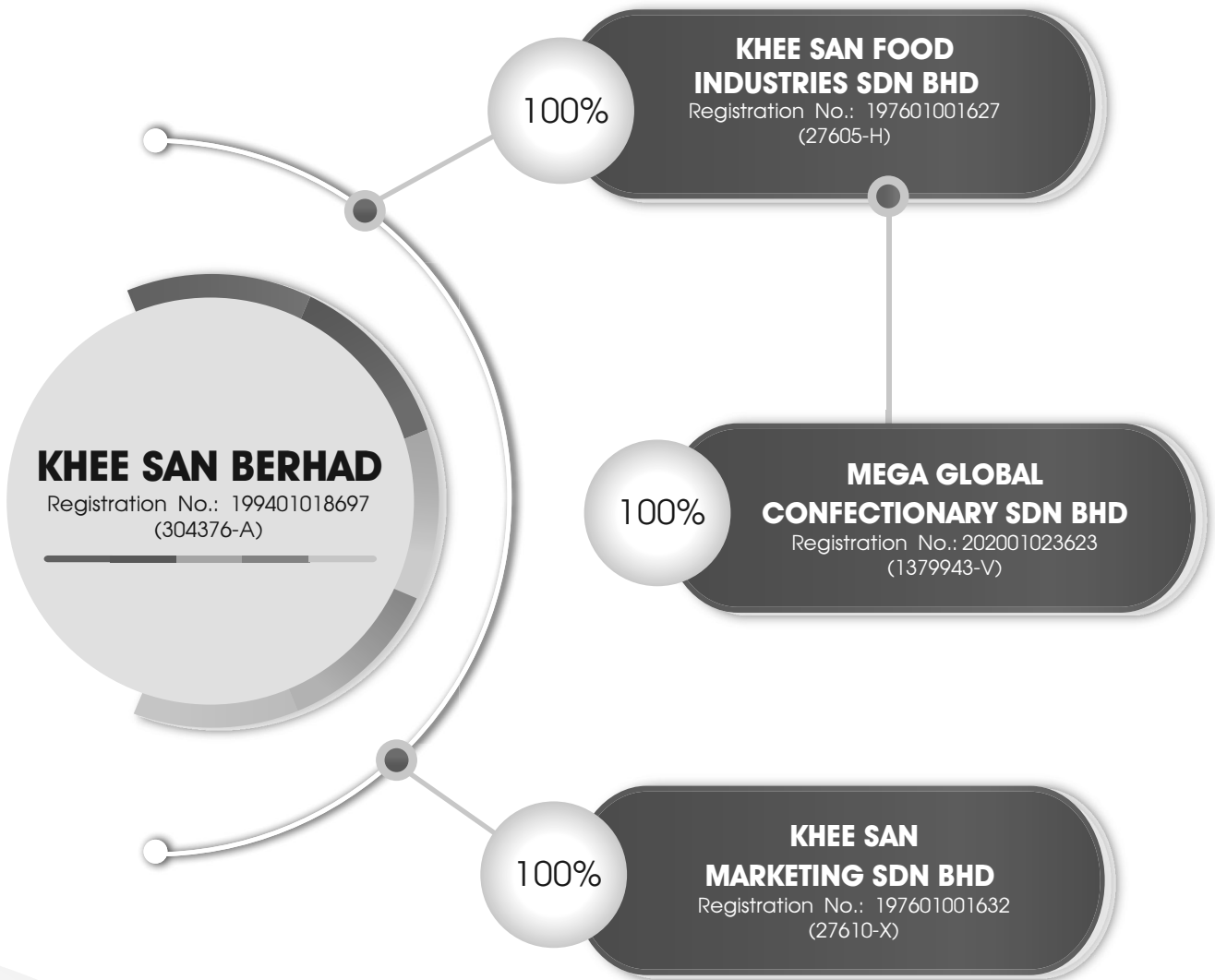
STOCK EXCHANGE LISTING

BURSA MALAYSIA SECURITIES BERHAD
- Main Market Stock Code: 6203

SUBSIDIARIES

- Khee San Food Industries Sdn Bhd (100%)
- Khee San Marketing Sdn Bhd (100%)
- Mega Global Confectionary Sdn Bhd (100%)

CORPORATE STRUCTURE



DIRECTORS' PROFILE

YONG LOONG CHEN

Executive Chairman

NATIONALITY : Malaysian

AGE/GENDER : 57 / Male

DATE APPOINTED	10 February 2023
NO OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR	3 out of 3
QUALIFICATIONS	<ul style="list-style-type: none"> Chartered Accountant, Malaysian Institute of Accountants (MIA) Member of the Malaysian Institute of Certified Public Accountants (MICPA)
EXPERIENCE	<p>He is a Chartered Accountant by profession as well as a member of the Malaysian Institute of Certified Public Accountants and also member of the Malaysian Institute of Accountants. He joined Messrs KPMG Peat Marwick as audit senior in year 1990 until 1994. Subsequently, he was attached with Paul Chuah & Co as Audit Manager from year 1994 to 1995. From year 1995 to 2010, he was a dealer representative with Affin Investment Bank Berhad.</p> <p>He was the Independent Non-Executive Director of Scope Industries Berhad from 1 December 2008 until his retirement on 23 November 2021.</p>
MEMBERSHIP IN BOARD COMMITTEE(S)	None
DIRECTORSHIP IN OTHER PUBLIC COMPANIES	None
DECLARATION OF CONFLICT OF INTEREST OR ANY FAMILY RELATIONSHIP WITH ANY OTHER DIRECTOR AND/OR MAJOR SHAREHOLDERS	He has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group.
DECLARATION ON CONVICTION OF OFFENCES WITHIN THE PAST 5 YEARS	He maintains a clean record with regards to convictions for offences (other than traffic offences, if any) within the past 5 years.

DIRECTORS' PROFILE

EDWARD TAN JUAN PENG

Chief Executive Officer

NATIONALITY : Malaysian

AGE/GENDER : 50 / Male

DATE APPOINTED	5 January 2017
NO OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR	8 out of 8
QUALIFICATIONS	<ul style="list-style-type: none"> • Bachelor of Arts (Hons) in Business Administration from Coventry University, Warwickshire, United Kingdom • Associate Member of the Asian Institute of Chartered Bankers (AICB)
EXPERIENCE	<p>He has a career experience of over 20 years in Banking, Securities and Finance, rising to the position as a Director and Head in various departments.</p> <p>He has established a well and good networked across Malaysia Corporate and Financial Institutions. He is well known for his successful management, superior service and innovative solutions covering the whole range of functions from front line sales and possesses depth industry experience especially in the corporate and consumer market. His long tenor with the financial institutions had also provided him an immense knowledge of the regulatory process, risk management, compliance knowledge, structure of public equities and novel financing products.</p>
MEMBERSHIP IN BOARD COMMITTEE(S)	<ul style="list-style-type: none"> • Member, Remuneration Committee • Member, Risk Management Committee • Member, Corporate Administration and Compliance Committee
DIRECTORSHIP IN OTHER PUBLIC COMPANIES	None
DECLARATION OF CONFLICT OF INTEREST OR ANY FAMILY RELATIONSHIP WITH ANY OTHER DIRECTOR AND/OR MAJOR SHAREHOLDERS	He has no conflict of interest with the Group and has no family relationship with any Director and / or major shareholder of the Group.
DECLARATION ON CONVICTION OF OFFENCES WITHIN THE PAST 5 YEARS	He was publicly reprimanded and fined RM205,000 for breaching Paragraph 16.13(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on 29 June 2022.

DIRECTORS' PROFILE

MOHANADAS A/L K.PBALAN

Independent Non-Executive Director

NATIONALITY : Malaysian

AGE/GENDER : 70 / Male

DATE APPOINTED	13 September 2018
NO OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR	8 out of 8
QUALIFICATIONS	<ul style="list-style-type: none">• Fellow Chartered Association of Certified Accountants (UK)• Chartered Accountant, Malaysian Institute of Accountants
EXPERIENCE	He has more than 40 years of experience in accounting, financial reporting, liquidity management and management control systems in various industries which including manufacturing, property development, international trading, distribution, oil palm plantation and agro & industrial chemical.
MEMBERSHIP IN BOARD COMMITTEE(S)	<ul style="list-style-type: none">• Chairman, Audit Committee• Chairman, Remuneration Committee• Member, Nominating Committee
DIRECTORSHIP IN OTHER PUBLIC COMPANIES	None
DECLARATION OF CONFLICT OF INTEREST OR ANY FAMILY RELATIONSHIP WITH ANY OTHER DIRECTOR AND/OR MAJOR SHAREHOLDERS	He has no conflict of interest with the Group and has no family relationship with any Director and / or major shareholder of the Group.
DECLARATION ON CONVICTION OF OFFENCES WITHIN THE PAST 5 YEARS	He was publicly reprimanded and fined RM110,000 for breaching Paragraph 16.13(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on 29 June 2022.

DIRECTORS' PROFILE

ONG PHUI FATT

Independent Non-Executive Director

NATIONALITY : Malaysian

AGE/GENDER : 63 / Male

DATE APPOINTED	10 February 2023
NO OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR	3 out of 3
QUALIFICATIONS	Degree in Economics from University of Malaya
EXPERIENCE	<p>He has over 30 years of experience in the banking and corporate finance sectors. He had previously held various senior position in Morgan Grenfell (Asia) Limited, Bank of America, ABN Amro Bank Berhad and Societe Generale. He was attached to Crimson Petroleum Asia Limited in Shanghai, China from year 2014 until 2020. Prior to that, he held the position as Director-Investment Banking in Affin Hwang Investment Bank Berhad where he was attached to Bank of East Asia (China) Limited in Shanghai. He ventures into his own investment advisory business in 2020.</p>
MEMBERSHIP IN BOARD COMMITTEE(S)	<ul style="list-style-type: none"> • Chairman, Nominating Committee • Chairman, Corporate Administration and Compliance Committee • Chairman, Risk Management Committee • Member, Audit Committee • Member, Remuneration Committee
DIRECTORSHIP IN OTHER PUBLIC COMPANIES	None
DECLARATION OF CONFLICT OF INTEREST OR ANY FAMILY RELATIONSHIP WITH ANY OTHER DIRECTOR AND/OR MAJOR SHAREHOLDERS	He has no conflict of interest with the Group and has no family relationship with any Director and / or major shareholder of the Group.
DECLARATION ON CONVICTION OF OFFENCES WITHIN THE PAST 5 YEARS	He maintains a clean record with regards to convictions for offences (other than traffic offences, if any) within the past 5 years.

DIRECTORS' PROFILE

SUZANA MANJA BINTI IBRAHIM

Independent Non-Executive Director

NATIONALITY : Malaysian

AGE/GENDER : 57 / Female

DATE APPOINTED	17 February 2023
NO OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR	2 out of 2
QUALIFICATIONS	Master in Business & Industrial Management, Asia e University
EXPERIENCE	<p>She has over 25 years of experience in a diverse range of business from construction, hotel, information technology and insurance.</p> <p>Currently, she sits on the Boards of numerous business and non-business organisations and she is also the Chairperson of People's Empowerment Organisation of Perak.</p>
MEMBERSHIP IN BOARD COMMITTEE(S)	<ul style="list-style-type: none"> • Member, Audit Committee • Member, Nominating Committee • Member, Risk Management Committee
DIRECTORSHIP IN OTHER PUBLIC COMPANIES	None
DECLARATION OF CONFLICT OF INTEREST OR ANY FAMILY RELATIONSHIP WITH ANY OTHER DIRECTOR AND/OR MAJOR SHAREHOLDERS	She has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group.
DECLARATION ON CONVICTION OF OFFENCES WITHIN THE PAST 5 YEARS	She maintains a clean record with regards to convictions for offences (other than traffic offences, if any) within the past 5 years.

KEY SENIOR MANAGEMENT PROFILE

NG CHEE KEONG

POSITION	Deputy Chief Executive Officer (Legal, Compliance, Internal Controls and Corporate Governance)
NATIONALITY	Malaysian
AGE/GENDER	52 / Male
DATE OF APPOINTMENT	24 June 2020
QUALIFICATIONS	Bachelor of Law from Bond University, Australia
EXPERIENCE	<p>He was called to the Malaysian Bar in 1996 and has over 20 years of experience as a legal practitioner.</p> <p>He was also a partner in Messrs Tan, Ng & Ong (Advocates and Solicitors) from 2001 to 2019 and as a consultant from 2019 to 2020.</p> <p>He was appointed as Independent Non-Executive Director of Revenue Group Berhad since 1st December 2017.</p> <p>He is currently the Deputy Chief Executive Officer in charge of legal compliance, internal controls and corporate governance of the Group.</p>
DIRECTORSHIP IN OTHER PUBLIC COMPANIES	Revenue Group Berhad

YEN PENG YEW

POSITION	Head of Factory and Production
NATIONALITY	Malaysian
AGE/GENDER	54 / Male
DATE WHICH FIRST APPOINTED TO KEY SENIOR MANAGEMENT	1 January 2008
QUALIFICATIONS	<ul style="list-style-type: none"> • Certificate in Marketing from Advance Tutorial Centre • Cambridge General Certificate of Education A Level from Thomson Pre-University Singapore
EXPERIENCE	<p>Since his graduation from Advance Tutorial Centre, he joined Khee San Food Industries Sdn Bhd as Production Supervisor mainly supervising Deposited Candy section. In 1997, he was transferred to Victory Sochew Food Industries Ltd. (Chouzhou) , a subsidiary of Khee San Food Industries Sdn. Bhd. as a Production Manager, to set up and design the new candy line in their China plant. His duty is to in-charge of the day-to-day production planning and execution of all manufacturing and operations functions and to seek for raw and packaging material to meet the production requirement.</p> <p>In 2003, he was transferred back to Malaysia, involve in the new wafer line set up, design and operation. Eventually, he was promoted to Deputy Factory Manager in Year 2008. In 2021, he was transferred back to HQ to take charge of the day-to-day production planning and execution of all the manufacturing and operations function to ensure the maximization of the utilization of resources, cost and quality standard maintenance. Subsequently, he was promoted to Head of Factory and Production in year 2023</p>

KEY SENIOR MANAGEMENT PROFILE

THYE CHEE LIN

POSITION	Deputy Factory Manager
NATIONALITY	Malaysian
AGE/GENDER	53 / Male
DATE WHICH FIRST APPOINTED TO KEY SENIOR MANAGEMENT	1 July 2013
QUALIFICATIONS	Diploma in Electrical and Electronic-City of Guilds of London Institute (Institute Technology Pertama, Kuala Lumpur)
EXPERIENCE	<p>He joined Khee San Food Industries Sdn Bhd in 1999 as Production Supervisor cum Technician (Electrical) mainly responsible for the Hard candy and Soft candy Auto cooker.</p> <p>He was promoted on 1 May 2009 as Assistant Production Manager and was responsible for daily production operation and organize machinery maintenance upkeep.</p> <p>He was promoted to Production Manager on 1 January 2012 and was responsible to meet daily production output and reporting to top management. He was also responsible to liaise with supplier and contractor on machinery spare parts and service job.</p> <p>He was promoted to Deputy Factory Manager on 1 July 2013 and is responsible for the factory operation including production, housekeeping, infrastructure and maintenance.</p>

LEE CHAI HONG

POSITION	Head of Procurement/Purchasing Division
NATIONALITY	Malaysian
AGE/GENDER	64 / Female
DATE WHICH FIRST APPOINTED TO KEY SENIOR MANAGEMENT	28 February 2020
QUALIFICATIONS	<ul style="list-style-type: none"> • Sijil Pelajaran Malaysia ("SPM"), Kuen Cheng High School • Unified Examination Certificate • Certificate in London Chamber of Commerce & Industry (LCCI)
EXPERIENCE	<p>Ms Lee Chai Hong joined Khee San Food Industries Sdn Bhd in July 1977 as Account Clerk. She was handling Account Payable / Account Receivable and Sales Analysis in 1986. In 1995, she was promoted to Account Supervisor, in charge full set of Accounts. In October 2008, she was promoted to Accounts Assistant Manager, assisting in managing cash flow and day to day transactions. In August 2010, she was promoted to Accounts Manager and subsequently to Group Manager (Accounts and Finance) in February 2020. Currently, she assists in managing for procurement of Raw Materials.</p>

KEY SENIOR MANAGEMENT PROFILE

VOO LIP SANG @ PHILIP

POSITION	Financial Controller
NATIONALITY	Malaysian
AGE/GENDER	56 / Male
DATE OF APPOINTMENT	10 November 2022
QUALIFICATIONS	<ul style="list-style-type: none"> Chartered Accountant, Malaysian Institute of Accountant (MIA) Member of the Malaysian Institute of Certified Public Accountants (MICPA)
EXPERIENCE	<p>He started his career with a Big Five (5) international accounting in assurance and business advisory services and held the last position as Audit Manager. He has accumulated professional experience of more than 20 years and held senior financial position with a multinational semi-conductor industry equipment trading company (Regional Controller) and listed companies (Chief Financial Officer or Group Financial Controller).</p>

BAIDAH BINTI ISMAIL

POSITION	Head of Human Resources, Corporate & Administration
NATIONALITY	Malaysian
AGE/GENDER	46 / Female
DATE OF APPOINTMENT	21 November 2022
QUALIFICATIONS	Bachelor of Accountancy, University Putra Malaysia (UPM)
EXPERIENCE	<p>Puan Baidah Ismail joined Khee San Food Industries Sdn Bhd in November 2022 as Head of Human Resources, Corporate & Administration. She is responsible for the overall Human Resource & Administrative and Information Technology functions of the Group. In her 22 years of working experience, she has previously held managerial positions in Human Resource and Administration of manufacturing companies.</p>

KEY SENIOR MANAGEMENT PROFILE

TAN SEOK GAIK @ RENEE

POSITION	Head of Sales & Marketing
NATIONALITY	Malaysian
AGE/GENDER	42 / Female
DATE OF APPOINTMENT	3 March 2023
QUALIFICATIONS	Diploma in Management, University Teknologi Malaysia
EXPERIENCE	She joined Khee San Food Industries Sdn Bhd in March 2023 as Head of Sales and Marketing. She is responsible developing strategic objectives related to sales and marketing functions and also establishing a brand and corporate identity for local and export business. She has more than 18 years of working experience.
DECLARATION OF CONFLICT OF INTEREST OR ANY FAMILY RELATIONSHIP WITH ANY OTHER DIRECTOR AND/OR MAJOR SHAREHOLDER	She is the sister-in-law of Dato' Sri Ngu Tieng Ung, the major shareholder of the Company.

Notes:

Save as disclosed above, none of the key senior management has:

- (a) Any directorship in public companies and listed issuers;
- (b) Any family relationship with any director and/or major shareholder of the Company;
- (c) Any conflict of interest with the Company;
- (d) Any convictions for offences (other than traffic offences) within the past 5 years; and
- (e) Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

MANAGEMENT DISCUSSION & ANALYSIS

1. INTRODUCTION

Khee San Berhad ("KSB") and its three (3) subsidiaries Khee San Food Industries Sdn Bhd ("KSFI"), Khee San Marketing Sdn Bhd and Mega Global Confectionary Sdn Bhd (collectively known as "the Group"), are the largest manufacturers of candy in Malaysia.

The Group's headquarter and facilities are located in Seri Kembangan, Selangor Darul Ehsan, Malaysia where it produces and distributes the following products:

SWEETS & CANDIES	
<ul style="list-style-type: none"> • Chewy • Deposited • Hard 	<ul style="list-style-type: none"> • Tablet • Chewing Gum • Bubble Gum

2. FINANCIAL REVIEW

a) Review of Statement of Comprehensive Income

The summary of the Statement of Comprehensive Income is as follows:

(RM Million)	FYE 2023	FYE 2022
Revenue	55.6	33.0
Gross Profit	11.8	3.8
Gross Profit Margin ("GPM")	21.2%	11.5%
Other Income	2.6	1.2
Distribution Costs	(0.1)	(0.2)
Administrative Expenses	(11.4)	(12.8)
Other Expenses	(0.2)	-
Finance Costs	(1.8)	(6.9)
Profit / (Loss) Before Tax	0.9	(14.9)
Profit / (Loss) After Tax	1.7	(13.7)

The Group managed to achieve RM55.6 million revenue for the current financial year, an increase of RM22.6 million (68%) compared to the previous financial year primary due to improved in market demand and sales activity from local and export markets.

In addition, the Group managed to register a gross profit ("GP") of RM 11.8 million in the current financial year as compared to a thin gross profit margin of RM3.8 million in the previous financial year.

The Group's profit before tax for the current financial year was RM0.9 million, a significant increase of RM15.8 million compared to the previous financial year. At the same time, our profit after tax for the financial year was RM1.7 million, with an increase in RM15.4 million as compared to previous financial year. The improvement in bottom line was mainly attributed to the Group's higher revenue, strict cost management and improvement in production efficiency.

MANAGEMENT DISCUSSION & ANALYSIS

b) Review of Statement of Financial Position

The summary of the Statement of Financial Position is as follows:

(RM Million)	FYE 2023	FYE 2022	Variance
Property, Plant and Equipment	54.1	56.8	(2.7)
Right-Of-Use Assets	0.9	0.8	0.1
Inventories	9.1	5.5	3.6
Trade and Other Receivables	4.2	5.1	(0.9)
Cash and Bank Balances	2.3	2.1	0.2
Other Assets	-	0.5	(0.5)
Total Assets	70.6	70.8	(0.2)
Trade and Other Payables	62.1	62.8	(0.7)
Deferred Tax Liabilities	3.6	4.9	(1.3)
Total Borrowings	75.4	75.8	(0.4)
Other Liabilities	6.9	6.4	0.5
Total Liabilities	148.0	149.9	(1.9)
Shareholders' Equity	(77.4)	(79.1)	1.7

There is no major movement of total assets in FYE 2023 as compared to FYE 2022, other than the increase in inventories by RM3.6 million was due to the increase in demand of sales. The increase in inventories was offset by the decrease in property, plant and equipment was mainly due to depreciation of property, plant and equipment of RM3.0 million in current financial year.

Total Liabilities stood at RM148.0 million, which represents a decrease of 1% in comparison with RM 149.9 million registered in FYE 2022. This was result of the decrease in deferred tax liabilities to RM1.3 million due to the write off and impairment of property, plant and equipment during the year.

Correspondingly, the Shareholders' Equity improved to negative RM77.4 million primarily due to the factors mentioned above.

MANAGEMENT DISCUSSION & ANALYSIS

c) Review of Statement of Cash Flows

The summary of the Statement of Cash Flows is as follows:

(RM Million)	FYE 2023	FYE 2022
Net cash generated from/(used in) operating activities	0.9	(3.6)
Net cash (used in)/generated from investing activities	(0.3)	0.6
Net cash (used in) / generated from financing activities	(0.4)	1.6
Net increase/(decrease) in cash and cash equivalents	0.2	(1.4)
Cash and cash equivalents at the beginning of the year	(7.5)	(6.1)
Cash and cash equivalents at the end of the year	(7.3)	(7.5)

The Group's net cash generated from operating activities was RM0.9 million compared to RM3.6 million net cash used in the previous financial year. The improvement in net cash generated from operating activities is a direct result of the strong gross profit position of the Group.

The Group's net cash used in investing activities was RM0.3 million as compared to RM0.6 million net cash generated from the previous financial year. The reversal is mainly due to the proceeds from disposal of property, plant and equipment and right-of-use assets of RM0.3 million and RM0.5 respectively in previous financial year.

There has been a reversal in the net cash from financing activities of RM2.0 million. The reversal is mainly due to the proceeds from issuance of shares in FYE 2022.

3. GROUP REVENUE PERFORMANCE OVERVIEW

The Group's revenue performance for FYE 2023 and FYE 2022 on a geographical market segment basis is as follows:

(RM Million)	FYE 2023	FYE 2022
Domestic Market	39.8	19.0
Export Market	15.8	14.0
Total	55.6	33.0

MANAGEMENT DISCUSSION & ANALYSIS

4. BUSINESS OPERATIONS REVIEW

In FYE 2023, the Group recorded total sales revenue of RM55.6 million of which domestic sales accounted for 72% and export sales accounted for the balance of 28%. The main product category of the Group is Candy.

Candy

The Candies segment is subdivided into various categories as follows:

Categories	Brands
Chewy	Fruitplus, Mintplus, Choco Plus and Milk Plus, Victory, Snackie, Beyond and Sochews
Deposited	Victory Brand and S'creams
Hard	Torrone, Snackie, Kiss Me, BonBon, Fizzy, Salt Plus, Salt & Lemon, Comilk, Nini Drop, Golly Pop, Coffee Kaw Kaw and Crystal Pop
Tablet	Bento
Chewing Gum	Victory
Bubble Gum	88 Super Bubble Gum

The Candy segment comprises the majority of the Group's revenue and was the main contributor of the Group. The bestselling product was the *Fruitplus* range of chewy candies whilst *Torrone Barley Mint* hard candies were an iconic product which was easily recognisable as it has been present in the market for over three decades. The overall market condition remained strong for the segment with strong demand for the chewy and soft candy products.

Production Operations

The Group's production operations are based at its plant located in Seri Kembangan, Selangor which produces the candy products. The Group is currently experiencing capacity constraint due to rising production level to meet demand, financial constraints and the restrictions imposed by the government to combat the global pandemic.

As such, the Group has made significant strides over the years through progressive investments to meet this demand trend. The Group currently operates five (5) units of state-of-the-art packaging machines from the initial two (2) packaging machines for the purposes of twist wrapping deposited candy products. These machines are capable of packaging speed 5 times over that of older existing packaging machines. To date, the Group is one of the selected few companies in Asia to operate this machine. In addition, it has carried out additional upgrades by installing automated candy jar packaging lines to reduce manpower requirements.

Similarly, for the *Fruitplus* chewy candy, the Group has progressively increased its packaging machines capacity to cater for the sustained demand growth over the last decade. Additional upgrades have also been made to the production lines to further automate the chewy candy process which helped increase its production output, reduce wastage as well as to reduce the Group's reliance on manpower. These efforts put forth by the Group will address the constraints faced by the production department.

Sales and Marketing

Whilst the Group has established a strong footing in the domestic market, it has made significant headwinds to grow its export markets. The Group currently exports to over 30 countries with major destinations being Hong Kong, Vietnam, Japan, South Africa and other Asia Pacific countries. For the domestic market, the focus will be on widening its coverage to all the various retail sales point across both the wholesale and modern distribution channels. These sales points can range from 24-hour convenient stores, to the various big hypermarket chains.

MANAGEMENT DISCUSSION & ANALYSIS

Distribution Channels

The Group sells its products via two distribution channels, through wholesale and modern distribution channels.

In an effort to achieve higher sales volume, the Group distributes its products via both the wholesale and modern distribution channels in Malaysia. However, for export sales, the distribution channels vary from country to country. For example, in Singapore and Hong Kong, only the modern distribution channel will be employed whilst the wholesale channel will be more prevalent in Indonesia and Vietnam.

5. BUSINESS RISK OVERVIEW

The Group faces several risk factors that may affect the Group's profitability. Those risks include the following:

Labour shortages and wage fluctuations

The Group's production activities are labour intensive in nature, thus it is prone to labour shortages. By that same breadth, it is also subject to wage fluctuations as witnessed by the government's amendments of Levy Payment Structure on foreign workers and the increase in minimum wage level in peninsular Malaysia. In an effort to reduce the over-reliance to the labour issues, the Group will continue to invest in automating the plants.

Fluctuation of raw materials price

The fluctuation of raw materials' prices has been an inherent issue for the Group, as well as its competitors in the similar industry. As an example, sugar price fluctuations may severely impact the Group as it is a major component of the Group's products. Realising this issue, the Group has taken necessary steps to reduce the risk of constant price fluctuations by engaging with its various raw material suppliers to strive for favourable longer-term supply arrangements. At the same time, the Group are constantly exploring with new suppliers to ensure that it is not overly dependent and reliant on its current key suppliers. The Group shall ensure that these initiatives are carried out without compromising its products quality.

Fluctuation of foreign currency exchange rate

Significant fluctuation of foreign currency exchange rate will impact the Group's cash flow movement and profitability as most of its input materials are sourced from abroad. In addition, the Group also relies on its export sales which are also subject to changes in currency exchange rates. The Group shall manage currency exchange rate fluctuations by continuing to monitor global currency movements and, if necessary, take proactive hedging positions to mitigate such risk.

Changes in consumers' preferences

The Group is aware of the continuous shift in consumers' taste preferences. As such it is constantly introducing innovative new flavours for its existing product range, as well as new products and product packaging to the market.

Product quality

The Group recognises that it is crucial to ensure its food-base products are high of quality. Deterioration in quality may bring severe negative image to the Group's product brands and create harmful long-term impact to the Group's reputation. To mitigate such occurrences, the Group has implemented strict quality management systems and quality assurance processes to ensure that there is no deterioration in product quality. Furthermore, the group is certified as an ISO and Halal candy and wafer manufacturer.

Interest rate & liquidity risk

The Group is exposed to interest rate and liquidity risk as it has considerably high bank borrowings. The board is cognisant of this inherent risk and shall monitor its cashflow position diligently while exploring alternate avenues of funding. The Group may consider raising funds through the capital markets when the stock market condition is much more favourable. This will help mitigate over-reliance on banking facility which is prone to interest rate movements.

MANAGEMENT DISCUSSION & ANALYSIS

6. OUTLOOK OF FUTURE PROPECTS

The Malaysian economy was hit due to the covid pandemic over the last two years and the Group was not spared. However, the government has managed this pandemic well and Malaysia as a whole has achieved over 80% immunisation of the adult population and as such there has been loosening on social movement. This re-opening of the economy has helped the recovery process of the Group, hence the management is optimistic that this would translate to the recovery in the Group's revenue in time. The Group will continue its efforts to improve operational efficiency to meet the current challenging operating environment in year 2023 due to uncertainties of raw materials costs and labour shortage and its related costs.

The Group is confident to achieve positive operating results after the completion of proposed business regularization plan and the proposed scheme of arrangement which has been submitted to Bursa Securities on 18 July 2023.

The Group is expanding its overseas market and had entered into a Strategic Cooperation Agreement with Wellspire Global Trading Sdn Bhd as the sole and exclusive distributor of the "Khee San" brand products in Thailand for a period of three (3) years from 23 August 2023 to 22 August 2026.

The Group is weighing all options and will decide on the best course of action moving forward and will act in the best interest of its shareholders.

SUSTAINABILITY REPORT

It is with great pleasure the Board of Directors present Khee San Berhad's ("KSB" or "the Group") Sustainability Report for the financial year 2023. This report serves as a channel to communicate our initiatives in managing sustainability key governance, economic, environmental and social risks as well as opportunities to create value to the stakeholders. The Group acknowledges that sustainability has been a vital element contributing to the growth of our business.

SUSTAINABILITY GOVERNANCE

The Board of Directors ("the Board") of the Group is the main driver in overseeing the sustainability matters, setting the sustainability strategies and ensuring that our sustainability initiatives are aligned with the Group's vision and mission. The Board is supported by the Audit Committee in setting sustainability strategies as well as monitoring the progress of implementation of sustainability initiatives, based on the directions set by the Board. During the financial year under review, various departments, business units and teams have been involved in the various aspects of sustainability management.

KSB Group's Sustainability Governance Structure is as follows:

GOVERNANCE STRUCTURE	ROLES
Board of Directors	Deliberate and approves the Group's strategies, initiatives, budget and related matters.
Corporate Administration and Compliance Committee	Review and overseeing the implementation and monitoring of the sustainable policies, measures and practices and recommends to the Board of Directors for approval.
Head of Department	Identify, plans and initiate the policies, measures and practices including day-to-day management of sustainability of risks and issue.

KSB Group believes that operating our business in accordance with strong corporate governance is not only key to our business performance, but it also makes up an integral part of our sustainability methodology. KSB constantly works to cultivate a company culture that drive all our people to create value by conducting our business responsibly and conforming to the highest ethical standards through our Code of Conduct and Ethics and business practices of our industry. To ensure these practises are instilled from the top-level down, the Group holds our Board of Directors and management team accountable of their duties through our Board Charter, that sets out the principles and responsibilities of best practices.

Our Whistleblowing Policy provides a framework to promote responsibility and commitment in carrying out our business with honesty, integrity and accountability. This policy is also designed to support and protect our workforce in their efforts to adhere to the Group's Code of Conduct and Ethics by establishing a communication channel for any stakeholders to report to any issues that they may encounter. The Group's Code of Conduct and Ethics, Whistleblowing Policy and Board Charter are made available on KSB's website at www.kheesanbhd.com

The Group has categorised the following four (4) areas as material sustainability matters:

BUSINESS	CONDUCT & COMPLIANCE	ENVIRONMENTAL SUSTAINABILITY	COMMUNITY
<ul style="list-style-type: none"> • Customers' satisfaction • Return on investments • Innovation 	<ul style="list-style-type: none"> • Regulatory requirements • Strict internal control 	<ul style="list-style-type: none"> • Environment friendly • Wastes and garbage treatment 	<ul style="list-style-type: none"> • Employees • Customers • Investors • Stakeholders • Government agencies • Community

SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENTS

The following are the areas of interest and methods of engagement used for the Group's key stakeholder groups:

STAKEHOLDER	ENGAGEMENT FOCUS AREAS	ENGAGEMENT APPROACHES
Board of Directors	<ul style="list-style-type: none"> • Corporate strategy • Corporate governance 	<ul style="list-style-type: none"> • Board meetings
Business Partners (Non-Suppliers)	<ul style="list-style-type: none"> • Financial performance • Corporate governance • Business developments 	<ul style="list-style-type: none"> • Meetings and discussions • Financial announcement and reporting • Corporate website
Certification and Regulatory Bodies	<ul style="list-style-type: none"> • Regulatory compliance • Approvals and permits • Standards and certifications • Halal certification 	<ul style="list-style-type: none"> • Meetings and consultations • Training programmes and dialogue • Audit and verification
Communities	<ul style="list-style-type: none"> • Quality of health and education • Indirect economic impact • Environment impact of operations • Community well-being 	<ul style="list-style-type: none"> • Community engagement • Donations and sponsorships • Charity drives and programmes
Customers	<ul style="list-style-type: none"> • Customer satisfactions • Quality assurance • Product quality and branding • Customer-company relationship • Customer service and complaint resolution • Pricing and promotion • After sales services 	<ul style="list-style-type: none"> • Feedback and enquiry forms • Social media platforms • Customers relationship management • Products standards and certification • Regular meetings • Marketing activities • Sponsorship activities
Employees	<ul style="list-style-type: none"> • Occupational safety and health • Remuneration policy • Career development and advancements • Performance review • Fair employment practices • Employee retention and loyalty 	<ul style="list-style-type: none"> • Recruitment • Performance appraisal • Dialogues between employers and employees • Training programme (in house, external, study trips) • Long service awards
Government	<ul style="list-style-type: none"> • Operational regulations • Bursa Malaysia Listing Requirements • Companies Act 2016 • Labour law • Taxation • Local government licensing 	<ul style="list-style-type: none"> • Compliances to laws and regulations
Media	<ul style="list-style-type: none"> • Reputation and image • Financial performance • Business update and corporate news • Public relations 	<ul style="list-style-type: none"> • Social media platform • Conference and interviews • Events and functions

SUSTAINABILITY REPORT

STAKEHOLDER	ENGAGEMENT FOCUS AREAS	ENGAGEMENT APPROACHES
Shareholders and Investors	<ul style="list-style-type: none"> • Financial performance • Regulatory compliance • Corporate governance • Ethical business conduct • Investment and divestment • Internal control and risk management • Composition of the Board and various committees 	<ul style="list-style-type: none"> • Meetings and briefings • Financial announcements and reporting • Policies and framework • Corporate website / social media
Vendors and Suppliers	<ul style="list-style-type: none"> • Food safety • Product quality and branding • Vendors-company relationship • Vendors service management • Pricing and promotion 	<ul style="list-style-type: none"> • Quality audit and evaluation on services and products • Regular meetings • Factory visits • Quality audit on services and products • Contract negotiation
Wholesalers & Distributors	<ul style="list-style-type: none"> • Enhancement of distribution platform • Market demand • Product quality and pricing • Product development and innovation 	<ul style="list-style-type: none"> • Marketing plan • Product promotions • Events • Training • Feedback and surveys

SUSTAINABLE STRATEGIES

The following are the areas of interest and methods of engagement used for the Group's key stakeholder groups:

Economic Sustainability

The core business of the Group is manufacturing of wide range of candies. The Group sells its candies locally and abroad. The Group continues to seek opportunities in increasing its revenue and remain profitable by: -

- exploring into new target market abroad;
- improving the range of products sold and product mix; and
- taking pride in all of the products to assure high standards in quality and of these products.

Risk management is also one of the Group's core challenge due to the volatility in the market conditions. The Group is exposed to many external environment factors, such as of raw material pricing, finished goods demand, competition, trade barrier in importing countries. Therefore, the Group takes great efforts to identify the critical risk which may influence its business strategies. The ability to make judgemental decisions based on market intelligence is crucial to preserve the competitiveness of the Group. With constant updates by the sales and marketing team, as well by advice from the procurement and finance staff, the management is able to mitigate these risk elements.

Environment Sustainability

Being a responsible corporate citizen, KSB Group continues to adhere to clearer, greener and healthier working environment. It is mindful of the environment impact of its activities and has maintain full compliance with all environment regulations and will continue to develop effective initiatives to protect the environment.

Amongst some of the environmental initiatives undertaken by the Group are:

- comply with preservation of environmental aspects
- avoid contamination and improve quality of environment
- to optimise manufacturing efficiency through energy efficient production machinery
- conserve consumption of water, electricity and other natural resources in the business operations
- to reduce noise pollution by servicing the production machines
- to ensure all materials used, where possible, are sourced from sustainable or recycled means
- to ensure wastes are responsibly disposed at designated premises
- recycled obsolete packaging materials

SUSTAINABILITY REPORT

Social Sustainability

The health and safety of our workers at the workplace is of utmost importance. In order to prevent the spread of COVID-19, the Group has devoted significant resources to ensure our people are well-protected. Among some of the proactive approaches taken by the Group are as follow:

- mandatory use of face masks for all employees and visitors
- regular sanitisation in the workplace and provide hand sanitizers at common areas
- implement strict and effective Standard Operating Procedures ("SOP") and best practices as recommended by the Ministry of Health and the World Health Organisation
- developing SOP and/or alternative business arrangements with customers, contractors or suppliers to ensure smooth continuity of the business and operations
- keep the staff updated with relevant notices on prevention measures within the workplace regularly

Human resource is a vital component of Group to achieve sustainable result. Their performance and commitment to their respective jobs are crucial to allow the Group to operate in a very efficient and effective manner as well as developing a long-lasting sustainability of the business. As such, the Group takes seriously its efforts to develop a sustainable talent pool who can realise their potential and at the same time creating balanced and conducive working environment to the staff. The Group organises in-house as well as external training programmes and workshops which are tailor-made to different departments and job functions to cater for their respective skill sets. This is to help the employees in broadening their knowledge base and technical knowhow on new developments in their respective field of expertise, as well as improving the soft skills of the employees.

The Group practices equal and competitive opportunities at all levels of its business, aiming to achieve a balanced participation between men and women in the workplace. The Group create opportunity for employees to showcase their talent and dedication to their work. The Group offers various employees' benefits, such as:

- Hospitalisation and group insurance coverage
- Long service awards in honour the employees' dedication, commitment and hard work
- Training programmes and workshops to enhance the skill sets and broaden the knowledge base and technical knowhow of employees

The Group is committed in ensuring safe environment for its employees, contractors and visitors, such as:

- Ensuring the working place is free from any physical or verbal abuse
- Ensuring round-the-clock surveillance at workplace
- Briefings on the awareness of the safety precautions and health issues
- Adhering to the Occupational, Safety and Health management system standard
- Employees must wear safety gears to avoid injuries in their respective work place
- Implementing of the whistleblowing policy

As our social responsibility to our customers, the Group committed to produce good quality product for the market by adhering to the Good Manufacturing Practice ("GMP"), Hazard analysis and Critical Control Points ("HACCP") guideline.

KSB Group strives to engage with the community, not only in efforts to build our reputation and business relationships, but also to give back to the society, especially in improving the livelihoods of the community. The Group makes charitable contribution to the community by way of donation and sponsorship.

Food safety and quality

KSB Group had established a rigorous food safety and quality policy to ensure that its products delivered to customer are safe and high-quality. Therefore, the Group had provided training to its production team to ensure that they are well-trained and experienced across the supply chain, and its supervisor also oversees whole process by adhering to the policy, which include procurement of ingredients, research and development process, manufacturing and packaging process.

SUSTAINABILITY REPORT

In order to ensure safe and high-quality product, the Group has obtained both locally and internationally certifications:

- ISO 9001:2015 Quality Management System Certification
- Safe Food Industry Responsibility ("MeSTI") Certification
- Halal Certification from the Department of Islamic Development Malaysia ("JAKIM")
- Halal Certification from the Halal Product Assurance Organizing Agency of Indonesia ("BPJPH")
- Halal Decree from Majelis Ulama Indonesia

KSB GROUP'S COMMITMENTS

The KSB Group acknowledge the importance of the sustainability element in the business and the Group pledge to work collectively to mould a better future for generations to come by improving our sustainability performance.

This report was approved by the Board on 17 October 2023.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

THE BOARD OF DIRECTORS (“BOARD”) OF KHEE SAN BERHAD (“KHEE SAN” OR “COMPANY”) PRESENTS THIS STATEMENT TO PROVIDE SHAREHOLDERS AND INVESTORS WITH AN OVERVIEW OF THE CORPORATE GOVERNANCE PRACTICES OF THE COMPANY DURING THE FINANCIAL YEAR ENDED 30 JUNE 2023 (“FYE 2023”).

The Corporate Governance Overview Statement (“CG Statement”) is made pursuant to Paragraph 15.25(1) of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and guidance was drawn from Practice Note 9 of Bursa Securities’ Listing Requirements and the Corporate Governance Guide (4th Edition) issued by Bursa Securities with reference to the following three (3) key principles under the leadership of the Board:

Principle A	Principle B	Principle C
Board leadership and effectiveness	Effective audit and risk management	Integrity in corporate reporting and meaningful relationship with stakeholders
<ul style="list-style-type: none"> • Board responsibilities • Board composition • Remuneration 	<ul style="list-style-type: none"> • Audit committee • Risk management and internal control framework 	<ul style="list-style-type: none"> • Engagement with stakeholders • Conduct of general meetings

This CG Statement is to be read together with the Corporate Governance Report 2023 (“CG Report”) of the Company which is available at www.kheesanbhd.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board’s Responsibilities

The Board takes full responsibility for the oversight and overall performance of the Company and provided leadership within a framework of prudence and effective controls which enables risks to be appropriately assessed and managed. To ensure effective discharge of their function and responsibilities, the Board has defined and collectively reviewed and approved the roles and responsibilities as well as the schedule of reserved matters in the Board Charter. In order to assist the Board in the oversight function on specific responsibility areas, the Board has established five (5) Board Committees, namely:

- 1) Audit Committee (“AC”)
- 2) Nominating Committee (“NC”)
- 3) Remuneration Committee (“RC”)
- 4) Corporate Administration and Compliance Committee (“CACCC”)
- 5) Risk Management Committee (“RMC”)

All committees have a written Terms of Reference to guide them to perform its roles and responsibilities respectively. The Chairman of the respective Committees will report to the Board of the outcome of the Committee meetings for the Board’s considerations and approvals and extracts of such reports are incorporated in the minutes of the Board meetings. The Board retains full responsibility for the direction and control of the Company.

The Executive Chairman instils good governance practices, leadership and effectiveness in the Board through chairing of board meetings and deliberating together with the Board members on board matters and policies.

The position of the Chairman and Chief Executive Officer (“CEO”) are held by two (2) different individuals with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making, and are clearly defined in the Board Charter. Mr. Yong Loong Chen was appointed as an Executive Chairman on 10 February 2023 to lead the Board and is responsible for the effective performance of the Board. He is supported by the CEO, Mr. Edward Tan Juan Peng and Deputy CEO, Mr. Ng Chee Keong who manage and lead the senior management team of the Group on the day-to-day business operations and implements the Board’s decisions and policies.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Chairman of the Board is not a member of the AC, NC, RC, CACC or RMC.

The Board is supported by suitably qualified and competent Company Secretaries who are qualified secretaries under Section 235(2)(a) of the Companies Act 2016. The appointment of Company Secretaries is based on the capability and proficiency determined by the Board. The Constitution of the Company permits the removal of Company Secretaries by the Board. All members of the Board, whether as a whole or in their individual capacity, have access to the advice and services of the Company Secretaries on all matters relating to the Group to assist them in the furtherance of their duties. The Board is regularly updated and kept informed by the Company Secretaries and the Management of the requirements such as restrictions in dealing with the securities of the Company and updates as issued by the various regulatory authorities including the latest developments in the legislation and regulatory framework affecting the Group.

During the FYE 2023, the Board had reviewed and approved, amongst others:

- 1) Audited Financial Statements for FYE 30 June 2022
- 2) Annual Report 2022
- 3) Composition of the Board Committees
- 4) AC's Report on Audit Plan for FYE 2023
- 5) AC's Report on Internal Audit Plan for 2023
- 6) Quarterly results
- 7) Proposed Regularisation Plan
- 8) Scheme of Arrangement
- 9) Corporate Calendar for the year 2023

The Board had established the Anti Bribery and Corruption Prevention Policy in keeping with the commitment set forth to prevent bribery and corruption. Khee San takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and integrity in all business dealings and relationships wherever the Group operates and expects the individuals and organization the Group works with to uphold and adopt the same approach.

As an additional measure to safeguard the integrity of the Group, the Board has defined its Whistleblowing Policy to provide guidance for stakeholders to report genuine concerns of any possible improprieties pertaining to financial reporting, compliance, malpractices and unethical business conduct within the Group. In addition, the Board has also defined its Code of Conduct and Ethics which serves as a tool for the Board to convey and instill its values into the organization.

The Board Charter, Terms of Reference of the Board Committees, Director's Fit and Proper Policy, Anti Bribery and Corruption Prevention Policy, Whistleblowing Policy and Code of Conduct and Ethics are also available on the Company's website at www.kheesanbhd.com.

2.0 Board Composition

The NC oversees and reviews on an on-going basis, the overall composition of the Board in terms of size, the required mix of skills, experience and other qualities and core competencies for the Directors of the Company. The effectiveness of the Board as a whole and the contribution and performance of each individual Director to the effectiveness of the Board and the Board Committees will also be assessed by the NC on an annual basis.

The Board comprised of five (5) members, of which three (3) are Independent Non-Executive Directors. The Board's composition is in compliance with the provisions of the Listing Requirements of Bursa Securities for independent non-executive directors to make up at least one third (1/3) of the Board membership. The profiles of the individual Directors are set out in the Directors' Profile in this Annual Report 2023.

The presence of Independent Non-Executive Directors from various fields are invaluable assets to the Company and fulfil the pivotal role in corporate accountability. The role of Independent Non-Executive Directors is particularly important as they provide unbiased and independent views, advices and judgements to take into account the interests of the Group and stakeholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board is supportive of boardroom diversity as it can offer greater depth and breadth compared to non-diverse board. The Board practices no discrimination in terms of appointment of Directors as well as hiring employees wherein the Directors and Senior Management are recruited based on their merit, skills and experiences and not driven by age, cultural background and gender. In line with promotion of gender diversity as recommended under the Malaysian Code of Corporate Governance ("MCCG"), the Board appointed one (1) female Director, namely Puan Suzana Manja Binti Ibrahim during the FYE 2023.

The Board understands that the quality of information affects the effectiveness of the Board to oversee the conduct of business and to evaluate the Management's performance of the Group. Information and materials that are important to the Board's understanding of the business to be conducted at a Board or committee meeting will be distributed to the Directors in order to provide ample time for review beforehand. Notice of Board meetings are usually issued at least five (5) working days prior to the meeting. Upon conclusion of meeting, the Company Secretary will ensure that accurate and proper records of the proceedings and resolutions passed are recorded and the minutes is circulated to the Board members before the next meetings.

During FYE 2023, eight (8) Board meetings were held and all the Board Papers were circulated to the Board in a timely manner. The Directors attendance at the Board meetings during FYE 2023 were as follows:

Director	Designation	Attendance
Yong Loong Chen <i>[Appointed on 10 February 2023]</i>	Executive Chairman	3/3
Edward Tan Juan Peng	Chief Executive Officer	8/8
Mohanadas A/L K.P.Balan	Independent Non-Executive Director	8/8
Ong Phui Fatt <i>[Appointed on 10 February 2023]</i>	Independent Non-Executive Director	3/3
Suzana Manja Binti Ibrahim <i>[Appointed on 17 February 2023]</i>	Independent Non-Executive Director	2/2
Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif <i>[Resigned on 28 February 2023]</i>	Independent Non-Executive Director	5/5
Dato' Hj. Mohd Aris Bin Ramli <i>[Resigned on 28 February 2023]</i>	Independent Non-Executive Director	5/5
Dato' Mohamad Razali Bin Mohamad Rahim <i>[Resigned on 17 February 2023]</i>	Independent Non-Executive Director	5/5

The Directors are encouraged and afforded the opportunity to upskill and keep themselves abreast with the market and regulatory changes throughout the financial year. During the FYE 2023, the Directors attended continuous professional development programmes covering various topics ranging from financial, changes in statutory and regulatory requirements, governance, sustainability and industry knowledge. During the FYE2023, the Directors attended the following training programmes:

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Programme	Date
Yong Loong Chen <i>[Appointed on 10 February 2023]</i>	Merger and acquisition for growth by YYC Group	15 April 2023
	Webinar Conference: Tackling Practical Problems Faced by Taxpayers by Thannees Tax Consulting Services Sdn Bhd	18 April 2023
	Long-Term Incentive Plan to retain valued talent and grow by YYC Group	20 April 2023
Edward Tan Juan Peng	Webinar Conference: Tackling Practical Problems Faced by Taxpayers by Thannees Tax Consulting Services Sdn Bhd	18 April 2023
Ong Phui Fatt <i>[Appointed on 10 February 2023]</i>	A dialogue with Bursa Malaysia - ESG Rating for All PLCs - by Institute Corporate Directors Malaysia	14 April 2023
Mohanadas A/L K.P.Balan	Webinar Conference: Tackling Practical Problems Faced by Taxpayers by Thannees Tax Consulting Services Sdn Bhd	18 April 2023
Suzana Manja Binti Ibrahim <i>[Appointed on 17 February 2023]</i>	Mandatory Accreditation Programme (MAP) by Institute of Corporate Directors Malaysia	11-12 May 2023

The directors will continue to undergo a periodic training in the relevant courses as well as attend seminars, conferences and similar events in keeping themselves abreast with the latest skills and knowledge to discharge their duties effectively.

NC Statement

The NC comprised three (3) Independent Non-Executive Directors as follows:

Director	Designation	Directorship
Ong Phui Fatt <i>[Appointed on 11 April 2023]</i>	Chairman	Independent Non-Executive Director
Mohanadas A/L K.P.Balan	Member	Independent Non-Executive Director
Suzana Manja Binti Ibrahim <i>[Appointed on 11 April 2023]</i>	Member	Independent Non-Executive Director
Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif <i>[Resigned on 28 February 2023]</i>	Chairman	Independent Non-Executive Director
Dato' Hj. Mohd Aris Bin Ramli <i>[Resigned on 28 February 2023]</i>	Member	Independent Non-Executive Director

Activities of the NC

During the FYE 2023, the NC conducts annual assessment via questionnaires, of individual Director in respect of his skill, experience, contribution and other core competencies, of Independent Directors on whether they continue to meet the independence criteria prescribed in the Listing Requirements of Bursa Securities and the ability to discharge their duties with unbiased judgement as well as the effectiveness of the board as a whole and various board committees in terms of mix of skills and expertise. The NC also recommended the appointment of additional Directors.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

In recommending suitable candidates for directorships and Board committees to the Board, the NC takes into consideration the candidate's experience, competency, character, time commitment and potential contribution to the Group. Any new nomination received is recommended to the Board after a comprehensive assessment and the NC's endorsement.

3.0 Remuneration

The remuneration of Directors is determined at levels which enable the Company to attract and retain Directors with the relevant experience and expertise to manage the business of the Group effectively. The RC oversees the remuneration of directors. The remuneration for directors is in line with the Board's aim to retain, attract and reward talent based on industry benchmarks.

The remuneration packages for executive directors are reviewed by the RC and recommended to the Board for approval. It is then decided by the Board without the respective executive directors' participation in determining their remuneration.

Bonuses payable to executive directors are performance-based and relate to the individual and the Company's as well as Group's achievement of specific goals. The non-executive directors do not receive any performance related remuneration.

The detailed disclosure on named basis for the remuneration of individual Directors that includes fee, allowance, salary and other emoluments from the Company for the FYE 2023 and the senior management's remuneration in bands of RM50,000 are set out in Practice 8.1 and Practice 8.2 of the CG Report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1.0 Audit Committee

The members of AC comprise of all Independent Non-Executive Directors. The Chairman of the AC is distinct from the Chairman of the Board so as to promote unfettered objectivity during the Board's review of the AC's findings and recommendations. The current AC composition meets the requirements of Paragraph 15.09 of the Listing Requirements of Bursa Securities where the AC Chairman, Mr. Mohanadas A/L K.P.Balan is a member of Malaysian Institute of Accountants. The present composition of the AC allows it to possess the requisite level of financial literacy and business acumen to have a sound understanding of the financial matters of the Group as well as an understanding of the latest developments in financial reporting, accounting and auditing standards.

None of the members of the AC are former audit partners of the current external audit firm of the Group. As stated in the Terms of Reference of the AC, the Committee is mindful of the minimum three (3) years cooling off period best practice under the MCCG when considering the appointment of former key audit partner from its current external audit firm to ensure that the review of the Group's financial statements and the performance and independence of the External Auditors are being done objectively by the Committee.

Before the commencement of the current financial year audit, the AC had reviewed and deliberated with the External Auditors on their audit planning memorandum, covering the audit risk areas, approach, emphasis and timeline. The AC also noted the External Auditors' independence check and confirmation procedures carried out in the firm as well as no conflict of interest for rendering their non-audit services to the Group presently.

Full details of the AC's duties and responsibilities are stated in its Terms of Reference which is made available on the Company's website at www.kheesanbhd.com. and the detailed disclosure on the role and activities undertaken by the AC during the financial year is provided in the AC Report of this Annual Report 2023.

2.0 Risk Management and Internal Control Framework

The Board has ultimate responsibility for reviewing the Company's risks, approving the risk management framework and policy and overseeing the Company's strategic risk management and internal control framework to achieve its objectives within an acceptable risk profile as well as safeguarding the interest of stakeholders and shareholders and the Group's assets.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board is supported by the RMC which reports to the Board regarding the Group's risk exposures, including a review of risk assessment model used to monitor the risk exposures and the Management's view on the acceptable and appropriate level of risks faced by the Group. The RMC will continue to evaluate, review and monitor the Group's risk management framework and activities on on-going basis to identify, assess and monitor the key business risks of the Company to safeguard shareholders' investment and Company's assets.

The Company also engaged and outsourced the internal auditors to provide independent assessments on the adequacy, efficiency and effectiveness of the Company's internal control system. The internal auditors report directly to the AC and internal audit plans are tabled to the AC for review and approval by the Board to ensure adequate coverage.

The process of the risk management and internal control are ongoing, which are undertaken by each department within the Company. The Company will continuously enhance the existing system of risk management and internal control by taking into consideration the changing business environment.

Further details on the features of the risk management and internal control framework, and the adequacy and effectiveness of this framework, are disclosed in the Statement of Risk Management and Internal Control in this Annual Report 2023.

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

1.0 Engagement with stakeholders

The Board is committed to provide effective, transparent and regular communication with its shareholders and other stakeholders regarding the business, operations and financial performance of the Group to enable them to make informed decisions.

Through its website www.kheesanbhd.com and its announcements on Bursa Malaysia's website, the Group shares mandatory public announcements as well as publishes its quarterly and annual results. The quarterly financial results are announced via Bursa LINK immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

2.0 Conduct of general meetings

The Annual General Meeting ("AGM") serves as the primary platform for shareholders to engage the Board and Senior Management in a productive two-way dialogue. Shareholders are accorded with the opportunity to put forward questions and seek clarifications on the broad areas of the Group's performance, business activities and outlook during a Question & Answer session held during the AGM.

The Notice for the 27th AGM that was held on 9 December 2022 was issued on 31 October 2022 which is more than the 28 days recommended notice period. This gave shareholders sufficient time to read and consider the resolutions to be resolved and enable shareholders to make an informed decision in exercising their voting rights. The Minutes of the 27th AGM, which includes the questions raised by shareholders together with the responses by the Company and outcome of the voting results, was made available to the shareholders within thirty (30) business days after the 27th AGM at www.kheesanbhd.com.

All Directors of the Company will also attend the 28th AGM of the Company scheduled on 29 November 2023 to engage with shareholders and proxies proactively. The Chairman will ensure that sufficient opportunities are given to shareholders and proxies to raise questions relating to the affairs of the Company and that adequate responses are given.

COMPLIANCE STATEMENT

The Board is satisfied that during the FYE 2023, the Company has substantially complied with the best practices of the MCCG on the application of the principles and best practices in corporate governance.

This CG Statement has been reviewed and approved by the Board on 17 October 2023.

AUDIT COMMITTEE REPORT

1. MEMBERSHIP AND MEETINGS

The Audit Committee ("AC") comprises of three (3) members of which all are Independent Non-Executive Directors, in compliance with Paragraph 15.09 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The members of the AC and details of their attendance at the AC Meetings for the financial year ended 30 June 2023 ("FYE 2023") are as follows:

NAME	DESIGNATION	NUMBER OF MEETING(S) ATTENDED
Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif ^ <i>(Resigned as AC Chairman on 28 February 2023)</i>	Chairman, Independent Non-Executive Director	3/3
Mohanadas A/L K.P.Balan ^ <i>(Redesignated as AC Chairman on 11 April 2023)</i>	Chairman, Independent Non-Executive Director	4/4
Dato' Hj. Mohd Aris Bin Ramli <i>(Resigned on 28 February 2023)</i>	Member, Independent Non-Executive Director	3/3
Ong Phui Fatt <i>(Appointed on 11 April 2023)</i>	Member, Independent Non-Executive Director	1/1
Suzana Manja Binti Ibrahim <i>(Appointed on 11 April 2023)</i>	Member, Independent Non-Executive Director	1/1

^ Member of the Malaysian Institute of Accountants

The AC met four (4) times during the financial year. Mr. Edward Tan Juan Peng, the Company's Chief Executive Officer and other senior management staff attended the meetings by invitation of the AC. The representatives of internal and external auditors were also present during deliberations of the subjects which required their input and advices.

2. TERMS OF REFERENCE

The Terms of Reference ("TOR") of the AC are aligned with the MMLR of Bursa Securities and recommendations of the Malaysian Code on Corporate Governance. The TOR is available at the Company's website at www.kheesanbhd.com

3. SUMMARY OF ACTIVITIES

During the FYE 2023, the AC carried out the following activities and believed it had discharged its duties in accordance with its' TOR:

1. Financial Reporting

- a) The AC had reviewed and ensured that the four (4) quarterly financial results of the Group complied with the Malaysian Financial Reporting Standards ("MRFS") and Appendix 9B of the MMLR.
- b) The AC had reviewed and made recommendation to the Board in respect of the annual Audited Financial Statements of the Company and the Group for the FYE 30 June 2022 to ensure that it presented a true and fair view of the Company's financial position and performance for the year and compliance with all the regulatory requirements.

AUDIT COMMITTEE REPORT

The summary of the AC meetings held were as follows:

DATE OF MEETING	SUBJECT MATTERS
30 August 2022	<ul style="list-style-type: none"> Discussed on the Audit Review Memorandum for FYE 30 June 2022 from Kreston John & Gan Reviewed the Quarterly Results for period ended 30 June 2022
29 November 2022	<ul style="list-style-type: none"> Reviewed the Quarterly Results for period ended 30 September 2022
17 February 2023	<ul style="list-style-type: none"> Reviewed the Quarterly Results for period ended 31 December 2022
26 May 2023	<ul style="list-style-type: none"> Discussed on the audit planning for FYE 30 June 2023 Reviewed the Internal Audit Review Report on Human Resource Management (including Health and Safety Management) Reviewed the Quarterly Results for period ended 31 March 2023

2. Annual Reporting

The AC had reviewed the AC Report and Statement of Risk Management & Internal Control to ensure adherence to legal and regulatory reporting requirements and recommended the same to the Board for approval.

3. External Audit

- The AC had reviewed and discussed the Audit Review Memorandum for the FYE 30 June 2022 with Kreston John & Gan ("Kreston") at the meeting held on 30 August 2022.
- The AC also had a private session with Kreston to discuss on the areas of audit concern and recommendations regarding opportunities for improvement to the internal controls based on observations.
- The AC evaluated the performance of the External Auditors covering areas such as caliber, quality processes, audit team, independence, audit scope and audit communication as well as the audit fees.
- On 26 May 2023, the AC had reviewed the Audit Planning Memorandum for the FYE 30 June 2023 presented by Kreston.

4. Internal Audit

- The AC had reviewed the results of Internal Audit Report together with the recommendations from Resolve IR Sdn Bhd ("Resolve IR"). The AC considered Resolve IR's recommendations and considered the Management's responses and made appropriate advise to the management on issues which require adoption and improvement.
- The AC had undertaken assessment of the performance of Resolve IR and was satisfied with the competency, experience and resources of the Internal Audit Function for discharging its role and responsibilities.

4. INTERNAL AUDIT FUNCTION

The Group's Internal Audit function is outsourced to Resolve IR who assists the AC and the Board in providing independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system. The Internal Auditor's audit processes were mainly:

- To review the adequacy and test the integrity of the system of internal controls;
- To assess compliance with policies and procedures and recommended best practices; and
- To review and identify any potential areas for improvement in the effectiveness and efficiency of the processes (if any).

AUDIT COMMITTEE REPORT

The Internal Auditor reports directly to the AC. During the FYE 2023, the Internal Auditors presented the following Internal Control Report to the AC:

DATE OF AC MEETING	INTERNAL CONTROL REPORT
26 May 2023	ICR on Human Resource Management (including Health and Safety Management)

The Internal Auditor is guided by the Professional Practices Framework by the Institute of Internal Auditors. Observations and findings from the audit reviews, including the recommended corrective actions were discussed with the Management. The internal audit report together with the Management's response and proposed corrective action plans were then presented to the AC for their review during the quarterly meetings. Follow up review was also conducted to ensure corrective actions have been implemented.

The fees incurred for the outsourcing of the internal audit function for the FYE 2023 was RM12,500.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

1. INTRODUCTION

Pursuant to paragraph 15.26(b) and Practice 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad in relation to the requirement to prepare the statement of risk management and internal control, in which the Statement shall be guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. The Board of Directors ("the Board") of Khee San Berhad ("the Company") is pleased to present the statement on the state of the risk management and internal controls of the Company and its subsidiaries ("the Group") for the financial year ended 30 June 2023.

The Board believes the practice of good risk management and internal control is an important continuous process to safeguard Shareholders' investment and the Group's assets.

2. BOARDS' RESPONSIBILITIES

The Board upholds its overall responsibility for the Group's system of internal control, including the assurance of its adequacy and integrity of the risk management and internal control system and its alignment with the corporate objectives. The internal control system of the Company covering the risk management, financial, organisational and operation, business environment and compliance controls.

The Board also affirms that they will continuously improve the process for identifying, evaluating, monitoring and managing the significant risks faced by the Group as to safeguard the Shareholders' and Stakeholders' interest. However, in view of the limitation inherent in any system of internal controls and risk management, it should be noted that a system of internal controls and risk management framework are designed to manage the principal risks of the Group rather than to eliminate the risks of failure. As such, the internal control system can only provide reasonable and adequate, but not absolute assurance against material misstatement of management and financial information or against any loss or fraud.

The Board is assisted by the Management in implementing the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to manage and control these risks.

A Board Committee, Risk Management Committee had been established to assist the Board in their responsibilities to identify, assess and monitor key business / operation / financial / reputational risks to safeguard shareholders' investments and the Company's assets. The formulation of this committee is to complement the groups' existing Board committees which include Corporate Administration and Compliance Committee composited on 11 April 2023 which is aimed to inculcate good corporate governance culture within the company by reinforcing ethical, prudent and professional behaviour.

The above additional board committee serve as an testament of the boards long-term commitment in maintaining an effective risk management framework and internal control systems which will ensure the perseverance of Company's shareholder interest and shall allow the Group to effectively meet its business objectives in the current challenging business environment.

3. RISK MANAGEMENT FRAMEWORK

With the increasingly complex and dynamic business environment, proactive management of the overall business risks is a prerequisite in ensuring that the risk management and control framework is embedded into the culture, processes and structures of the Company to achieve its strategic objectives. The Group is committed to ensure that the risks inherent in its business are identified and effectively managed through its planned activities.

As the effectiveness of the risk management system is dependent on constant awareness of potential risks and regular practice of risk assessment processes by all levels of an organisation, the level of success in the implementation of mitigation actions have been incorporated as one of the criteria in the annual performance appraisal of Senior Management. The deliberation of risks and related mitigating responses are carried out at regular management meetings of the Group and significant risks are conveyed to the Board at the quarterly scheduled meetings, if necessary.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

4. INTERNAL AUDIT FUNCTION

The Internal Audit was carried out by the Group's outsourced internal audit function Messrs. Resolve IR Sdn Bhd ("Resolve") which was engaged on 1 February 2021 by the Audit Committee to conduct a holistic independent review of the adequacy, efficiency and effectiveness of the Group's internal control system. The review was conducted on one (1) key area of the Group's operations namely Human Resource Management. The scope of work of the internal audit includes reviewing the adequacy and the integrity of the Group's internal control systems, management information systems and the system methodology on compliance with the applicable laws, regulations, rules and guidelines. The Internal Auditors had reported their key findings directly to the Audit Committee and they are independent of the Management and operations.

The Audit Committee had approved the Internal Audit Plan for the internal control system of the Group. The Internal Auditors carries out continuous internal controls to ascertain the effectiveness of the system of internal controls, assess compliance with policies and procedures and recommended best practices and review and identify any potential areas for improvement in the effectiveness and efficiency of the Group.

All findings and the recommendations together with the management actions for further improvement were submitted to the Audit Committee on a quarterly basis. In assessing the adequacy and effectiveness of the system, the Audit Committee reports to the Board on its activities, audit findings and the necessary recommendations or actions needed to be taken by the Management to rectify those issues.

During the financial year ended 30 June 2023, the Internal Auditors have conducted approved internal audit plans which were in consistent with the corporate goal of the Group and all internal Auditors' reports were deliberated by the Audit Committee during its Audit Committee Meetings and recommendations made to the Board and/or the Management was acted upon thereafter.

5. KEY ELEMENTS OF INTERNAL CONTROL

The key elements of risk management and internal control system are described as follows:

- Establishment of a conducive control environment in accordance with the increasing of level of awareness as well as the actions of the Directors and Management and overall attitude in relation to the risk management and internal control system and its importance to the Group;
- Establishment of the relevant terms of reference and organisational structure which defined, responsibility and accountability to enhance the Group's ability to achieve its strategies and operational objectives;
- A clear and detailed organisational structure has been established to focus on the related reporting responsibilities and accountabilities to ensure and clarify task ownership;
- Board meetings and Management meetings are held more often on the operational issues, financial performance, human resources matter and business plans to review, discuss, identify and manage the key risks so that it is still within controlled environment;
- The initiative to implement a comprehensive policies and procedures manuals including staff handbook to ensure adherence with internal controls and the relevant laws and regulations that have been enforced, provide general rules on, and authority limits over diverse operating, financial, human resources inclusive of health and safety matters;
- Internal policies and procedures as set out in the Group's policies and procedures which include different operational and management aspects are being updated from time to time to address operational deficiencies and changes of risk;
- Different types of communication such as email and teleconferencing are seen as effective instruments for communication and knowledge sharing among the employees;
- A Code of Ethics which defines the ethical standards is introduced to all employees and conduct at work. New employees are briefed on the Group's culture, organisational structure, relevant job descriptions, responsibilities and key performance index expectations upon joining the Group by their immediate supervisors and documents copy of the same is filed in their respective personnel files;

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

- Recruitment of experienced, skilled and professional staff to fulfil the respective responsibilities and ensuring adequate control are in place;
- Continuous provision of information to the management, which covers the financial performance of the Company, such as cashflow performance;
- The major capital expenditure and assets disposals are appraised and approved by the Board as well as the Board of Directors of the subsidiaries, whenever applicable; and
- The Group's financial performance and statements has been reviewed by Audit Committee which is then reported to the Board. Regular and comprehensive management reports to the Audit Committee from various lines of operations and business units, on key business performance, operating statistics and regular matters to allow an effective monitoring of significant variances and deviation from standard operating procedures and budget.

6. BOARD ASSESSMENT

The Executive Chairman and Chief Executive Officer, being the persons primarily responsible for the overseeing and managing of the operational affairs of the Company have provided assurance to the Board that the Group's risk management and internal control system, have been operated adequately and effectively, in all material aspects, based on the Group's policies and procedures.

For the financial year under review, with the implementation of recommended improvements to internal control process proposed in year 2022, the management had improved on its internal control system with no significant internal control deficiencies or material weaknesses noted.

The Board opines that the existing Group's system of internal controls is adequate to safeguard shareholders' investment and Group's assets. However, the Board is also cognisant of the fact that the Group's system of risk management and internal controls must continuously evolve to meet the changing and challenging business environment. Therefore, the Board shall continue to strive to further improve upon the internal control processes and strengthen the risk management framework of the Group on an ongoing basis.

7. REVIEW BY EXTERNAL AUDITORS

As required under Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors, Messrs. Kreston John & Gan have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide issued by the Malaysian Institute of Accountants. The Practice Guide does not require the External Auditors to consider whether the Statement covers all risks and controls, or to for, an opinion on the adequacy and effectiveness of the risk management and internal controls system of the Group.

The External Auditors had reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the internal controls system within the Group.

This Statement was approved by the Board on 17 October 2023.

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 ("the Act") to prepare the financial statements for each financial year which have been made out in accordance with applicable Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Act in Malaysia.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors have:

- (i) adopted appropriate accounting policies and applied them consistently;
- (ii) made judgements and estimates that are reasonable and prudent; and
- (iii) prepared the financial statements on a going concern basis, the validity of which is dependent on the following:
 - a. the Company submitted the Regularisation Plan to Bursa Securities which entails a scheme of arrangement to address the financial condition of the Group and of the Company and believes that the Regularisation Plan once implemented after obtaining the approval from relevant regulatory authorities, will enable the Group and the Company to generate sufficient cash flows to meet their obligations and continue sustainable and viable operations; and
 - b. continuous financial support provided by substantial shareholders to the Group and the Company to meet their obligations.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Act.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company and to detect and prevent fraud and other irregularities.

DIRECTORS' REPORT for the financial year ended 30 June 2023

The directors have pleasure on submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2023.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activities of the subsidiary companies are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year attributable to owners of the Company	1,725,976	(2,826,402)

DIVIDEND

No dividend has been paid, declared or proposed since the end of the previous financial year.

The directors do not recommend any dividend for the current financial year.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

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

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the financial statements of the Group and of the Company inadequate to any substantial extent.

SHARES AND DEBENTURES

The Company did not issue any shares and debentures during the financial year.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain whether any current assets, other than debts, were unlikely to realise in the ordinary course of business. Their value as shown in the accounting records of the Group and of the Company and to the extent so ascertained were written down to an amount that they might be expected to realise.

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

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT

for the financial year ended 30 June 2023

CONTINGENT AND OTHER LIABILITIES

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

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

No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due other than those as disclosed in Note 33 to the financial statements.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company, that would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the current financial year.

DIRECTORS OF THE COMPANY

The directors of the Company in office at any time during the financial year until the date of this report are : -

Edward Tan Juan Peng

Mohanadas A/L K.P.Balan

Ong Phui Fatt (Appointed on 10 February 2023)

Yong Loong Chen (Appointed on 10 February 2023)

Suzana Manja Binti Ibrahim (Appointed on 17 February 2023)

Dato' Hj. Mohd Aris Bin Ramli (Resigned on 28 February 2023)

Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif (Resigned on 28 February 2023)

Dato' Mohamad Razali Bin Mohamad Rahim (Resigned on 17 February 2023)

The directors who hold office in the subsidiary companies (excluding directors who are also directors of the Company) during the financial year until the date of this report are: -

Ng Chee Keong

DIRECTORS' INTERESTS

None of the directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations.

DIRECTORS' REPORT

for the financial year ended 30 June 2023

DIRECTORS' REMUNERATIONS

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 director as shown below, or the fixed salary of a full-time employee of the Company) by reason of a contract made the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

The details of the remuneration paid to or receivable by the Directors of the Group and the Company in respect of the financial year ended 30 June 2023 are as follows : -

	Group and Company	
	2023	2022
	RM	RM
Executive directors		
- Fees	56,287	49,500
- Other emoluments	721,520	435,600
	777,807	485,100
Non-executive directors		
- Fees	76,235	174,100
- Other emoluments	78,300	-
	154,535	174,100
Total excluding benefits-in-kind	932,342	659,200

There were no arrangements during and at the end of the financial year, to which the Company or its subsidiary company is a party, which had the object of enabling the 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.

INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

No indemnities have been given to or insurance premium paid, during or since the end of the financial year, for any person who is or has been the director, officer or auditor of the Company.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments, received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may deemed to have arisen by virtue of the significant related party transactions as disclosed in Note 34 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the 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.

SIGNIFICANT EVENTS

Details of significant events are disclosed in Note 35 to the financial statements.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 36 to the financial statements.

DIRECTORS' REPORT

for the financial year ended 30 June 2023

AUDITORS

a) The auditors' remuneration of the Group and the Company for the financial year ended 30 June 2023 are as follows : -

	Group RM	Company RM
Auditors' remuneration		
- Kreston John & Gan	101,500	30,000
- Other services	13,000	13,000
	<u>114,500</u>	<u>43,000</u>

b) The auditors, Kreston John & Gan, Chartered Accountants, have indicated their willingness to accept re-appointment.

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

Yong Loong Chen

Edward Tan Juan Peng

Kuala Lumpur
Date: 17 October 2023

INDEPENDENT AUDITORS' REPORT to members of Khee San Berhad

Report On The Audit Of The Financial Statements

Qualified Opinion

We have audited the financial statements of Khee San Berhad, which comprise the statements of financial position as at 30 June 2023 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 46 to 118.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2023, and of their financial performance and their cash flows for the 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 Qualified Opinion

Material Uncertainty Related to Going Concern

1. We draw attention to Note 2(e) to the financial statements, which discloses the following : -
 - i) We draw attention to Note 2(e) to the financial statements which discloses the premise upon which the Group and the Company have prepared their financial statements by applying the going concern assumption, notwithstanding that the Group and the Company incurred accumulated loss of RM204,814,873 and RM113,672,100 respectively as at 30 June 2023, and as of that date, the Group's and the Company's current liabilities exceeded its current assets by RM128,490,602 and RM4,983,337 respectively, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.
 - ii) On 18 November 2021, the Company announced that it is an affected listed issuer under Practice Note (PN) 17 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") ("Bursa Securities"). The Company had triggered the Prescribed Criteria pursuant to paragraph 8.04 of the MMLR and paragraph 2.1(b) of PN17 and shall submit a Regularisation Plan to relevant regulatory authorities to regularise its financial condition within 12 months from 18 November 2021. Bursa Securities had voided its letter dated 20 December 2022 and 12 June 2023 respectively, granted the Company extension of time of 12 months up to 17 November 2023 to submit its Regularisation Plan.

The above events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore, the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business.

Nevertheless, the financial statements of the Group and of the Company have been prepared on a going concern basis, the validity of which is dependent on the following : -

- a) On 18 July 2023, the Company submitted the Regularisation Plan to Bursa Securities which entails a scheme of arrangement to address the financial condition of the Group and of the Company and believes that the Regularisation Plan once implemented after obtaining the approval from relevant regulatory authorities, will enable the Group and the Company to generate sufficient cash flows to meet their obligations and continue sustainable and viable operations; and
- b) Continuous financial support provided by substantial shareholders to the Group and the Company to meet their obligations.

However, as at the date of this report, we have not been able to obtain sufficient appropriate audit evidence regarding the ability of the Group and the Company to successfully implement the regularisation plan as it has yet to be approved by the relevant regulatory authorities.

Should the going concern basis for the preparation of the financial statements be no longer appropriate. Adjustments will have to be made to state the assets at their realisable values and to provide for further liabilities which may arise.

INDEPENDENT AUDITORS' REPORT

to members of Khee San Berhad

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 qualified 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.

Revenue recognition

Refer to Note 3(m) - Significant accounting policies and Note 21 - Revenue

The Key Audit Matters

Revenue is one of the significant accounts in the financial statements and also an important driver of the Group's operating results. We identified revenue recognition to be an area of audit focus as it is to be a possible cause of higher risk of material misstatements in the timing and amount of revenue recognised. Specifically, we focused our audit efforts to determine the possibility of overstatement of revenue.

How our audit addresses this matter

Our procedures included, amongst others : -

- Evaluated whether the accounting policy adopted by the management is consistent with the requirements of MFRS 15, Revenue from Contracts with Customers;
- Tested the operating effectiveness of the Group's internal controls over timing and amount of revenue recognised;
- Verified the documents for transactions selected based on sampling basis;
- Checked the sales prior and subsequent to the year end and inspect the documents which evidenced the performance obligation had been fulfilled;
- Assessed the related disclosures in Note 3(m) and Note 21 to the financial statements.

Property, plant and equipment

Refer to Note 3(d) - Significant accounting policies and Note 4 - Property, plant and equipment

The Key Audit Matters

The carrying amount of the Group's property, plant and equipment ("PPE") amounted to RM54,140,119 represent 77% of the Group's total assets as at 30 June 2023.

The management has assessed if there are indication of impairment and performed an assessment on the carrying amount of the PPE.

For freehold land and building, the management estimated the fair value of the freehold land and building based on the valuation performed by external independent valuers performed in financial period 2020.

INDEPENDENT AUDITORS' REPORT to members of Khee San Berhad

How our audit addresses this matter

Our procedures included, amongst others : -

- Reviewed and checked the ownership and physical existence of major PPE;
- Reviewed the insurance coverage of major items, if any; and
- Assessed and reviewed whether there is any indication that the assets may be impaired and the adequacy of impairment loss on the PPE.

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 director either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT

to members of Khee San Berhad

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

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

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

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

INDEPENDENT AUDITORS' REPORT to members of Khee San Berhad

Report On Other Legal And Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that in our opinion, we have not obtained all the information and explanations that required for the matter as described in the Basis of Qualified Opinions section.

Other Matter

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 contents of this report.

Kreston John & Gan
(AF 0113)
Chartered Accountants

Yong Chung Sin
Approval No: 02892/04/2024 J
Chartered Accountant

Kuala Lumpur
Date: 17 October 2023

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2023

	Note	GROUP		COMPANY	
		2023 RM	2022 RM	2023 RM	2022 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	54,140,119	56,844,901	17,013	18,985
Right-of-use assets	5	846,100	784,564	-	-
Intangible assets	6	-	-	-	-
Investment in subsidiary companies	7	-	-	3,486,141	3,503,106
Amount due from a subsidiary company	8	-	-	-	-
Total Non-Current Assets		54,986,219	57,629,465	3,503,154	3,522,091
Current Assets					
Inventories	9	9,160,454	5,513,127	-	-
Trade receivables	10	1,871,597	2,990,383	-	-
Other receivables	11	2,276,931	2,122,934	607,941	2,941
Amount due from a subsidiary company	8	-	-	1,366	55,922
Current tax assets		-	459,999	-	-
Cash and bank balances		2,336,763	2,098,188	50,854	196,996
Total Current Assets		15,645,745	13,184,631	660,161	255,859
Total Assets		70,631,964	70,814,096	4,163,315	3,777,950
EQUITY AND LIABILITIES					
Share capital	12	112,191,917	112,191,917	112,191,917	112,191,917
Reserves	12	(189,604,940)	(191,330,916)	(113,672,100)	(110,845,698)
Equity attributable to owners of the Company		(77,413,023)	(79,138,999)	(1,480,183)	1,346,219
Non-Current Liabilities					
Lease liabilities	13	280,459	114,441	-	-
Deferred tax liabilities	14	3,628,181	4,938,927	-	-
Total Non-Current Liabilities		3,908,640	5,053,368	-	-

STATEMENTS OF FINANCIAL POSITION
As at 30 June 2023

	Note	GROUP		COMPANY	
		2023 RM	2022 RM	2023 RM	2022 RM
Current Liabilities					
Trade payables	15	17,311,234	16,596,332	-	-
Other payables and accruals	16	44,739,287	46,228,890	2,546,991	1,621,281
Amount due to directors	17	5,364,004	5,110,350	364,004	110,350
Amount due to subsidiary companies	8	-	-	2,732,503	700,100
Borrowings	18	75,456,069	75,750,054	-	-
Lease liabilities	13	1,265,753	1,214,101	-	-
Total Current Liabilities		144,136,347	144,899,727	5,643,498	2,431,731
Total Liabilities		148,044,987	149,953,095	5,643,498	2,431,731
Total Equity and Liabilities		70,631,964	70,814,096	4,163,315	3,777,950

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 30 June 2023

	Note	GROUP		COMPANY	
		2023 RM	2022 RM	2023 RM	2022 RM
Revenue	21	55,602,529	32,954,316	-	-
Cost of sales		(43,806,639)	(29,109,909)	-	-
Gross profit		11,795,890	3,844,407	-	-
Other income	22	2,584,462	1,154,082	3,217	533,323
Distribution expenses		(105,632)	(211,624)	-	-
Administrative expenses		(11,383,296)	(12,763,972)	(2,812,654)	(2,214,926)
Impairment loss on investment in subsidiary companies		-	-	(16,965)	(858,320)
Other expenses		(179,058)	(8,001)	-	-
Profit/(Loss) from operations		2,712,366	(7,985,108)	(2,826,402)	(2,539,923)
Finance costs	23	(1,837,137)	(6,904,474)	-	-
Profit/(Loss) before taxation	24	875,229	(14,889,582)	(2,826,402)	(2,539,923)
Income tax credit	27	850,747	1,153,743	-	-
Profit/(Loss) for the financial year, representing total comprehensive income/ (loss) for the financial year		1,725,976	(13,735,839)	(2,826,402)	(2,539,923)
Total comprehensive profit/(loss) for the financial year attributable to: -					
Owners of the Company		1,725,976	(13,735,839)	(2,826,402)	(2,539,923)
Basis earnings/(loss) per share (sen)	28	1.26	(10.83)		
Diluted earnings/(loss) per share (sen)	28	1.26	(10.83)		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

STATEMENTS OF **CHANGES IN EQUITY** for the financial year ended 30 June 2023

	< ----- Non-Distributable ----- >	Distributable			
	<u>Share capital</u>	<u>Merger reserves</u>	<u>Revaluation reserves</u>	<u>Accumulated losses</u>	<u>Total</u>
Note	RM	RM	RM	RM	RM
Group					
At 1 July 2021	109,789,517	(17,443,699)	32,653,632	(192,805,010)	(67,805,560)
Issuance of shares	12 2,402,400	-	-	-	2,402,400
Total comprehensive loss for the financial year	-	-	-	(13,735,839)	(13,735,839)
At 30 June 2022	<u>112,191,917</u>	<u>(17,443,699)</u>	<u>32,653,632</u>	<u>(206,540,849)</u>	<u>(79,138,999)</u>
Total comprehensive profit for the financial year	-	-		1,725,976	1,725,976
At 30 June 2023	<u>112,191,917</u>	<u>(17,443,699)</u>	<u>32,653,632</u>	<u>(204,814,873)</u>	<u>(77,413,023)</u>
			Non-Distributable	Distributable	
			<u>Share capital</u>	<u>Accumulated losses</u>	<u>Total</u>
		Note	RM	RM	RM
Company					
At 1 July 2021			109,789,517	(108,305,775)	1,483,742
Issuance of shares		12	2,402,400	-	2,402,400
Total comprehensive loss for the financial year			-	(2,539,923)	(2,539,923)
At 30 June 2022			<u>112,191,917</u>	<u>(110,845,698)</u>	<u>1,346,219</u>
Total comprehensive loss for the financial year			-	(2,826,402)	(2,826,402)
At 30 June 2023			<u>112,191,917</u>	<u>(113,672,100)</u>	<u>(1,480,183)</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

STATEMENTS OF **CASH FLOWS** for the financial year ended 30 June 2023

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Cash flows from operating activities					
Profit/(Loss) before taxation		875,229	(14,889,582)	(2,826,402)	(2,539,923)
Adjustments for: -					
Bad debt recovery		-	(13)	-	-
Depreciation of property, plant and equipment	4	2,961,978	3,423,585	1,972	742
Depreciation of right-of-use assets	5	265,545	527,090	-	-
Gain on disposal of property, plant and equipment		-	(258,289)	-	-
Gain on disposal of right-of-use assets		-	(299,251)	-	-
Impairment loss on investment in subsidiary companies	7	-	-	16,965	858,320
Impairment loss on trade receivables	10	195,559	278,367	-	-
Finance cost	23	1,837,137	6,904,474	-	-
Reversal of overprovision of finance cost		(1,883,341)	-	-	-
Inventory written off		-	225,125	-	-
Other receivables and deposits written off		-	126,207	-	-
Property, plant and equipment written off		-	42,129	-	-
Reversal of impairment loss on trade receivables		(165,646)	-	-	-
Reversal of impairment loss on amount due from a subsidiary company no longer required	8	-	-	-	(531,821)
Reversal of impairment loss on investment in a subsidiary company no longer required		-	-	(100)	-
Unrealised (gain)/loss on foreign exchange		(81,101)	28,450	-	-
Operating profit/(loss) before working capital changes		4,005,360	(3,891,708)	(2,807,565)	(2,212,682)

STATEMENTS OF **CASH FLOWS**
for the financial year ended 30 June 2023

Note	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Changes in working capital : -				
Amount due to subsidiary companies	-	-	2,087,059	1,175,899
Amount due to directors	253,654	(115,400)	253,654	(115,400)
Inventories	(3,647,327)	787,587	-	-
Other payables and accruals	393,738	7,757,669	925,710	(1,238,253)
Other receivables, deposits and prepayments	(153,997)	(1,045,673)	(605,000)	140,159
Trade payables	714,902	564,767	-	-
Trade receivables	1,169,974	(216,805)	-	-
Cash generated from/ (used in) operations	2,736,304	3,840,437	(146,142)	(2,250,277)
Interest paid	(1,837,137)	(6,904,474)	-	-
Tax paid	-	(545,960)	-	-
Net cash from/(used in) operating activities	899,167	(3,609,997)	(146,142)	(2,250,277)
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	-	364,192	-	-
Proceeds from disposal of right-of-use assets	-	450,000	-	-
Purchases of property, plant and equipment	4	(257,196)	-	(19,727)
Net cash (used in)/from investing activities	(257,196)	633,133	-	(19,727)

STATEMENTS OF **CASH FLOWS** for the financial year ended 30 June 2023

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Cash flows from financing activities					
Proceed from issuance of shares		-	2,402,400	-	2,402,400
Repayment of borrowings	(b)	(293,985)	(317,457)	-	-
Repayment of lease liabilities	(b)	(109,411)	(499,437)	-	-
Net cash (used in)/ from financing activities		(403,396)	1,585,506	-	2,402,400
Net increase/ (decrease) in cash and cash equivalents		238,575	(1,391,358)	(146,142)	132,396
Cash and cash equivalents at the beginning of the financial year		(7,507,278)	(6,115,920)	196,996	64,600
Cash and cash equivalents at the end of the financial year	29	(7,268,703)	(7,507,278)	50,854	196,996

a) Cash outflows for leases as a lessee

	Note	Group	
		2023 RM	2022 RM
Included in net cash from operating activities:-			
Payment relating to short-term leases	24	77,400	75,800
Payment relating to leases of low-value assets	24	8,560	9,230
Interest paid in relation to lease liabilities	23	22,779	14,616
Included in net cash from financing activities:-			
Payment of lease liabilities		109,411	499,437
Total cash outflows for leases		218,150	599,083

STATEMENTS OF CASH FLOWS
for the financial year ended 30 June 2023

b) Reconciliation of movements of liabilities to cash flows arising from financing activities

Group	At 1 July 2022	Net changes from financing cash flows	Acquisition of new lease	At 30 June 2023
Bankers' acceptances	65,850,603	-	-	65,850,603
Lease liabilities	1,328,542	(109,411)	327,081	1,546,212
Term loans	293,985	(293,985)	-	-
Total liabilities from financing activities	67,473,130	(403,396)	327,081	67,396,815

	At 1 July 2021	Net changes from financing cash flows	Acquisition of new lease	At 30 June 2022
Bankers' acceptances	65,850,603	-	-	65,850,603
Lease liabilities	1,827,979	(499,437)	-	1,328,542
Term loans	611,442	(317,457)	-	293,985
Total liabilities from financing activities	68,290,024	(816,894)	-	67,473,130

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

1. General information

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

Registered office	:	No. 5-9A The Boulevard Offices Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur.
Principal place of business	:	Lot 1819 – 1824 & 1832 Jalan Kolej 43300 Seri Kembangan Selangor Darul Ehsan.

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2023 comprise the Company and its subsidiary companies (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the year ended 30 June 2023 do not include other entities.

The Company is principally an investment holding company. The principal activities of the subsidiary companies are set out in Note 7 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 17 October 2023.

2. Basis of preparation

a) Statement of compliance

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

The Group and the Company have applied the following accounting standards, interpretations and amendments of the MFRSs for the financial year beginning on 1 January 2022 : -

- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards – Subsidiary as a First-time Adopter (Annual Improvements to MFRSs 2018 - 2020 Cycle)
- Amendments to MFRS 3, Business Combinations – Reference to the Conceptual Framework
Amendments to MFRS 9, Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Annual Improvements to MFRSs 2018 - 2020 Cycle)
- Amendments to MFRS 16, Leases – Lease Incentives (Annual Improvements to MFRSs 2018 - 2020 Cycle)
- Amendments to MFRS 116, 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
- Amendments to MFRS 141, Agriculture – Taxation in Fair Value Measurements (Annual Improvements to MFRSs 2018 - 2020 Cycle)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

2. Basis of preparation (Cont'd.)

a) Statement of compliance (Cont'd.)

The initial application of the accounting standards, interpretations and amendments do not have any material financial impacts to the current period and prior period financial statements of the Group and the Company upon their first adoption.

The following are accounting standards, interpretations and amendments of the MFRSs framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company : -

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, Insurance Contracts
- Amendments to MFRS 17, Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 - Comparative Information
- Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and 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
- Amendments to MFRS 112, Income Taxes – International Tax Reform – Pillar Two Model Rules

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 7, Financial Instruments : Disclosures – Supplier Finance Arrangements
- Amendments to MFRS 16, Leases – Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101, Presentation of Financial Statements – Non-current Liabilities with Covenants
- Amendments to MFRS 107, Statement of Cash Flows – Supplier Finance Arrangements

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

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

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments in the respective financial year when the above accounting standards, interpretations and amendments become effective, if applicable.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

2. Basis of preparation (Cont'd.)

c) Functional and presentation currency

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

d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs 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 estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following items:-

i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated in a straight-line basis over their estimated useful life. Management estimated the useful life of these assets to be within 5 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

ii) Depreciation of right-of-use assets

Right-of-use assets are depreciated on a straight-line basis over their useful life or the end of the lease term. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

iii) Impairment of investment in subsidiary companies

The Company reviews the investments in subsidiary companies for impairment when there is an indication of impairment and assess the impairment of receivables on the amounts due from subsidiary companies when the receivables are long outstanding.

The recoverable amounts of the investments in subsidiary companies and amounts due from subsidiary companies are assessed by reference to the value in use of the respective subsidiary companies.

The value in use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiary companies discounted at an appropriate discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set assumption of reflect their income and cash flows. Judgement had also been used to determine the discount rate for the cash flows and the future growth of the businesses of the subsidiary companies.

iv) Allowance for inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews are required judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

v) Measurement of Expected Credit Loss ("ECL") allowance for financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward looking estimates at the end of reporting period.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

2. Basis of preparation (Cont'd.)

d) Use of estimates and judgements (Cont'd.)

vi) Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses, unabsorbed capital allowances and unutilised reinvestment allowance to the extent that it is probable that taxable profit will be available against which the unabsorbed tax losses, unabsorbed capital allowances and unutilised reinvestment allowance can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

vii) Income tax expense

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimates. The Group and the Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

e) Financial position of the Group and the Company

1. For the financial year ended 30 June 2023, the Group and the Company incurred accumulated loss of RM204,814,873 and RM113,672,100 respectively as at 30 June 2023, and as of that date, the Group's and the Company's current liabilities exceeded its current assets by RM128,490,602 and RM4,983,337 respectively.

On 18 November 2021, the Company announced that it is an affected listed issuer under Practice Note (PN) 17 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") ("Bursa Securities"). The Company had triggered the Prescribed Criteria pursuant to paragraph 8.04 of the MMLR and paragraph 2.1(b) of PN17 and shall submit a Regularisation Plan to relevant regulatory authorities to regularise its financial condition within 12 months from 18 November 2021. Bursa Securities had vide its letters dated 20 December 2022 and 12 June 2023 respectively, granted the Company extension of time of 12 months up to 17 November 2023 to submit its Regularisation Plan.

The above events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore, the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business.

Nevertheless, the financial statements of the Group and of the Company have been prepared on a going concern basis, the validity of which is dependent on the following : -

- a. On 18 July 2023, the Company submitted the Regularisation Plan to Bursa Securities which entails a scheme of arrangement to address the financial condition of the Group and of the Company and believes that the Regularisation Plan once implemented after obtaining the approval from relevant regulatory authorities, will enable the Group and the Company to generate sufficient cash flows to meet their obligations and continue sustainable and viable operations; and
- b. Continuous financial support provided by substantial shareholders to the Group and the Company to meet their obligations.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

3. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

a) Basis of consolidation

i) 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 these investees that significantly affect the investee's return.

Investments in subsidiary companies are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

ii) 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.

For new acquisitions 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 interests 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 (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either 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.

iii) 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.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

3. Significant accounting policies (Cont'd.)

b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities 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 retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

c) Financial instruments

i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is trade receivables without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

3. Significant accounting policies (Cont'd.)

c) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial assets (Cont'd.)

a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, a foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(i)(i)) where the effective interest rate is applied to the amortised cost.

b) Fair value through other comprehensive income

i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(i)(i)) where the effective interest rate is applied to the amortised cost.

ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss under the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

3. Significant accounting policies (Cont'd.)

c) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This include derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through comprehensive income, are subject to impairment assessment (see Note 3(i)(i)).

Financial liabilities

The categories of financial liabilities at initial recognition are as follows : -

a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss : -

- i) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- ii) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
- iii) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

3. Significant accounting policies (Cont'd.)

c) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial liabilities (Cont'd.)

The categories of financial liabilities at initial recognition are as follows : - (Cont'd.)

a) Fair value through profit or loss (Cont'd.)

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognised the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting in the current year.

Trade date accounting refers to : -

- a) the recognition of an asset to be received and the liability to pay for it on the trade date; and
- b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

iv) Financial guarantee contracts

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

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of : -

- a) The amount of the loss allowance; and
- b) The amount initially recognised loss, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, Revenue from Contracts with Customers.

Liabilities arising from financial guarantees are presented together with other provisions.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

3. Significant accounting policies (Cont'd.)

c) Financial instruments (Cont'd.)

v) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different. In which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

d) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment except for freehold land are measured at cost or valuation less any accumulated depreciation and any accumulated impairment losses. Freehold land with indefinite useful life is not depreciated.

The Group revalues its freehold land and building every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Valuation of the properties involves a degree of judgement before arriving at the respective property's revalued amount. At such, the revalued amount of the properties may be different from its actual market price.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. 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. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of property, plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

3. Significant accounting policies (Cont'd.)

d) Property, plant and equipment (Cont'd.)

ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they available for use. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives of of the property, plant and equipment are as follows : -

Buildings	50 years
Electrical equipment	10 years
Furniture, fittings and equipment	10 years
Motor vehicles	5 years
Plant and machinery	5 - 20 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

3. Significant accounting policies (Cont'd.)

e) Leases

i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether : -

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer for this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset, or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or a reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for lease of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

ii) Recognition and initial measurement

a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group's entities incremental borrowing rate. Generally, the Group entities uses their incremental borrowing rate as the discount rate.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

3. Significant accounting policies (Cont'd.)

e) Leases (Cont'd.)

ii) Recognition and initial measurement (Cont'd.)

a) As a lessee (Cont'd.)

Lease payments included in the measurement of the lease liability comprise the following : -

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with leases as an expense on a straight-line basis over the lease term.

b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

iii) Subsequent measurement

a) As a lessee

The right-of-use asset is a subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

3. Significant accounting policies (Cont'd.)

e) Leases (Cont'd.)

iii) Subsequent measurement (Cont'd.)

a) As a lessee (Cont'd.)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

f) Intangible assets

Intangible assets represent the trademarks at cost less any accumulated impairment losses. Trademarks have an indefinite useful life as it is maintained through continuous marketing and introduction of new products. Trademarks are tested annually for impairment. Where an indication of impairment exists, the carrying amount of trademarks are assessed and written down immediately to its recoverable amount.

g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less than estimated costs of completion and the estimated costs necessary to make the sale.

h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

i) Impairment

i) Financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

3. Significant accounting policies (Cont'd.)

i) Impairment (Cont'd.)

i) Financial assets (Cont'd.)

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.

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 under 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 and the Company estimate 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.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether 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 full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

ii) Other assets

The carrying amounts of other assets (except for inventories, lease receivables, deferred tax asset, assets arising from employee benefits, investment property measured at fair value and non-current assets (or disposal groups) classified as held for sale are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

3. Significant accounting policies (Cont'd.)

- i) Impairment (Cont'd.)
- ii) Other assets (Cont'd.)

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial period in which the reversals are recognised.

- ii) Equity Instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

- i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

- ii) Ordinary shares

Ordinary shares are classified as equity.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

3. Significant accounting policies (Cont'd.)

k) Employee benefits

i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii) State plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred.

iii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using a "Trinomial" pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting period, then they are discounted.

l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

3. Significant accounting policies (Cont'd.)

m) Revenue

Revenue from contract with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met : -

- the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

Revenue is recognised at a point in time when the customer obtain control over the goods or service.

Good sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sale agreement, that the control of the goods have been transferred to the customer and recovery of the consideration is probable. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

n) 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 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 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

3. Significant accounting policies (Cont'd.)

o) 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 financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or 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 end of the reporting period.

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 assets and liabilities 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 and investment tax 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 future taxable profits will be available against which the unutilised tax incentive can be utilised.

p) Earnings per ordinary shares

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basis EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

3. Significant accounting policies (Cont'd.)

r) Contingencies

i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of 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 liabilities unless the probability of outflow of economic benefits is remote.

ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

s) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a 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.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows : -

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS

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4. Property, plant and equipment

Group	At valuation ----->			At costs ----->			Total RM
	Freehold land RM	Buildings RM	Electrical equipment RM	Furniture, fittings and equipment RM	Motor vehicles RM	Plant and machinery (own use) RM	
Cost							
At 1.7.2021	32,810,000	13,871,095	14,479,796	931,531	819,673	101,224,912	164,137,007
Additions	-	-	-	58,059	35,850	87,150	181,059
Disposals	-	-	-	(5,290)	(173,560)	(4,960,794)	(5,139,644)
Write-off	-	-	-	-	(34,500)	(320,509)	(355,009)
At 30.6.2022	32,810,000	13,871,095	14,479,796	984,300	647,463	96,030,759	158,823,413
Additions	-	34,230	52,920	37,463	-	132,583	257,196
At 30.6.2023	32,810,000	13,905,325	14,532,716	1,021,763	647,463	96,163,342	159,080,609
Accumulated depreciation							
At 1.7.2021	-	813,083	10,696,407	641,606	742,647	48,219,071	61,112,814
Charge for the financial year	-	284,724	1,150,875	56,449	44,776	1,886,761	3,423,585
Disposals	-	-	-	(794)	(170,747)	(3,992,966)	(4,164,507)
Write-off	-	-	-	-	(34,500)	(265,704)	(300,204)
At 30.6.2022	-	1,097,807	11,847,282	697,261	582,176	45,847,162	60,071,688
Charge for the financial year	-	284,838	876,200	50,764	36,447	1,713,729	2,961,978
At 30.6.2023	-	1,382,645	12,723,482	748,025	618,623	47,560,891	63,033,666

NOTES TO THE FINANCIAL STATEMENTS
30 June 2023

4. Property, plant and equipment (Cont'd.)

	At valuation ----->		At costs ----->				Total
	Freehold land RM	Buildings RM	Electrical equipment RM	Furniture, fittings and equipment RM	Motor vehicles RM	Plant and machinery (own use) RM	RM
Accumulated impairment loss							
At 1.7.2021	-	-	-	-	-	42,788,734	42,788,734
Disposals	-	-	-	-	-	(869,234)	(869,234)
Write-off	-	-	-	-	-	(12,676)	(12,676)
At 30.6.2022 / 30.06.2023	-	-	-	-	-	41,906,824	41,906,824
Carrying amount							
At 1.7.2021	32,810,000	13,058,012	3,783,389	289,925	77,026	10,217,107	60,235,459
At 30.6.2022	32,810,000	12,773,288	2,632,514	287,039	65,287	8,276,773	56,844,901
At 30.6.2023	32,810,000	12,522,680	1,809,234	273,738	28,840	6,695,627	54,140,119

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

4. Property, plant and equipment (Cont'd.)

Company	Furniture, fittings and equipment RM
Cost	
At 1.7.2021	-
Additions	19,727
At 30.6.2022 / 30.06.2023	<u>19,727</u>
Accumulated depreciation	
At 1.7.2021	-
Charge for the financial year	742
At 30.6.2022	<u>742</u>
Charge for the financial year	1,972
At 30.6.2023	<u>2,714</u>
Carrying amount	
At 1.7.2021	-
At 30.6.2022	<u>18,985</u>
At 30.6.2023	<u>17,013</u>

- i) The freehold land and buildings of the Group at carrying amount of RM45,332,680 (2022 – RM45,583,288) are stated at directors' valuation based on professional valuations made by an independent professional qualified valuer on the open market value basis conducted in year 2020.

Had the freehold land and buildings been carried at historical cost less accumulated depreciation, the carrying amounts of the revalued assets that would have been included in the financial statements at the end of the financial year as follows : -

	Group	
	2023 RM	2022 RM
Freehold land	3,795,500	3,795,500
Buildings	7,542,063	7,826,901
	<u>11,337,563</u>	<u>11,622,401</u>

- ii) The freehold land and buildings at carrying amount of RM32,810,000 and RM12,522,680 (2022 – RM32,810,000 and RM12,773,288) respectively are used as securities for an advance received from other payable to the Group as disclosed in Note 16(i) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

4. Property, plant and equipment (Cont'd.)

iii) Details of the Group's freehold land and buildings and information about the fair value hierarchy are as follows :-

	Group Level 2 RM
2023	
Freehold land	32,810,000
Buildings	12,522,680
	45,332,680
 2022	
Freehold land	32,810,000
Buildings	12,773,288
	45,583,288

The fair values of the freehold land and buildings of the Group are categorised as Level 2. The properties are valued by an independent firm of professional valuers based on the "market value" which is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

Level 2 fair value

Level 2 fair value freehold land and buildings have been generally derived using the open market value approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is comparing the subject property with comparable properties which have been sold or are being offered for sale and making adjustment for factors which affect value such as location, floor level and siting, floor area, finishes, building services, management and maintenance, age and state of repair, market conditions and other relevant factors.

The Group does not have non-financial assets measured at Level 1 and Level 3 hierarchy.

iv) The gross carrying amounts of fully depreciated property, plant and equipment are as follows:-

Group	2023 RM	2022 RM
Buildings	208,863	208,863
Furniture, fittings and equipment	575,556	575,556
Electrical equipment	7,966,229	7,546,264
Motor vehicles	468,313	424,313
	9,218,961	8,754,996

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

5. Right-of-use assets

Group	Buildings RM	Motor vehicles RM	Plant and machinery RM	Total RM
Cost				
At 1.7.2021	100,726	1,688,742	7,823,408	9,612,876
Disposal	-	(1,165,696)	-	(1,165,696)
At 30.6.2022	100,726	523,046	7,823,408	8,447,180
Addition	327,081	-	-	327,081
Derecognition due to lease cessation	(100,726)	-	-	(100,726)
At 30.6.2023	327,081	523,046	7,823,408	8,673,535
Accumulated depreciation				
At 1.7.2021	20,984	1,280,349	1,524,878	2,826,211
Charge for the financial year	50,364	257,644	219,082	527,090
Disposal	-	(1,014,947)	-	(1,014,947)
At 30.6.2022	71,348	523,046	1,743,960	2,338,354
Charge for the financial year	46,463	-	219,082	265,545
Derecognition due to lease cessation	(100,726)	-	-	(100,726)
At 30.6.2023	17,085	523,046	1,963,042	2,503,173
Accumulated impairment loss				
At 1.7.2021/30.6.2022/30.6.2023	-	-	5,324,262	5,324,262
Carrying amount				
At 1.7.2021	79,742	408,393	974,268	1,462,403
At 30.6.2022	29,378	-	755,186	784,564
At 30.6.2023	309,996	-	536,104	846,100

The Group leases a number of plant and machinery, motor vehicles and hostels for its foreign workers with lease term of 1 to 4 years. Fixed lease payments are made on a monthly basis.

Significant judgements and assumptions in relation to leases :-

- i) The Group assesses a lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Group considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.
- ii) The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

The gross carrying amount of fully depreciated right-of-use assets comprises of motor vehicles amounting to RM523,046 (2022 - RM523,046).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

6. Intangible assets

Group	Trademarks RM
Cost	
At 1.7.2021/30.6.2022/30.6.2023	1,600,000
Impairment loss	
At 1.7.2021/30.6.2022/30.6.2023	1,600,000
Carrying amount	
At 1.7.2021/30.6.2022/30.6.2023	-

7. Investment in subsidiary companies

	Company	
	2023 RM	2022 RM
Unquoted shares, at cost	35,567,639	35,567,739
Less: Impairment losses	(32,081,498)	(32,064,633)
	<u>3,486,141</u>	<u>3,503,106</u>

The reconciliation of the allowance for impairment losses account is as follows : -

	Company	
	2023 RM	2022 RM
At beginning of the financial year	32,064,633	31,206,313
Impairment loss recognised	16,965	858,320
Reversal of impairment loss no longer required	(100)	-
At end of the financial year	<u>32,081,498</u>	<u>32,064,633</u>

The details of the subsidiary companies are as follows : -

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest	
			2023 %	2022 %
Khee San Food Industries Sdn. Bhd. *	Malaysia	Manufacturer of candy confectionery and wafer products	100	100
Khee San Marketing Sdn. Bhd.	Malaysia	Distribution of candy, confectionery and wafer products	100	100
Mega Global Confectionary Sdn. Bhd.**	Malaysia	Dormant	-	100

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

7. Investment in subsidiary companies (Cont'd.)

The details of the subsidiary companies are as follows : - (Cont'd.)

<u>Name of entity</u>	<u>Principal place of business/ Country of incorporation</u>	<u>Principal activities</u>	<u>Effective ownership interest</u>	
			2023 %	2022 %
<u>Subsidiary company of Khee San Food Industries Sdn. Bhd.</u>				
Mega Global Confectionary Sdn. Bhd.**	Malaysia	Dormant	100	-

* The auditors' report of the subsidiary company contains qualified opinion on material uncertainty related to going concern.

** The auditors' report of the subsidiary company contains an emphasis of material uncertainty related to going concern.

On 6 Oct 2022, the Company transferred the entire shares in its wholly-owned subsidiary company, Mega Global Confectionary Sdn. Bhd. to its wholly-owned subsidiary company, Khee San Food Industries Sdn. Bhd.

8. Amount due from/(to) subsidiary companies

	Note	Company	
		2023 RM	2022 RM
Non-Current			
Amount due from a subsidiary company	(a)	68,696,993	68,696,993
Less: Impairment losses	31(c)(i)	(68,696,993)	(68,696,993)
		-	-
Current			
Amount due from a subsidiary company	(b)	1,366	55,922
Amount due to subsidiary companies	(b)	(2,732,503)	(700,100)

a) The amount due from a subsidiary company represent unsecured interest-free advances with no fixed term of repayment.

b) The amount due from/(to) company subsidiaries are non-trade in nature, unsecured interest-free and repayable on demand by cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

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9. Inventories

	Group	
	2023 RM	2022 RM
At cost		
Raw materials	4,765,232	3,034,540
Work-in-progress	2,295,103	923,790
Finished goods	2,100,119	1,554,797
	9,160,454	5,513,127
Recognised in profit or loss : -		
- Inventories recognised as cost of sales	33,309,760	31,972,633
- Inventories written off	-	225,125

10. Trade receivables

	Note	Group	
		2023 RM	2022 RM
Trade receivables		2,067,156	32,257,768
Less: Impairment losses	31(c)(i)	(195,559)	(29,267,385)
		1,871,597	2,990,383

The normal credit terms of trade receivables range from immediate payment to 30 days (2022 – immediate payment to 60 days). Other terms are assessed and approved on a case-by-case basis.

The foreign currency exposure of trade receivables of the Group is as follows : -

	Group	
	2023 RM	2022 RM
Japanese Yen	-	383,631
Singapore Dollar	-	70,599
US Dollar	244,423	450,321

11. Other receivables, deposits and prepayments

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Other receivables	711,584	16,578	-	-
Deposits	1,316,184	2,035,189	605,000	-
Prepayments	249,163	71,167	2,941	2,941
	2,276,931	2,122,934	607,941	2,941

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

12. Share capital and reserves

	Group and Company			
	2023	2022	2023	2022
	Number of ordinary shares (unit)		RM	RM
Issued and fully paid shares with no par value classified as equity instruments : -				
Ordinary shares				
At beginning of the financial year	137,280,000	114,400,000	112,191,917	109,789,517
Issuance of shares	-	22,880,000	-	2,402,400
At end of the financial year	137,280,000	137,280,000	112,191,917	112,191,917

Ordinary shares

During last financial year, the number of issued and paid-up share capital of the Company was increased from 114,400,000 ordinary shares to 137,280,000 ordinary shares by way of issuance of 22,880,000 new ordinary shares for cash pursuant to a private placement at exercised price of RM0.1050 per ordinary share.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets

Merger reserves

The merger reserve is related to the subsidiary companies which were consolidated under the merger method of accounting. The merger reserve arose from the difference between the carrying value of the investment and the nominal value of the shares of the subsidiary companies upon consolidation using merger accounting principles.

Revaluation reserves

The revaluation reserves of the Group represent surplus on revaluation of freehold land and buildings of the subsidiary companies.

13. Lease liabilities

	Group	
	2023 RM	2022 RM
Minimum lease payments : -		
- not later than one year	1,279,100	1,221,207
- later than one year and not later than two years	144,637	82,142
- later than two years and not later than five years	149,775	44,805
	1,573,512	1,348,154
Less: Future interest charges	(27,300)	(19,612)
Present value of lease liabilities	1,546,212	1,328,542
Repayable as follows : -		
Non-Current		
- later than one year and not later than two years	133,818	73,781
- later than two years and not later than five years	146,641	40,660
	280,459	114,441

NOTES TO THE FINANCIAL STATEMENTS

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13. Lease liabilities (Cont'd.)

Current

- not later than one year	1,265,753	1,214,101
	1,546,212	1,328,542
	%	%
Effective interest rate	2.34 - 5.30	2.34 - 5.30

Included in the Group's lease liabilities were leases of motor vehicles, workers' hostel, plant and machinery under leases expiring from 1 to 4 years. Implicit interest rate of the lease is fixed at the inception of the lease arrangements, and the lease instalments are fixed throughout the lease period. There are no significant restriction clauses imposed on the lease arrangements.

14. Deferred tax liabilities

	Group	
	2023	2022
	RM	RM
At beginning of the financial year	4,938,927	6,086,482
Recognised in profit or loss (Note 27)	(1,310,746)	(1,147,555)
At end of the financial year	3,628,181	4,938,927

Recognised deferred tax liabilities is attributable to the following :-

Group	2023	2022
	RM	RM
Property, plant and equipment	-	1,310,746
Revaluation reserve	3,628,181	3,628,181
Net tax liabilities	3,628,181	4,938,927

Deferred tax assets have not been recognised in respect of the following items (stated at gross) :-

	Group	
	2023	2022
	RM	RM
Unabsorbed tax losses	16,367,501	15,272,158
Other deductible temporary differences	20,977,175	35,399,602
	37,344,676	50,671,760

Effective from year of assessment 2019 as announced in the Annual Budget 2019, the unabsorbed tax losses of the Group as at 31 December 2018 and thereafter will only be available for carrying forward for a period of 10 consecutive years. Upon expiry of the 10 years, the unabsorbed tax losses will be disregarded.

15. Trade payables

The normal credit terms of the Group's trade payables range from immediate payment to 60 days (2022 – immediate payment to 60 days). However, the terms may vary upon negotiation with the trade payables.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

16. Other payables and accruals

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Other payables	39,987,696	38,962,786	1,927,280	1,058,687
Accruals	4,751,591	6,184,104	619,711	562,594
Deposits	-	1,082,000	-	-
	44,739,287	46,228,890	2,546,991	1,621,281

Group

Included in other payables and accruals are as follows : -

- an advance amounted to RM18,000,000 (2022 – RM18,000,000) which is secured by freehold land and buildings of the Group as disclosed in Note 4 to the financial statements.
- an amount of RM12,140,546 (2022 – RM12,140,546) is due to the financial creditors as provisions for interest of bankers' acceptances.

17. Amount due to directors

The amount outstanding are non-trade in nature unsecured, interest free and repayable on demand in cash and cash equivalents.

18. Borrowings

	Note	Group	
		2023 RM	2022 RM
Current			
<u>Unsecured</u>			
Term loan	19	-	293,985
<u>Secured</u>			
Bankers' acceptances	20	65,850,603	65,850,603
Bank overdraft	20	9,605,466	9,605,466
		75,456,069	75,750,054

Effective interest rates per annum on the borrowings of the Group is as follows : -

	Group	
	2023 %	2022 %
Term loan	-	6.00
Bankers' acceptances	2.18 - 10.42	2.18 - 10.42
Bank overdraft	1.80 - 9.07	1.80 - 9.07

NOTES TO THE **FINANCIAL STATEMENTS**
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19. Term loan

	Group	
	2023 RM	2022 RM
Unsecured		
Term loan	-	293,985
Repayable as follows : -		
Current liabilities		
- Not later than one year	-	293,985

20. Bankers' acceptances and bank overdraft

Group

Secured

The bankers' acceptances and bank overdraft are secured by corporate guarantee given by the Company and negative pledge over the unencumbered assets of the Group.

21. Revenue

	Group	
	2023 RM	2022 RM
Revenue from contract with customers : -		
- Sale of goods	55,602,529	32,954,316
Timing of revenue : -		
- At a point in time	55,602,529	32,954,316

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

21. Revenue (Cont'd.)

a) Disaggregation of revenue

Group	Manufacturing		Trading		Total	
	2023	2022	2023	2022	2023	2022
	RM	RM	RM	RM	RM	RM
Primary geographical markets						
Malaysia	39,229,479	7,697,008	549,205	11,282,975	39,778,684	18,979,983
Rest of Asia	15,823,845	13,487,590	-	-	15,823,845	13,487,590
Europe	-	153,008	-	-	-	153,008
Africa	-	333,735	-	-	-	333,735
	55,053,324	21,671,341	549,205	11,282,975	55,602,529	32,954,316

b) Nature of goods and services

The following information reflects the typical transactions of the Group :-

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Confectionery products	Revenue is recognised at a point in time when the goods are delivered and accepted by the customers at their premises.	Cash terms and credit period of 30 days from invoice date.	Discounts are given to customer where the customer pay within 30 days from invoice date.	The Company allows for returns with cash refunds	Not applicable.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

21. Revenue (Cont'd.)

- c) Transaction price allocated to the remaining performance obligations

The Group applies the practical expedient that exempts the disclosure of information on remaining performance obligations that have original expected durations of one year or less. As at year end, all remaining performance obligations of the Group have original expected durations of one year or less.

- d) Significant judgements and assumptions arising from revenue recognition

The Group applies significant judgements and assumptions to determine the probability of sales achievement of the customers, the probability that the customers will pay within 60 days from invoice date and the probability of goods returned. The Group considered internal information to estimate the probability. In applying judgement, the Group also determined that the recognition of revenue will not result in significant revenue reversal.

22. Other income

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Bad debts recovery	-	13	-	-
Bank interest	9,556	-	3,117	1,500
Dividend received	147,626	-	-	-
Gain on disposal of plant and machinery	-	258,289	-	-
Gain on disposal of right-of-use asset	-	299,251	-	-
Insurance claim	133,000	-	-	-
Sales of scrap	12,542	71,146	-	-
Sundry income	151,650	246,207	-	2
Reversal of overprovision of interest expenses	1,883,341	-	-	-
Reversal of impairment loss no longer required	-	-	-	-
- amount due from subsidiary company	-	-	-	531,821
- investment in subsidiary companies	-	-	100	-
- trade receivables	165,646	-	-	-
Transportation charges	-	132,081	-	-
Unrealised gain on foreign exchange	81,101	147,095	-	-
	<u>2,584,462</u>	<u>1,154,082</u>	<u>3,217</u>	<u>533,323</u>

23. Finance costs

	Group	
	2023 RM	2022 RM
Interest expense of financial liabilities that are not fair value through profit or loss	1,814,358	6,889,858
Interest expense on lease liabilities	22,779	14,616
	<u>1,837,137</u>	<u>6,904,474</u>

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

24. Profit/(Loss) before taxation

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
This is arrived at after charging : -				
Auditors' remuneration				
- current year provision	101,500	101,500	30,000	25,000
- other services	13,000	13,000	13,000	13,000
Depreciation of : -				
- property, plant and equipment	2,961,978	3,423,585	1,972	742
- right-of-use assets	265,545	527,090	-	-
Expenses relating to lease of low value assets*	8,560	9,230	-	-
Expenses relating to short-term leases	77,400	75,800	-	-
Impairment loss on:-				
- subsidiary companies	-	-	16,965	858,320
- trade receivables	195,559	278,367	-	-
Realised loss on foreign exchange	-	96,735	-	-
Unrealised loss on foreign exchange	-	28,450	-	-
Write off on : -				
- other receivables and deposits	-	126,207	-	-
- inventory	-	225,125	-	-
- property, plant and equipment	-	42,129	-	-
This is arrived at after crediting : -				
Gain on disposal of property, plant and equipment	-	258,289	-	-
Gain on disposal of right-of-use asset	-	299,251	-	-
Reversal of impairment loss on amount due from a subsidiary company no longer required	-	-	-	531,821

* The Group leases buildings and office equipment with contract term of 1 to 2 years. These leases are short-term and/or leases of low value items.

25. Employee benefits expense

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Salaries, wages, overtime and allowance	8,086,926	5,993,637	958,003	707,502
Employee Provident Fund	487,033	428,836	107,685	89,877
Employment Insurance System	4,998	4,372	359	255
Social security costs	88,365	71,310	3,137	2,233
Other staff related expenses	142,030	247,655	1,184	47,750
	8,809,352	6,745,810	1,070,368	847,617

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26. Directors' remuneration

	Group and Company	
	2023 RM	2022 RM
Executive directors		
- Fees	56,287	49,500
- Other emoluments	721,520	435,600
	777,807	485,100
Non-executive directors		
- Fees	76,235	174,100
- Other emoluments	78,300	-
	154,535	174,100
Total excluding benefits-in-kind	932,342	659,200

27. Income tax credit

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Under/(Over) provision in previous financial year	459,999	(6,188)	-	-
Deferred taxation (Note 14)	(1,310,746)	(1,147,555)	-	-
	(850,747)	(1,153,743)	-	-

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the financial year.

Reconciliation of tax expense

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Profit/(Loss) for the financial year	1,725,976	(13,735,839)	(2,826,402)	(2,539,923)
Total income tax credit	(850,747)	(1,153,743)	-	-
Profit/(Loss) excluding tax	875,229	(14,889,582)	(2,826,402)	(2,539,923)
	%	%	%	%
Applicable tax rate	24	(24)	24	(24)
Non-deductible expenses	167	8	(24)	29
Non-taxable income	(3)	(2)	-	5
Current year losses for which no deferred tax asset was recognised	59	11	-	-
Utilisation of temporary difference not recognised in prior year	(194)	-	-	-
Overprovision of deferred tax in previous financial year	(150)	-	-	-
	(97)	(7)	-	-

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

28. Earnings/(loss) per share

Basic:

Basic earnings/(loss) per share is calculated by dividing the earnings/(loss) for the financial year attributable to equity holders of the Company by the weighted-average number of ordinary shares in issue during the financial year.

	Group	
	2023	2022
Profit/(Loss) for the financial year attributable to ordinary equity holders of the Company (RM)	1,725,976	(13,735,839)
Weighted-average number of ordinary shares in issue (Unit)	137,280,000	126,811,616
Basic earnings/(loss) per share (sen)	1.26	(10.83)

Diluted:

The basic and diluted earnings/(loss) per share are equal as the Company has no dilutive potential ordinary shares.

29. Cash and cash equivalents

	Note	Group		Company	
		2023	2022	2023	2022
		RM	RM	RM	RM
Cash and bank balances		2,336,763	2,098,188	50,854	196,996
Bank overdraft	20	(9,605,466)	(9,605,466)	-	-
		(7,268,703)	(7,507,278)	50,854	196,996

30. Segmental information

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

30. Segmental information (Cont'd.)

Business segments

The Group comprises the following main business segments : -

Investment holding : Investment holding.

Manufacture and trading : Manufacturing and trading of food and all related products.

There are varying levels of integration amount the reportable segments. This integration includes transfers of raw materials, shared managed services and financial resources. Inter-segment pricing is determined on negotiated basis in a manner similar to transactions with third parties.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets and liabilities

The total of segment assets and liabilities are measured based on all assets and liabilities of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, and intangible assets other than goodwill.

a) Business Segment

	Investment holding RM	Manufacturing and trading RM	Elimination RM	Total RM
2023				
Revenue				
Revenue from external customers	-	56,248,104	(645,575)	55,602,529
Total revenue	-	56,248,104	(645,575)	55,602,529
Results				
Segment results	(2,829,619)	2,940,558	16,965	127,904
Other income	3,217	2,581,345	(100)	2,584,462
Finance costs	-	(1,837,137)	-	(1,837,137)
(Loss)/Profit before taxation	(2,826,402)	3,684,766	16,865	875,229
Income tax credit	-	850,747	-	850,747
(Loss)/Profit for the financial year	(2,826,402)	4,535,513	16,865	1,725,976

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

30. Segmental information (Cont'd.)

a) Business Segment (Cont'd.)

	Investment holding RM	Manufacturing and trading RM	Elimination RM	Total RM
2023				
Other information				
Segment assets	4,163,315	78,313,030	(11,844,381)	70,631,964
Segment liabilities	(5,643,497)	(219,456,623)	77,055,133	(148,044,987)
Non-cash expenses				
- Depreciation of property, plant and equipment	1,972	2,960,006	-	2,961,978
- Depreciation of right-of-use assets	-	265,545	-	265,545
- Impairment loss on investment in subsidiary companies	16,965	-	(16,965)	-
- Impairment loss on trade receivables	-	195,559	-	195,559
Included in the measure of segment assets are: -				
- Additions to non-current assets other than financial instruments and deferred tax assets	-	257,196	-	257,196
2022				
Revenue				
Revenue from external customers	-	43,090,541	(10,136,225)	32,954,316
Total revenue	-	43,090,541	(10,136,225)	32,954,316
Results				
Segment results	(3,073,246)	(6,924,264)	858,320	(9,139,190)
Finance income	533,323	1,152,580	(531,821)	1,154,082
Finance costs	-	(6,904,474)	-	(6,904,474)
Loss before taxation	(2,539,923)	(12,676,158)	326,499	(14,889,582)
Income tax credit	-	1,153,743	-	1,153,743
Loss for the financial year	(2,539,923)	(11,522,415)	326,499	(13,735,839)

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30 June 2023

30. Segmental information (Cont'd.)

a) Business Segment (Cont'd.)

	Investment holding RM	Manufacturing and trading RM	Elimination RM	Total RM
2022				
Other information				
Segment assets	3,777,950	80,421,304	(13,385,158)	70,814,096
Segment liabilities	(2,431,731)	(226,100,409)	78,579,045	(149,953,095)
Non-cash expenses				
- Depreciation of property, plant and equipment	742	3,422,843	-	3,423,585
- Depreciation of right-of-use assets	-	527,090	-	527,090
- Impairment loss on investment in subsidiary companies	858,320	-	(858,320)	-
- Impairment loss on trade receivables	-	278,367	-	278,367
- Gain on disposal of property, plant and equipment	-	(258,289)	-	(258,289)
- Gain on disposal of right-of-use asset	-	(299,251)	-	(299,251)
- Other receivables and deposits written off	-	126,207	-	126,207
- Inventory written off	-	225,125	-	225,125
- Property, plant and equipment written off	-	42,129	-	42,129
- Loss on foreign exchange				
- unrealised	-	28,450	-	28,450
Included in the measure of segment assets are: -				
Additions to non-current assets other than financial instruments and deferred tax assets	19,727	161,332	-	181,059

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

30. Segmental information (Cont'd.)

b) Geographical segment

The manufacturing and trading operations are based not only in Malaysia but also spread throughout the rest of Asia, Europe, Africa and Middle East.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers whereas segment assets are based on the geographical location of assets.

	Revenue		Segment assets	
	2023 RM	2022 RM	2023 RM	2022 RM
Malaysia	39,778,684	18,979,983	70,631,964	70,814,096
Rest of Asia	15,823,845	13,487,590	-	-
Europe	-	153,008	-	-
Africa	-	333,735	-	-
	55,602,529	32,954,316	70,631,964	70,814,096

31. Financial instruments

a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- Financial assets measured at amortised cost ("FAAC"); and
- Financial liabilities measured at amortised cost ("FLAC").

Group	Carrying amount RM	FAAC RM	FLAC RM
2023			
Financial assets			
Trade receivables	1,871,597	1,871,597	-
Other receivables and deposits	2,027,768	2,027,768	-
Cash and bank balances	2,336,763	2,336,763	-
	6,236,128	6,236,128	-
Financial liabilities			
Trade payables	(17,311,234)	-	(17,311,234)
Other payables and accruals	(44,739,287)	-	(44,739,287)
Amount due to directors	(5,364,004)	-	(5,364,004)
Loans and borrowings	(75,456,069)	-	(75,456,069)
Lease liabilities	(1,546,212)	-	(1,546,212)
	(144,416,806)	-	(144,416,806)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

31. Financial instruments (Cont'd.)

a) Categories of financial instruments (Cont'd.)

Group	Carrying amount RM	FAAC RM	FLAC RM
2022			
Financial assets			
Trade receivables	2,990,383	2,990,383	-
Other receivables and deposits	2,051,767	2,051,767	-
Cash and bank balances	2,098,188	2,098,188	-
	<u>7,140,338</u>	<u>7,140,338</u>	<u>-</u>
Financial liabilities			
Trade payables	(16,596,332)	-	(16,596,332)
Other payables and accruals	(46,228,890)	-	(46,228,890)
Amount due to directors	(5,110,350)	-	(5,110,350)
Loans and borrowings	(75,750,054)	-	(75,750,054)
Lease liabilities	(1,328,542)	-	(1,328,542)
	<u>(145,014,168)</u>	<u>-</u>	<u>(145,014,168)</u>
Company			
2023			
Financial assets			
Cash and bank balances	50,854	50,854	-
Deposits	605,000	605,000	-
Amount due from a subsidiary company	1,366	1,366	-
	<u>657,220</u>	<u>657,220</u>	<u>-</u>
Financial liabilities			
Other payables and accruals	(2,546,991)	-	(2,546,991)
Amount due to directors	(364,004)	-	(364,004)
Amount due to subsidiary companies	(2,732,503)	-	(2,732,503)
	<u>(5,643,498)</u>	<u>-</u>	<u>(5,643,498)</u>

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

31. Financial instruments (Cont'd.)

a) Categories of financial instruments (Cont'd.)

Company	Carrying amount RM	FAAC RM	FLAC RM
2022			
Financial assets			
Cash and bank balances	196,996	196,996	-
Amount due from a subsidiary company	55,922	55,922	-
	<u>252,918</u>	<u>252,918</u>	<u>-</u>
Financial liabilities			
Other payables and accruals	(1,621,281)	-	(1,621,281)
Amount due to directors	(110,350)	-	(110,350)
Amount due to subsidiary companies	(700,100)	-	(700,100)
	<u>(2,431,731)</u>	<u>-</u>	<u>(2,431,731)</u>

b) Net losses arising from financial instruments

	Group	
	2023 RM	2022 RM
Financial assets at amortised cost	6,236,128	7,140,338
Financial liabilities at amortised cost	<u>(144,416,806)</u>	<u>(145,014,168)</u>
	<u>(138,180,678)</u>	<u>(137,873,830)</u>

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

31. Financial instruments (Cont'd.)

c) Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments as follows : -

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

i) Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from advances to subsidiary company and financial guarantees given to banks for credit facilities granted to subsidiary companies. There are no significant changes as compared to prior periods.

Trade receivables

Risk management objectives, policies and processes for managing the risk

The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high credit worthiness. The Group also has an internal credit review which is conducted if the credit risk is material. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

At each reporting date, the Group or the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous financial period.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables are represented by carrying amounts in the statement of financial position. Credit risk and receivables are monitored on an ongoing basis. These procedures substantially mitigate credit risk of the Group.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. 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 past due receivables having significant balances, which are deemed to have higher credit risk, are monitored individually.

The trade receivables are not secured by any collateral or supported by any other credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

31. Financial instruments (Cont'd.)

c) Financial risk management

i) Credit risk (Cont'd.)

Trade receivables (Cont'd.)

Recognition and measurement of impairment losses

The Group uses an allowance matrix to measure the expected credit losses ("ECL") of trade receivables from individual customers, which comprise a very large number of insignificant balances outstanding.

To measure the ECLs, trade receivables have been grouped based on credit risk and days past due. The Group considers a receivable to have significant high credit risk when its outstanding balance is more than 12 months.

Where a receivable has a low credit risk, it is excluded from the allowance matrix and its ECL is assessed individually by considering historical payment trends and financial strength of the receivable.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at the reporting date which are grouped together as they are expected to have similar risk nature : -

Group	Gross RM	Loss Allowance RM	Net RM
2023			
Not past due	1,726,692	-	1,726,692
Past due 1 – 30 days	68,393	-	68,393
Past due 31 – 60 days	-	-	-
Past due 61 – 90 days	140,755	(140,755)	-
Past due 91 – 120 days	2,571	-	2,571
Past due 121 – 150 days	64,713	(54,804)	9,909
Past due 151 – 180 days	-	-	-
Past due over 180 days	64,032	-	64,032
	<u>2,067,156</u>	<u>(195,559)</u>	<u>1,871,597</u>
2022			
Not past due	1,997,529	-	1,997,529
Past due 1 – 30 days	2,517	-	2,517
Past due 31 – 60 days	61,604	-	61,604
Past due 61 – 90 days	31,103	-	31,103
Past due 91 – 120 days	190,547	-	190,547
Past due 121 – 150 days	56,569	-	56,569
Past due 151 – 180 days	118,622	-	118,622
Past due over 180 days	29,799,277	(29,267,385)	531,892
	<u>32,257,768</u>	<u>(29,267,385)</u>	<u>2,990,383</u>

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

31. Financial instruments (Cont'd.)

c) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Trade receivables (Cont'd.)

Recognition and measurement of impairment losses (Cont'd.)

The movements in the allowance for impairment in respect of trade receivables during the financial year are as follows : -

Group	Lifetime ECL RM	Credit impaired RM	Total RM
At 1.7.2021	-	28,989,018	28,989,018
Addition	-	278,367	278,367
At 30.6.2022	-	29,267,385	29,267,385
Addition	-	195,559	195,559
Reversal of impairment loss on trade receivable no longer	-	(165,646)	(165,646)
Written off	-	(29,101,739)	(29,101,739)
At 30.6.2023	-	195,559	195,559

Other receivables

Risk management objectives, policies and processes for managing the risk

The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high credit worthiness. The Group also has an internal credit review which is conducted if the credit risk is material. Other receivables are monitored on an ongoing basis via Group management reporting procedures.

There are no significant changes as compared to previous financial year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Recognition and measurement of impairment losses

The Group uses an allowance matrix to measure the expected credit losses ("ECL") of its receivables, where a receivable has a low credit risk, it is excluded from the allowance matrix and its ECL is assessed individually by considering historical payment trends and financial strength of the receivable.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

31. Financial instruments (Cont'd.)

c) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Financial guarantee

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiary companies. The Company monitors on an ongoing basis the results of subsidiary companies and repayments made by the subsidiary companies.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM75,456,069 (2022 – RM75,750,054) representing the outstanding banking facilities of the subsidiary companies as at the end of the reporting period.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiary companies. The Company monitors the ability of the subsidiary companies to repay the loans and advances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

31. Financial instruments (Cont'd.)

c) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Recognition and measurement of impairment losses

Generally, the Company considers loans and advances to subsidiary companies have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary company's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiary companies' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiary companies are not able to pay when demanded. The Company considers a subsidiary company's loan or advance to be credit impaired when :-

- The subsidiary company is unlikely to repay its loan or advance to the Company in full;
- The subsidiary company's loan or advance is overdue for more than 365 days; or
- The subsidiary company is continuously loss making and is having a deficit shareholders' funds.

The Company determines the probability of default for these loans and advances individually using internal information available.

Inter-company loans and advances

The movements in the allowance for impairment in respect of inter-company loans and advances during the financial year are as follows :-

Company	Lifetime ECL RM	Credit impaired RM	Total RM
At 1.7.2021	-	69,228,814	69,228,814
Reversal	-	(531,821)	(531,821)
At 30.6.2022 / 30.6.2023	-	68,696,993	68,696,993

ii) Liquidity risks

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

31. Financial instruments (Cont'd.)

c) Financial risk management (Cont'd.)

ii) Liquidity risks (Cont'd.)

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 undiscounted contractual payments : -

Group	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1 – 2 years RM	2 – 5 years RM
2023						
<i>Non-derivative financial liabilities</i>						
Trade payables	17,311,234		17,311,234	17,311,234	-	-
Other payables and accruals	44,739,287		44,739,287	44,739,287	-	-
Amount due to directors	5,364,004		5,364,004	5,364,004	-	-
Bankers' acceptances	65,850,603	2.18 - 10.42	65,850,603	65,850,603	-	-
Bank overdraft	9,605,466	1.80 - 9.07	9,605,466	9,605,466	-	-
Lease liabilities	1,546,212	2.34 - 5.30	1,573,512	1,279,100	144,637	149,775
	144,416,806		144,444,106	144,149,694	144,637	149,775
2022						
<i>Non-derivative financial liabilities</i>						
Trade payables	16,596,332	-	16,596,332	16,596,332	-	-
Other payables and accruals	46,228,890	-	46,228,890	46,228,890	-	-
Amount due to directors	5,110,350	-	5,110,350	5,110,350	-	-
Bankers' acceptances	65,850,603	2.18 - 10.42	65,850,603	65,850,603	-	-
Bank overdraft	9,605,466	1.80 - 9.07	9,605,466	9,605,466	-	-
Term loan	293,985	6.00	335,850	335,850	-	-
Lease liabilities	1,328,542	2.34 - 5.30	1,348,154	1,221,207	82,142	44,805
	145,014,168		145,075,645	144,948,698	82,142	44,805

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

31. Financial instruments (Cont'd.)

c) Financial risk management (Cont'd.)

ii) Liquidity risks (Cont'd.)

Company	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM
2023				
<i>Non-derivative financial liabilities</i>				
Other payables and accruals	2,546,991	-	2,546,991	2,546,991
Amount due to directors	364,004	-	364,004	364,004
Amount due to subsidiary companies	2,732,503	-	2,732,503	2,732,503
Financial guarantee	75,456,069	-	75,456,069	75,456,069
	81,099,567		81,099,567	81,099,567
2022				
<i>Non-derivative financial liabilities</i>				
Other payables and accruals	1,621,281	-	1,621,281	1,621,281
Amount due to directors	110,350	-	110,350	110,350
Amount due to subsidiary companies	700,100	-	700,100	700,100
Financial guarantee	75,456,069	-	75,456,069	75,456,069
	77,887,800		77,887,800	77,887,800

iii) Market risk

The Group is exposed to foreign currency risk on sales that are denominated in a currency other than the respective functional currency of Group entities. The currency giving rise to this risk were primarily Euro ("EURO"), Japanese Yen ("JPY"), Singapore Dollar ("SGD"), US Dollar ("USD") and Hong Kong Dollar ("HKD").

Risk management objectives, policies and processes for managing the risk

The Group is closely monitoring the foreign currency risk on an ongoing basis to ensure that the net exposure is at acceptable level.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

31. Financial instruments (Cont'd.)

c) Financial risk management

iii) Market risk (Cont'd.)

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was : -

	2023	2022
	RM	RM
Trade receivables (Note 10)		
- Japanese Yen	-	383,631
- Singapore Dollar	-	70,599
- US Dollar	244,423	450,321
Trade payables (Note 15)		
- Singapore Dollar	(181,185)	(166,834)
- US Dollar	(32,737)	(30,916)
Cash and bank balances		
- EURO	5,683	4,855
- Hong Kong Dollar	213,469	5,033
- Japanese Yen	136,702	110,204
- US Dollar	368,543	72,012

Currency risk sensitivity analysis

At 5% strengthening of Ringgit Malaysia ("RM") against the following currencies at the end of the reporting period would have increased equally and post-tax profit or loss by the amount shown below. This analysis is based on foreign currency exchange rate variance that the Group considered to be reasonable possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant.

	2023		2022	
	Equity	Profit for the period	Equity	Profit for the period
Increase	<u>37,745</u>	<u>37,745</u>	<u>44,945</u>	<u>44,945</u>

At 5% (2022 – 5%) of weakening of RM against the above foreign currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remained constant.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

31. Financial instruments (Cont'd.)

c) Financial risk management

iii) Market risk (Cont'd.)

Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rate. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk Management objectives, policies and processes for managing the risk

The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rate fall.

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2023	Interest rate	2022	Interest rate
	RM	%	RM	%
Group				
<u>Fixed rate</u>				
<u>instruments</u>				
Lease liabilities	(1,546,212)	2.34 – 5.30	(1,328,542)	2.34 – 5.30
Term loan	-	-	(293,985)	6.00
<u>Floating rate</u>				
<u>instruments</u>				
Bankers' acceptances	(65,850,603)	2.18 – 10.42	(65,850,603)	2.18 – 10.42
Bank overdraft	(9,605,466)	1.80 – 9.07	(9,605,466)	1.80 – 9.07

Interest rate risk sensitivity analysis : -

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change on interest rates at the end of the reporting period would not affect profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

31. Financial instruments (Cont'd.)

c) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis: - (Cont'd.)

Cash flow sensitivity analysis for variable rate instruments

At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's profit/(loss) net of tax would have been RM754,561 (2022 – RM754,561) higher /lower, arising mainly as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in basis point for interest rate sensitivity analysis is based on the currently observable market environment.

iv) Operational risk

The operational risk arises from the daily activities of the Group which includes legal, credit reputation and financing risk and other risks associated to daily running of its business operations.

Such risks are mitigated through proper authority levels of approval limits, clear reporting structure, segregation of duties, policies and procedures implemented and periodic management meetings.

In dealing with its stewardship, the directors recognise that effective risk management is an integral part of good business practice.

The directors will pursue an ongoing process of identifying, assessing and managing key business areas, overall operational and financial risk faced by the business units as well as regularly reviewing and enhancing risk mitigating strategies with its appointed and key management personnel.

d) Fair value information

The carrying amount of cash and cash equivalents, trade and other receivables, inter-company balances, trade and other payables, amount due to directors, short term borrowings and current portion of lease payables approximate fair value due to the relatively short-term nature of these financial instruments.

The aggregate fair value of the other financial assets and liabilities carried on the statements of financial position approximates its carrying value and the Group does not anticipate the carrying amounts recorded at the reporting date to be significantly different from the values that would eventually be settled.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

31. Financial instruments (Cont'd.)

d) Fair value information (Cont'd.)

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 : quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 : other techniques for which all inputs which have a significant effect on the recorded fair value is observable, either directly or indirectly.

Level 3 : techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Group does not anticipate the carrying amounts recorded at the reporting date to be significantly different from the values that would eventually be settled. Therefore, the fair value hierarchy is not presented.

32. 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 to be the key component of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issued new shares, redeem debts or sell assets, where necessary, to maintain an optimal capital structure. Management has not formulated any formal policies and processes for monitoring the Group's capital in view of its simple structure. Nevertheless, management will always strive to improve those policies and processes whenever the need arises.

Under the requirement of Bursa Malaysia Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal or not less than 25% of the issued and paid-up capital and such shareholders' equity is not less than RM40 million. As disclosed in Note 2(e) to the financial statements, the Company announced that it has triggered the Prescribed Criteria of paragraph 2.1(b) of Practice Note 17 ("PN17") pursuant to paragraph 8.04(2) of the Main Market Listing Requirements of Bursa Malaysia.

33. Contingent asset/liabilities

Group	2023 RM	2022 RM
Contingent asset		
Disputed sum taken by Former Interim Judicial Manager ("FIJM")	2,020,852	-
Group and Company		
Contingent liabilities		
Outstanding legal fees claimed by a third party	1,176,600	-
Unsecured corporate guarantees issued to bank for bank facilities granted to subsidiary companies	75,456,069	75,456,069

The Disputed sum taken by the FIJM has been transferred to the Company's solicitor client's account and the Company's solicitor is to hold the monies until the disposal of the FIJM's appeal in which the details are disclosed in Note 37(x) to the financial statements.

The outstanding legal fees claimed by a third party is not admitted and the details are disclosed in Note 37 (xi) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

34. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the parties are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of the senior management of the Group.

Significant related party transactions

Related party transactions have been entered into the normal course of business under normal trade terms. The related party balances are shown in Note 8 to the financial statements.

Compensation of key management personnel

The remuneration paid by the Group and the Company to key management personnel during the financial year are disclosed in Note 26 in the financial statements.

35. Significant events

- i) On 13 September 2022, the Company announced that the Company and its wholly owned subsidiary companies had filed an Originating Summons for a Scheme of Arrangement and Restraining Order.
- ii) On 23 September 2022, the Court granted an Order under Section 366 and Section 368 of the Companies Act, 2016 to the Company and its wholly-owned subsidiaries.
- iii) On 6 October 2022, the Company proposed to undertake a scheme of arrangement. The details of scheme of arrangement are as follows:
 1. The unsecured creditors shall waive all interests, charges, penalties and costs accruing to them after 31 March 2022 ("Cut-off Date");
 2. 50% of the unsecured debt as at the Cut-off Date shall be waived;
 3. The balance of the 50% of unsecured debts as at the Cut-Off Date shall be settled in cash from the proceeds of fund raising exercise proposed to be undertaken by Company or the balance shall be converted into fully paid-up ordinary shares of Company at the issue price to be determined by the Board; and
 4. The unsecured creditors shall fully discharge and free the Group and the Company from all actions, proceedings, claims, demands or guarantees which the unsecured creditors have or can have or may have against the Group and the Company for or in respect to the unsecured debts upon full settlement under the proposed schemes.

Besides, the Company had executed corporate guarantees to Corporate Guarantee Creditors for facilities granted to its wholly owned subsidiaries. The Company shall pay the sum of RM3,000,000 from the Fund Raising Exercise to Corporate Guarantee Creditors within 7 days from the date of receipt of the proceeds raised from the Fund Raising Exercise by the Company.

The High Court of Malaya had granted the Sanction for the Scheme of Arrangement on 21 December 2022 and the Sealed Order had been filed with Suruhanjaya Syarikat Malaysia ("SSM") on 11 January 2023.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

35. Significant events (Cont'd.)

- iv) On 20 December 2022, Bursa Securities has granted the Company an extension of time of six (6) months up to 17 May 2023 for the Company to submit its regularisation plan to the regulatory authorities. The Company had on 9 May 2023 made a requisite announcement to regularize its financial condition in accordance with Paragraph 8.04(3) of the Listing Requirements. In addition to the requisite announcement, Company had received approval on 12 June 2023 from Bursa Securities for a further extension of time of six (6) months up to 17 November 2023 to submit its regularization plan.

36. Subsequent events

- i) The Company had on 18 July 2023 submitted the Regularisation Plan to Bursa Securities.
- ii) The subsidiary company, Khee San Food Industries Sdn. Bhd. is expanding its oversea market and had entered into a Strategic Cooperation Agreement with Wellspire Global Trading Sdn. Bhd. as the sole and exclusive distributor of the "Khee San" brand products in Thailand for a period of three (3) years from 23 August 2023 to 22 August 2026.

37. Material litigation

i) MAYBANK ISLAMIC BERHAD-V-KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD (WA-22M-269-07/2020)

On 27 July 2020, the Company and KSFI received a sealed copy of Writ and Statement of Claim filed by Maybank Islamic Berhad ("MIB"). MIB's claim against KSFI and KSB are as follows : -

1. The sum of RM1,060,412.56 as at 30 June 2020;
2. Further profit on the utilised Facility Amount in the sum of RM1,000,000.00 at 1.75% per annum above the Plaintiff's Base Financing Rate calculated on daily basis from 1 July 2020 until full settlement or upon reaching maximum Plaintiff's Profit from the Plaintiff's Sale Price of RM1,542,500.00, whichever is earlier;
3. The sum of RM5,467,194.64 as at 30 June 2020;
4. Ta'widh (Compensation) at the prevailing daily overnight Islamic Interbank Money Market rate calculated on the sum of RM5,408,950.95 from 1 July 2020 until full settlement;
5. Costs on a solicitor-client basis; and
6. Such further and/or other relief as the Court deems fit.

The Court has allowed the Plaintiff's Summary Judgment Application and Striking Out the Defendants' counterclaim against the Plaintiff on 30 March 2021.

On 25 June 2021, MIB issued a notice pursuant to Section 466(1)(a) of the Companies Act, 2016.

Notice of Appeal (W-02(IM)(MUA)-691-04/2021) and (W-02(IM)(MUA)-692-04/2021)

On 2 April 2021, the Defendant filed Notice of Appeal. On 15 December 2021, the Court of Appeal dismissed the appeal.

Federal Court Motion (08(i)-47-01/2022(W)), (08(i)-48-01/2022(W)) and (08(i)-49-01/2022(W))

On 23 February 2022, the Notice of Motion came up for Case Management and the Court directed the followings : -

1. MIB to file their Affidavit;
2. KSFI and KSB to file their Affidavit; and
3. Parties to file their respective Written Submissions, Bundle of Authorities, Common Core Bundle of Document and Executive Summary (if required).

On 19 July 2022, the Company filed Notices of Discontinuance in respect of the Motions for Leave to Appeal to the Federal Court.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

37. Material litigation (Cont'd.)

ii) **KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD-V-HSBC BANK MALAYSIA BERHAD (WA-22NCC-314-07/2020)**

On 16 July 2020, the Company and KSFI filed a Writ of Summons against HSBC Bank Malaysia Berhad ("Defendant").

On 6 August 2020, the Company further filed the Statement of Claim against the Defendant laid out its claim against the Defendant as follows : -

1. That the sums due to the Defendant be set off in totality or the fictitious portion be omitted from repayment as the Court directs;
2. A sum of RM114,000,000.00 which is equivalent to RM1.00 to every shareholder of the 1st Plaintiff be paid by the Defendant as damages;
3. Additional damages of RM140,000,000.00 for the damage caused to the Plaintiffs in terms of operations and revenue loss including reputational damage to the Plaintiffs and their brands;
4. General damages of RM150,000,000.00 to be assessed by the Court;
5. Interest at the rate of 4% on the amounts in paragraph (1), (2), (3), (4) and/or (5) above from the date of the claim to full satisfaction;
6. Costs and such further and/or other relief deemed fit and appropriate by the Court.

The case was struck out by the Court on 23 February 2021.

Notice of Appeal (W-02(IM)(NCC)-403-02/2021) and (W-02(IM)(NCC)-404-02/2021)

On 25 February 2021, the Plaintiff filed Notice of Appeal. On 15 December 2021, the Court of Appeal dismissed the appeal.

On 23 February 2022, the Notice of Motion came up for Case Management and the Court had directed the followings : -

1. Defendant to file their Affidavit;
2. KSFI and KSB to file their Affidavit; and
3. Parties to file their respective Written Submissions, Bundle of Authorities, Common Core Bundle of Document and Executive Summary (if required).

On 19 July 2022, the Company filed Notices of Discontinuance in respect of the Motions for Leave to Appeal to the Federal Court.

iii) **STANDARD CHARTERED BANK MALAYSIA BERHAD-V-HEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD (WA-22NCC-589-11/2020)**

On 3 December 2020, the Company and KSFI received a sealed copy of Writ and Statement of Claim filed by Standard Chartered Bank Malaysia Berhad ("Plaintiff") with details as follows:

- a) the sum of RM8,268,669.88 as at 30 September 2020 with interest thereon at the rate of 6.7% per annum, calculated on daily basis, from 1 October 2020 until date of full payment;
- b) the sum of RM6,703.54 with interest thereon at 5% per annum from date hereof until date of full payment;
- c) cost on a solicitor-client and full indemnity basis; and
- d) such further and/or other relief as the Court deems fit.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

37. Material litigation (Cont'd.)

iii) STANDARD CHARTERED BANK MALAYSIA BERHAD-V-HEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD (WA-22NCC-589-11/2020) (Cont'd.)

Notice of Appeal (W-02(IM)(NCC)-1307-07/2021) and (W-02(IM)(NCC)-1308-07/2021)

On 20 August 2021, the Defendant filed Notice of Appeal. On 15 December 2021, the Court of Appeal dismissed the appeal.

Federal Court Motion (08(i)-46-01/2022(W)), (08(i)-52-01/2022(W)) and (08(i)-53-01/2022(W))

On 23 February 2022, the Notice of Motion came up for Case Management and the Court directed the followings : -

- i) Plaintiff to file their Affidavit;
- ii) KSFI and KSB to file their Affidavit; and
- iii) Parties to file their respective Written Submissions, Bundle of Authorities, Common Core Bundle of Document and Executive Summary (if required).

On 19 July 2022, the Company filed Notices of Discontinuance in respect of the Motions for Leave to Appeal to the Federal Court.

iv) KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD -V- UNITED OVERSEAS BANK (MALAYSIA) BERHAD (WA-22NCC-396-08/2020)

On 25 August 2020, the Company and KSFI filed a Writ of Summon and Statement of Claim against United Overseas Bank (Malaysia) Berhad ("Defendant"). The details of the Writ of Summon and Statement of Claim are as follows : -

1. That the sums due to the Defendant be set off in totality or the fictitious portion be omitted from repayment as the Court directs;
2. A sum of RM114,000,000.00 which is equivalent to RM1.00 to every shareholder of the 1st Plaintiff be paid by the Defendant as damages;
3. Additional damages of RM140,000,000.00 for the damage caused to the Plaintiffs in terms of operations and revenue loss including reputational damage to the Plaintiffs and their brands.
4. General damages of RM150,000,000.00 to be assessed by the Court;
5. Interest at the rate of 4% on the amounts in paragraph (1), (2), (3), (4) and/or (5) above from the date of this claim to full satisfaction;
6. Costs; and
7. Such further and/or other relief deemed fit and appropriate by the Court.

The case was struck out by the Court on 27 May 2021.

Notice of Appeal (W-02(IM)(NCC)-1118-06/2021) and (W-02(IM)(NCC)-1121-06/2021)

On 31 May 2021, the Plaintiff filed Notice of Appeal. On 15 December 2021, the Court of Appeal dismissed the appeal.

Federal Court Motion (08(i)-44-01/2022(W)) and (08(i)-45-01/2022(W))

On 23 February 2022, the Notice of Motion came up for Case Management and the Court directed the followings : -

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

37. Material litigation (Cont'd.)

iv) KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD-V-UNITED OVERSEAS BANK (MALAYSIA) BERHAD (WA-22NCC-396-08/2020) (Cont'd.)

1. Defendant to file their Affidavit;
2. KSFI and KSB to file their Affidavit; and
3. Parties to file their respective Written Submissions, Bundle of Authorities, Common Core Bundle of Document and Executive Summary (if required).

On 19 July 2022, the Company filed Notices of Discontinuance in respect of the Motions for Leave to Appeal to the Federal Court.

v) KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES-V-OCBC AL-AMIN BANK BERHAD (WA-22M-310-08/2020)

KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES-V-OCBC BANK (MALAYSIA) BERHAD (WA-22NCC-401-08/2020)

On 26 August 2020, the Company and KSFI filed a Writ of Summon and Statement of Claim against OCBC Al-Amin Bank Berhad and OCBC Bank (Malaysia) Berhad ("collectively known as OCBC") on behalf of the Company and Khee San Food Industries Sdn Bhd. The details of the Writ of Summon and Statement of Claim are as follows : -

1. That the sums due to the Defendant, OCBC, be set off in totality or the fictitious portion be omitted from repayment as the Court directs;
2. A sum of RM114,000,000.00 which is equivalent to RM1.00 to every shareholder of the 1st Plaintiff be paid by the Defendant as damages;
3. Additional damages of RM140,000,000.00 for the damage caused to the Plaintiffs in terms of operations and revenue loss including reputational damage to the Plaintiffs and their brands.
4. General damages of RM150,000,000.00 to be assessed by the Court;
5. Interest at the rate of 4%
6. Costs; and
7. Such further and/or other relief deemed fit and appropriate by the Court.

The case was struck out by the Court on 30 March 2021 and 25 February 2021 respectively.

Notice of Appeal (W-02(IM)(MUA)-693-04/2021) and (W-02(IM)(MUA)-689-04/2021)

On 2 April 2021, the Plaintiff filed Notice of Appeal. On 15 December 2021, the Court of Appeal dismissed the appeal.

Notice of Appeal (W-02(IM)(NCC)-454-03/2021) and (W-02(IM)(NCC)-453-03/2021)

On 3 March 2021, the Plaintiff filed Notice of Appeal. On 15 December 2021, the Court of Appeal dismissed the appeal.

Federal Court Motion (08(i)-41-01/2022(W)), (08(i)-42-01/2022(W)), (08(i)-43-01/2022(W)) and (08(i)-50-01/2022(W))

On 23 February 2022, the Notice of Motion came up for Case Management and the Court directed the followings:

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

37. Material litigation (Cont'd.)

v) **KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES-V-OCBC AL-AMIN BANK BERHAD (WA-22M-310-08/2020) (Cont'd.)**

1. OCBC to file their Affidavit;
2. KSFI and KSB to file their Affidavit; and
3. Parties to file their respective Written Submissions, Bundle of Authorities, Common Core Bundle of Document and Executive Summary (if required).

On 19 July 2022, the Company filed Notices of Discontinuance in respect of the Motions for Leave to Appeal to the Federal Court.

vi) **KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD-V-DATO' SRI LIEW YEW CHUNG (WA-22NCC-468-09/2020)**

On 28 September 2020, the Company announced that the Company and KSFI, had filed a Writ of Summon and Statement of Claim against Dato' Sri Liew Yew Chung ("Defendant").

The Writ of Summon and Statement of Claim was filed as the Plaintiffs, the Company and KSFI, had recently uncovered a fraudulent scheme perpetrated primarily by the Defendant during the period 1 October 2018 to 4 July 2019 by reason of the Defendant's ability to control or dictate the business and financial operations of the Plaintiffs. The Defendant was during the Review Period, designated as chairman, non-independent and non-executive director of the Company and KSFI.

The details of the Writ of Summon and Statement of Claim are as follows : -

1. A declaration that the Defendant is liable to account as constructive trustee to the Plaintiffs for the sum of RM20,060,000 or such other sum as the Court thinks fit on the grounds of breach of fiduciary duty /breach of trust;
2. An order that the Defendant pay to KSFI a sum of RM20,060,000 or such other sum as the Court think fit;
3. An order that the Defendant indemnify the Plaintiffs for any sums of money that the Plaintiffs has to pay to various banks by for the various drawdown pursuant to the fraudulent scheme;
4. Damages;
5. Interest at such rate and for such period as the Court thinks fit;
6. Costs; and
7. Any further or other relief that the Court thinks fit.

On 11 August 2022, the Company solicitors filed an application to discharge themselves from representing the Company in this legal proceeding.

On 8 February 2023, the Court evaluated the Explanatory statement annexed in the Sanction Order and ordered the following : -

1. KSFI to withdraw the proceeding against London Biscuit Berhad ("LBB");
2. KSFI's claims against Dato' Sri Liew Yew Chung ("DSL") be struck off; and
3. KSB's claims against DSL and LBB be struck off.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

37. Material litigation (Cont'd.)

vii) **KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD-V-LONDON BISCUIT BERHAD (WA-28PW-442-11/2020)**

LONDON BISCUIT BERHAD-V-KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD (WA-28PW-186-06/2021) and (W-02(A)-931-05/2021)

On 23 November 2020, the Company and KSFI filed an application for leave via notice of motion to seek the following orders : -

1. that leave be granted to the Applicants to commence proceedings against London Biscuits Berhad ("LBB");
2. costs; and
3. any other or further Orders which the Court deems fit and appropriate.

The grounds in support of the application are as follows : -

1. The Applicants have commenced legal proceedings vide Kuala Lumpur High Court Civil Suit No.: WA-22NCC-468-09/2020 ("the KL Suit") against the Applicant's former director, Dato' Sri Liew Yew Chung ("Liew") for inter alia breach of trust, breach of duties owed to the Applicants set out in Sections 213 to 220 of the Companies Act, 2016 and breach of fiduciary duties owed to the Applicants by inter alia:
 - 1.1 causing or procuring the issuance of fictitious sales invoices to purported customers of Khee San Food Industries Sdn Bhd and fictitious delivery orders and causing or procuring the same to be presented to various banks for drawdown;
 - 1.2 causing or procuring fictitious sales invoices amounting to RM39,454,484.00 to customers of Khee San Food Industries Sdn Bhd and the corresponding fictitious delivery orders and causing or procuring the same to be presented to various banks for drawdown.
2. It is also the Applicants' pleaded case in the KL Suit that Liew had siphoned monies amounting to RM85,191,000.00 at various time (between 1.10.2018 and 4.7.2019) ("the Period") from Khee San Food Industries Sdn Bhd to LBB;
3. At the material time when Liew siphoned the monies to LBB, Liew was the directing mind and will of LBB as well as the directing mind and will of LBB in relation to LBB's receipt of the monies amounting to RM85,191,000.00 that was transferred from Khee San Food Industries Sdn Bhd to LBB in the Period and no one else;
4. Liew's knowledge that the monies amounting to RM85,191,000.00 that was transferred from Khee San Food Industries Sdn Bhd to LBB was carried out in breach of Liew's duties owed to the Applicants and/or in breach of trust and/or part of Liew's fraudulent scheme is attributed to LBB;
5. LBB is liable to the Applicants for knowing receipt;
6. LBB is liable to account to Khee San Food Industries Sdn Bhd for the sum of RM85,191,000.00 as constructive trustee on the ground of knowing receipt;
7. The remedy sought by the Applicants against LBB is a proprietary remedy;
8. The Applicants have to commence a civil suit against LBB as the relief sought for cannot be obtained by filing a proof of debt; and
9. Whether the Applicants are entitled to the relief sought for involves complex issues of law and fact that can only be adequately dealt with in a writ action.

The Court of Appeal dismissed LBB's appeal on 28 February 2022 and affirmed the High Court's decision to grant leave to Applicants to commence action against LBB.

On 8 February 2023, the Company and KSFI withdrew the proceeding against LBB with no order as to costs and with no liberty to file afresh.

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30 June 2023

37. Material litigation (Cont'd.)

viii) **KHEE SAN FOOD INDUSTRIES SDN BHD-V-MEGA GLOBAL CONFECTIONARY SDN BHD AND MOHANADAS A/L K.P. BALAN AND EDWARD TAN JUAN PENG (WA-24IP-5-03/2022)**

On 3 March 2022, the Company ("Plaintiff") filed a Originating Summons against Mega Global Confectionary Sdn. Bhd. ("1st Defendant"), Edward Tan Juan Peng ("2nd Defendant") and Mohanadas A/L K.P. Balan ("3rd Defendant") in relation to a purported assignment of all trademarks owned by the Plaintiff to the 1st Defendant via an assignment agreement dated 14 January 2020. The details are as follows : -

The Plaintiff is seeking the following reliefs : -

1. A declaration that the assignment agreement is void and has no legal effect;
2. A declaration that the Plaintiff remains the registered proprietor of the trademarks in the assignment agreement and the common law and beneficial owner of the trademark;
3. An injunction to restrain the Defendants from : -
 - a. presenting, submitting or filling the assignment agreement with MyIPO or any trademark registry outside Malaysia;
 - b. applying, recording, entering or taking any steps to apply, record or enter 1st Defendant as assignee or subsequent owner of Plaintiff's Trademarks in MyIPO or any other trademark registry outside Malaysia;
 - c. doing any acts in respect of the Plaintiff's Trademarks in any manner which is inconsistent or interferes with the Plaintiff's exclusive rights, title and interest in the Plaintiff's Trademarks; and
 - d. applying to register, register or obtaining for its benefit any trademark which is identical or similar to the Plaintiff's Trademarks or any trademarks belonging to the Plaintiff in Malaysia or elsewhere;
4. An injunction to compel the Defendants or their directors, officers, servants or agents to deliver up any and all documents relating to the Plaintiff's Trademarks.

The Plaintiff had obtained an ex-parte interlocutory injunction Order dated 23 March 2022 to restrain the Defendants from doing the acts in paragraph 3 above. Subsequently, the Plaintiff obtained an ad-interim Order dated 6 April 2022 on the same terms as per the ex-parte Order pending disposal of the inter-partes interlocutory.

On 15 August 2022, an interlocutory injunction was obtained to prevent the execution of the assignment agreement.

On 6 September 2022, this matter came up for Case Management and the Plaintiff had recorded a consent judgement with the following terms : -

1. Parties shall not enforce the Assignment Agreement;
2. The Originating Summons be struck off;
3. No order as to costs;
4. Parties are at no liberty to file afresh; and
5. The interim Order dated 15 August 2022 be set aside.

The case was struck out by the Court on 6 September 2022.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

37. Material litigation (Cont'd.)

ix) TUNAI IMPIAN ENTERPRISE SDN. BHD. -V- KHEE SAN BERHAD, KHEE SAN MARKETING SDN. BHD., MEGA GLOBAL CONFECTIONARY AND KHEE SAN FOOD INDUSTRIES SDN BHD (WA-24NCC-371-07/2023)

Tunai Impian Enterprise Sdn. Bhd. prays for declarations that it had withdrawn its support for Khee San Berhad Group's Scheme of Arrangement and an order to consequently set aside the Court's Sanction order dated 21 December 2022.

The initial hearing was held on 7 August 2023.

On 10 October 2023, the Court directed the parties to file written submissions by 6 November 2023 and file reply written submissions by 6 December 2023. The hearing has been fixed on 16 January 2024.

x) MAYBANK ISLAMIC BERHAD -V- KHEE SAN FOOD INDUSTRIES SDN BHD (WA-28JM-21-11/2021)

- i. On 30 November 2021, the Company announced the judicial management application ("this matter") came up for Case Management for Enclosure 1 (Applicant's Originating Summons) and Enclosure 10 (Applicant's Notice of Application).

The initial hearing of Enclosure 1 and Enclosure 10 had been fixed on 7 January 2022.

On 1 September 2022, the Court had ordered Enclosure 1 be struck off with liberty to file afresh, and Maybank Islamic Berhad, the Applicant, to pay cost to Tunai Impian Enterprise Sdn Bhd, the Intervener, for a sum of RM20,000.00.

- ii. On 28 December 2021, this matter came up for Case Management for the following Enclosures : -

1. Enclosure 47, Khee San Berhad's Notice of Application for Leave to Intervene the Proceeding; and
2. Enclosure 57, Tunai Impian Enterprise Sdn Bhd's Notice of Application for Leave to Intervene the Proceeding.

The initial hearing of all Enclosures 47 and 57 had been fixed on 7 January 2022.

On 1 April 2022, this matter came up for Decision for Enclosure 47 (Khee San Berhad's Notice of Application to Intervene) and the Court had granted Order in terms for Enclosure 47, i.e. to allow Khee San Berhad to intervene the proceedings.

On 1 September 2022, Enclosure 57 was rendered academic and struck off by the Court with no order as to cost.

- iii. On 21 March 2022, this matter came up for Case Management for the Interim Judicial Manager's Notice of Application for Remuneration ("Enclosure 157").

The initial Hearing of Enclosure 157 had been fixed on 24 May 2022.

On 26 September 2022, the Court directed that Khee San Food Industries Sdn Bhd, the Respondent set aside a sum of RM55,505.00 in a separate account for the purposes of Enclosure 157, and other than that, no money is to be paid out to the Interim Judicial Manager until disposal of Enclosure 157.

On 20 March 2023, the Court dismissed Enclosure 157 and ordered costs subject to allocators personally against the Interim Judicial Manager, Dato' Adam Primus Varghese bin Abdullah ("IJM").

Whereby in relation to Khee San Food Industries Sdn Bhd's monies that are held by the solicitors of the IJM, Messrs Zaid Ibrahim & Co ("ZICO") ("KSFI's Monies"), the Court had also given an order that KSFI's Monies be transferred to and kept by the solicitor of Khee San Food Industries Sdn Bhd pending disposal of appeal (which will be filed by the IJM) and/or any application filed before the Court, i.e. an application for direction to release KSFI's Monies.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

37. Material litigation (Cont'd.)

x) MAYBANK ISLAMIC BERHAD-V-KHEE SAN FOOD INDUSTRIES SDN BHD (WA-28JM-21-11/2021) (Cont'd)

- iii. On 21 March 2022, this matter came up for Case Management for the Interim Judicial Manager's Notice of Application for Remuneration ("Enclosure 157") (Cont'd)

On 20 March 2023, the Honourable High Court had dismissed the Former Interim Judicial Manager ("FIJM")'s Notice of Application for Remuneration ("**Enclosure 157**") and directed that KSFI's Monies be transferred to and kept by the solicitor of KSFI, i.e. Messrs Krish Maniam & Co ("**KMC**") until disposal of the appeal (which will be filed by the FIJM).

Despite the solicitor of the FIJM, Messrs Zaid Ibrahim & Co ("**ZICO**") claimed that they are holding a total sum of RM2Million (KSFI's Monies) as stakeholder, but they merely transferred RM 1,583,965.60 to KMC (as ZICO have deducted their fees of RM282,167.08 and the fees of Agensi Pekerjaan Iramura Sdn Bhd of RM150,000.00 (total sum of RM432,167.08) against KSFI's Monies).

In light of the above, on 5 October 2023, the Company had instructed KMC to file the Notice of Application for leave to commence a committal proceeding against:

- i. The current solicitor of the former interim judicial manager of the Respondent, i.e Saritha Devi A/P Kirupalani (From Messrs Firoz Julian);
- ii. The former solicitor of the former interim judicial manager, i.e. Khoo Yu Lin (From ZICO.); and
- iii. The former interim judicial manager of the Respondent, i.e, Dato' Adam Primus Varghese Bin Abdullah ("**FIJM**") respectively;

(Jointly referred to as the "**Proposed Contemnors**")

On 16 October 2023, ZICO had issued a letter to KMC proposing a settlement by agreeing to transfer the balance of the stakeholder monies in the sum of RM436,886.66 (including the interest amount in the sum of RM4,719.58 earned to date) ("**the Balance Amount**") to KMC client's account as per the Order dated 20 March 2023 and thereafter the Company is to withdraw Enclosure 321 with no order as to costs and with no liberty to file afresh.

On 17 October 2023, Messrs Zaid Ibrahim & Co. had remitted the Balance Amount into KMC client's account.

In light of the above, Messrs Krish Maniam & Co. have proceeded to file the Notice of Discontinuance.

As of today, ZICO has transferred a total sum of RM2,020,852.26 to KMC.

In so far as Enclosure 321 goes, the case management fixed for 20 October 2023 has been vacated as the Notice of Discontinuance has been filed on 18 October 2023.

- iv. On 19 April 2023, the Company announced that this matter came up for Case Management for the Former Interim Judicial Manager's ("FIJM") Notice of Application to Vary the Court Order dated 20 March 2023 ("Enclosure 288") and the Court had directed as follows : -
1. Any parties who oppose Enclosure 288 to file Affidavit in Reply on or before 3 May 2023;
 2. The Applicant of Enclosure 288 to file Affidavit in Reply on or before 17 May 2023; and
 3. Then the filing of the affidavits will be exhausted.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023

37. Material litigation (Cont'd.)

x) MAYBANK ISLAMIC BERHAD-V-KHEE SAN FOOD INDUSTRIES SDN BHD (WA-28JM-21-11/2021) (Cont'd)

- iv. On 19 April 2023, the Company announced that this matter came up for Case Management for the Former Interim Judicial Manager's ("FIJM") Notice of Application to Vary the Court Order dated 20 March 2023 ("Enclosure 288") and the Court had directed as follows : - (Cont'd)

The initial hearing of Enclosure 288 had been fixed on 19 May 2023.

On 23 May 2023, FIJM filed his affidavit in reply in relation to Enclosure 288 wherein FIJM had raised new allegations in his affidavit. Thus, the Company has requested the Court to allow the Company to reply to those allegations.

On 24 August 2023, the next hearing of Enclosure 288 was fixed on 29 November 2023.

Notice of Appeal (W-02(IM)(NCC)-475-03/2023)

On 21 March 2023, Notice of Appeal filed by FIJM under the capacity of Khee San Food Industries Sdn Bhd (Enclosure 1).

The hearing of Enclosure 1 has been fixed on 6 December 2023 and the Court's instructions are as follows : -

- a. all documents (including Common Core Bundle of Documents, Submissions, and Executive Summary be filed before 8 November 2023 and the Reply Submissions be filed before 21 November 2023); and
- b. Case Management to inform the status of the filing has been fixed on 22 November 2023.

xi) MESSRS DENNIS NIK & WONG -V- KHEE SAN BERHAD (WA-24NCvC-4185-09/2023)

On 21 September 2023, the Company had received an Originating Summons dated 20 September 2023 filed by Messrs Dennis, Nik & Wong ("Plaintiff") for a sum of RM1,176,600 being the outstanding legal fees for professional services rendered.

The Court had directed the Company to file its reply affidavit by 12 October 2023 and the Plaintiff to file its affidavit in response by 26 October 2023.

The abovementioned suit was fixed for Case Management on 27 October 2023.

STATEMENT BY DIRECTORS Pursuant to Section 251(2) of the Companies Act, 2016

We, Yong Loong Chen and Edward Tan Juan Peng, being two of the directors of Khee San Berhad, do hereby state that, in the opinion of the directors, the financial statements set out on pages 46 to 118 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 30 June 2023 and of the results and the cash flows of the Group and of the Company for the financial year ended on that date.

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

Yong Loong Chen

Edward Tan Juan Peng

Kuala Lumpur,
Date: 17 October 2023

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Voo Lip Sang @ Philip, NRIC: 670703-12-5401, being the officer primarily responsible for the financial management of Khee San Berhad, do solemnly and sincerely declare that the financial statements set out on pages 46 to 118, to the best of my knowledge and belief, are 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 at Kuala Lumpur on 17 October 2023

Voo Lip Sang @ Philip
(MIA CA15143)

Before me

YM TENGKU NUR ATHIYA TENGKU FARIDDUDIN (W881)
Commissioner for Oaths

ADDITIONAL COMPLIANCE INFORMATION

1. SHARE BUY-BACK

There was no share buy-back of the Company's share during the financial year under review.

2. AUDIT AND NON-AUDIT FEES

During the financial year, the amount of audit and non-audit fees paid or payable to the External Auditors, Messrs. Kreston John & Gan by the Company and the Group respectively were as follows:

	Company (RM)	Group (RM)
Statutory audit fees	30,000	101,500
Non-audit fees	13,000	13,000

3. DEPOSITORY RECEIPT PROGRAMME

During the financial year under review, the Company did not sponsor any Depository Receipt Programme.

4. OPTIONS, WARRANT OR CONVERTIBLE SECURITIES

There were no options, warrants or convertible securities issued to any parties during the financial year under review.

5. MATERIAL CONTRACTS

The Board is not aware of any material contracts entered into by the Company (not being contracts entered into in the ordinary course of business of the Company) involving the Directors and Major Shareholders for the financial year under review.

6. REVALUATION POLICY

The Group adopts a policy to revalue at a regular interval of at least once in every five (5) years for its landed properties with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued land and buildings materially differ from the market value. The last revaluation of the properties was made on 28 June 2019.

7. UTILISATION OF PROCEEDS

There were no proceeds raised from corporate proposals in the year under review.

8. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

There were no RRPT of a revenue nature between the Group and its related parties during the financial year under review.

9. EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

There were no ESOS during the financial year under review.

LIST OF PROPERTIES OF THE GROUP
AS AT 30 JUNE 2023

Year of Revaluation* (Acquisition)	Location	Postal Address	Tenure & Usage (Approx. age of buildings) (Years)	Land Area (sq.m)	Description	Net Book Value as at 30 June 2023 (RM)
KHEE SAN FOOD INDUSTRIES SDN BHD						
2019 (1982)	Lot Nos. 1819 to 1824 & 1832, Mukim & District of Petaling, Selangor Darul Ehsan	Lots 1819 to 1824 & 1832 Jalan Kolej, 43300 Seri Kembangan, Selangor Darul Ehsan	Freehold Own Use (36 to 56 years)	22,887.48	Factory and office	43,169,001
2019 (1993 - 1996)	GM 461, Lot No. 14254, Mukim & District of Petaling, Selangor Darul Ehsan	No CS-16A, Jalan Jinma 1, Taman Jinma, 43300 Seri Kembangan, Selangor Darul Ehsan	Freehold Workers' Hostel (46 to 51 years)	416.84	1 unit of semipermanent single storey semi-detached house with 2 sections	400,000
2019 (1993 - 1996)	GM 904, Lot No. 30731, Mukim & District of Petaling, Selangor Darul Ehsan	No. CS-30A, Jalan Jinma 3, Taman Jinma, 43300 Seri Kembangan, Selangor Darul Ehsan	Freehold Workers' Hostel (46 to 51 years)	531.13	1 unit of semipermanent single storey	504,119
2019 (1993 - 1996)	GM 68, Lot No. 14241 Mukim & District of Petaling, Selangor Darul Ehsan	No. CS-41A & 41B, Jalan Jinma 3, Taman Jinma, 43300 Seri Kembangan, Selangor Darul Ehsan	Freehold Workers' Hostel (46 to 51 years)	428.18	1 unit of semipermanent single storey semi-detached house with 2 sections	834,590
2019 (1993 - 1996)	GM 902, Lot 30729 Mukim & District of Petaling, Selangor Darul Ehsan	No. CS-43A, Jalan Jinma 3, Taman Jinma, 43300 Seri Kembangan, Selangor Darul Ehsan	Freehold Workers' Hostel (45 to 50 years)	413.14	1 unit of semipermanent single storey semi-detached house with 2 sections	424,970
TOTAL						45,332,680

Note:

Revalued by Independent Professional Valuer

** The last Revaluation of the Properties were performed on 28 June 2019*

ANALYSIS OF SHAREHOLDINGS AS AT 29 SEPTEMBER 2023

Number of Shares Issued : 137,280,000
Voting rights : One vote for one ordinary share
No. of Shareholders : 2,279

Distribution of shareholdings

CATEGORY	NO. OF HOLDERS	%	NO. OF SHARES	%
Less than 100	170	7.46	2,737	0.00
100 - 1,000 shares	345	15.14	161,187	0.12
1,001 - 10,000 shares	1,076	47.21	4,772,759	3.48
10,001 - 100,000 shares	559	24.53	19,913,617	14.51
100,001 to less than 5% of issued shares	126	5.53	63,897,400	46.54
5% and above of issued shares	3	0.13	48,532,300	35.35
TOTAL	2,279	100.00	137,280,000	100.00

Thirty (30) Largest Shareholders

NO.	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	TIMUR ENTERPRISE SDN BHD	22,880,000	16.67
2	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD BENEFICIARY: 3M CAPITAL SDN BHD FOR NG MENG KEE	17,052,300	12.42
3	KOH CHEE MENG	8,600,000	6.27
4	KOH LIAN JIE	4,575,100	3.33
5	SLOW YEOW HEW	2,670,000	1.95
6	LIANG CHIANG HENG	2,556,000	1.86
7	LIM SOK HUEY	2,434,200	1.77
8	KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY: RAKUTEN TRADE SDN BHD FOR BEH SUI LOON	2,360,000	1.72
9	TEE YEOW	2,337,200	1.70
10	KOH AH KUAN	2,284,800	1.66
11	OOI LEE PENG	2,145,000	1.56
12	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR PHANG CHET PING (MY0322)	2,050,900	1.49
13	YEOH KEAN BENG	1,910,000	1.39
14	TAN LAM MOOI	1,800,000	1.31
15	TEM TEM SONG	1,511,700	1.10
16	LIEW SWEE MIO @ LIEW HOI FOO	1,300,700	0.95
17	EIK CHU YEW	1,159,900	0.85
18	KU SOO LIH	1,150,000	0.84
19	YEOH WEI CHIEH	971,100	0.71
20	GAN THENG PUAT @ YEOW THENG PUAT	836,700	0.61
21	LOH HUI KHEE	785,600	0.57

ANALYSIS OF SHAREHOLDINGS

AS AT 29 SEPTEMBER 2023

NO.	NAME OF SHAREHOLDER	NO. OF SHARES	%
22	PHANG CHET PING	780,200	0.57
23	CHUNG BELLENE	732,100	0.53
24	KUAH SOO HOON	705,000	0.51
25	TEM KOK LEONG	704,300	0.51
26	LEW U SING	700,000	0.51
27	NG HOCK CHUAN	700,000	0.51
28	APEX NOMINEES (TEMPATAN) SDN BHD BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR LEE CHEE KEONG (STA 5)	699,000	0.51
29	KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY: RAKUTEN TRADE SDN BHD FOR TAN JOON MIN	667,400	0.49
30	CIMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY: CIMB FOR ADVANCED PACKAGING TECHNOLOGY (M) BHD (PB)	617,800	0.45
TOTAL		89,677,000	65.32

SUBSTANTIAL SHAREHOLDERS	SHAREHOLDINGS			
	Direct Interest	%	Deemed Interest	%
1 TIMUR ENTERPRISE SDN BHD	22,880,000	16.67	-	-
2 ASIA CAPITAL ASSETS LIMITED	-	-	22,880,000*	16.67
3 DATO' SRI NGU TIENG UNG	120,000	0.09	22,880,000*	16.67
4 NG MENG KEE	17,052,300	12.42	-	-
5 KOH CHEE MENG	8,600,000	6.27	-	-

Note:

* Deemed interested by virtue of their interests in Timur Enterprise Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016.

DIRECTORS' SHAREHOLDERS	SHAREHOLDINGS			
	Direct Interest	%	Deemed Interest	%
1 EDWARD TAN JUAN PENG	-	-	-	-
2 YONG LOONG CHEN	-	-	-	-
3 MOHANADAS A/L K.P.BALAN	-	-	-	-
4 ONG PHUI FATT	-	-	-	-
5 SUZANA MANJA BINTI IBRAHIM	-	-	-	-

NOTICE OF 28TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 28th Annual General Meeting (“AGM”) of KHEE SAN BERHAD (“the Company”) will be held at Perdana I & II, Royal Lake Club Kuala Lumpur, Taman Tasek Perdana, Jalan Cenderamulia, Off Jalan Parlimen, 50480 Kuala Lumpur on Wednesday, 29 November 2023 at 10.00 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS

- | | |
|---|-------------------------------------|
| 1) To receive the Audited Financial Statements for the financial year ended 30 June 2023 together with the Reports of the Directors and Auditors thereon. | (Refer to Explanatory Notes) |
| 2) To approve the payment of Directors’ Fees and benefits payable up to an amount of RM400,000 for the period from the date of this 28th AGM until the next AGM of the Company in 2024. | RESOLUTION 1 |
| 3) To re-elect Mr. Edward Tan Juan Peng, who retires in accordance with Article 120 of the Company’s Constitution and being eligible, has offered himself for re-election. | RESOLUTION 2 |
| 4) To re-elect Mr. Yong Loong Chen, who retires in accordance with Article 125 of the Company’s Constitution and being eligible, has offered himself for re-election. | RESOLUTION 3 |
| 5) To re-elect Mr. Ong Phui Fatt, who retires in accordance with Article 125 of the Company’s Constitution and being eligible, has offered himself for re-election. | RESOLUTION 4 |
| 6) To re-elect Puan Suzana Manja Binti Ibrahim, who retires in accordance with Article 125 of the Company’s Constitution and being eligible, has offered herself for re-election. | RESOLUTION 5 |
| 7) To re-appoint Messrs Kreston John & Gan (AF 0113) as Auditors of the Company and to authorise the Directors to fix their remuneration. | RESOLUTION 6 |

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolution:

- | | |
|--|---------------------|
| 8) ORDINARY RESOLUTION - AUTHORITY UNDER SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES | |
| “THAT subject always to the Companies Act 2016 (“the Act”), the Constitution of the Company and the approvals from Bursa Malaysia Securities Berhad (“Bursa Securities”) and any other relevant governmental and/or regulatory authorities, the Directors of the Company be and are hereby empowered pursuant to the Act, to issue and allot shares in the capital of the Company from time to time at such price and upon such terms and conditions, for such purposes and to such person or persons whomsoever the Directors of the Company may in their absolute discretion, deem fit, provided always that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being; | RESOLUTION 7 |

NOTICE OF 28TH ANNUAL GENERAL MEETING

THAT in connection with the above, pursuant to Section 85 of the Act read together with Article 16 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares ranking equally to the existing issued shares arising from any issuance of new shares pursuant to this mandate;

AND THAT the Directors of the Company be and are also empowered to obtain the approval for the listing of and quotation on Bursa Securities for the additional shares so issued;

AND FURTHER THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next AGM of the Company."

- 9) To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD

SIEW SUET WEI (MAICSA 7011254)

SSM PC No. 202008001690

LIM YEN TENG (LS0010182)

SSM PC No. 201908000028

Company Secretaries

Kuala Lumpur

Date: 27 October 2023

Notes:

- 1) For the purpose of determining a member who shall be entitled to attend, speak and vote at the 28th AGM, the Company shall be requesting the Record of Depositors as at 22 November 2023. Only a depositor whose name appears on the Record of Depositors as at 22 November 2023 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.
- 2) A member may appoint up to two (2) proxies who need not be members of the Company to attend, speak and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
- 3) Where a member is an authorised nominee as defined under the Central Depositories Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- 4) Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
- 5) The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorised in writing, and in the case of a corporation, shall be executed under its Common Seal or under the hand of an officer or attorney of the corporation duly authorised.
- 6) The duly completed and executed Proxy Form must be deposited with the Share Registrar of the Company at Lot 10, The Highway Centre, Jalan 51A/205, 46050 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

NOTICE OF 28TH ANNUAL GENERAL MEETING

EXPLANATORY NOTES

7) **Audited Financial Statements for the financial year ended 30 June 2023**

This Agenda item is meant for discussion only as under the provisions of Section 340(1)(a) of the Companies Act 2016, the audited financial statements do not require the approval of the shareholders. As such, this matter will not be put forward for voting.

8) **Ordinary Resolution No. 1**

Pursuant to Section 230(1) of the Companies Act 2016, the shareholders' approval is sought for the proposed payment of Directors' Fees for financial year ending 30 June 2024 and Benefits to the Directors for the period from 29 November 2023 until the conclusion of the next AGM of the Company to be held in 2024. The calculation of the benefits which include meeting allowance is based on the estimated number of scheduled and/or special Board and Board Committees' meetings and on the assumption that the number of Directors in office until the next AGM remains the same.

9) **Ordinary Resolutions No. 2, 3, 4 & 5**

Article 120 of the Company's Constitution provides that an election of Directors shall take place each year at the annual general meeting of the Company where one third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one third (1/3) shall retire from office and be eligible for re-election. PROVIDED ALWAYS THAT all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. The retiring Director, Mr. Edward Tan Juan Peng is standing for re-election as Director and being eligible, has offered himself for re-election.

Article 125 of the Company's Constitution provides that any Director appointed as an addition to the existing board of Directors shall hold office only until the next following annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting. Mr. Yong Loong Chen and Mr. Ong Phui Fatt were appointed as Directors on 10 February 2023 and Puan Suzana Manja Binti Ibrahim was appointed as Director on 17 February 2023.

The profiles of the Directors standing for re-election are set out in the Annual Report 2023.

10) **Ordinary Resolution No. 6**

The Board had approved the recommendation by the Audit Committee on the re-appointment of Messrs Kreston John & Gan as Auditors of the Company. Messrs Kreston John & Gan had met the criteria prescribed under the Paragraph 15.21 of the MMLR and indicated their willingness to continue their services for the next financial year.

11) **Ordinary Resolution No. 7**

The proposed Resolution 7 is intended to renew the authority granted to the Directors of the Company at the 27th AGM of the Company held on 9 December 2022 to allot and issue shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being ("General Mandate").

The waiver of pre-emptive rights pursuant to Section 85 of the Act and Article 16 of the Constitution will allow the Directors of the Company to issue new shares of the Company which rank equally to existing issued shares of the Company, to any person without having to offer the new shares to all existing shareholders of the Company prior to issuance of new shares of the Company under the General Mandate.

The authority to issue shares granted by the members at the 27th AGM of the Company had not been utilised and hence, no proceeds were raised therefrom. The approval of this General Mandate will provide flexibility to the Company for any possible fundraising activities, including but not limited to further placing of shares, for purpose of funding future project(s), working capital and/or acquisitions and to avoid delay and cost in convening general meetings to approve such issue of shares.

NOTICE OF 28TH ANNUAL GENERAL MEETING

At this juncture, there is no decision to issue new shares but the Directors consider it desirable to have the flexibility permitted to respond to market developments and to enable allotments to take place to finance business opportunities without making a pre-emptive offer to existing shareholders. If there should be a decision to issue new shares after the General Mandate is obtained, the Company will make an announcement in respect thereof.

STATEMENT ACCOMPANYING NOTICE OF 28TH ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1) **Details of individual who are standing for election as Directors (excluding Directors standing for re-election)**

No individual is seeking election as a Director at the 28th AGM of the Company.

2) **General mandate for issue of securities in accordance with Paragraph 6.03 of the Listing Requirements of Bursa Securities**

The Company will seek the shareholders' approval at the general meeting for issue of securities in accordance with Paragraph 6.03(3) of the MMLR of Bursa Securities. Please refer to the proposed Ordinary Resolution 7 as stated in the Notice of the 28th AGM of the Company for details.

**KHEE SAN BERHAD**Registration No.: 199401018697 (304376-A)
(Incorporated in Malaysia)**PROXY FROM***(Before completing this form
please refer to the notes below)*

No. of shares held

CDS Account No.

I/We * _____ NRIC/Passport/Registration No.* _____
*(Full name in block)*of _____
*(Address)*being a member/members* of **KHEE SAN BERHAD** ("the Company") hereby appoint(s):-

Name of proxy	NRIC No.	No. of shares or % of shares to be represented by each proxy
1.		
2.		

or failing him/her, the Chairman of the Meeting as *my/our proxy/proxies to attend, speak and vote for *me/us and on my/our behalf at the 28th Annual General Meeting ("AGM") of the Company to be held at Perdana I & II, Royal Lake Club Kuala Lumpur, Taman Tasek Perdana, Jalan Cenderamulia, Off Jalan Parlimen, 50480 Kuala Lumpur on Wednesday, 29 November 2023 at 10:00 a.m. and, at every adjournment thereof *for/against the resolutions to be proposed thereat.

Please indicate with an "x" in the appropriate spaces how you wish your votes to be cast. If no specific direction as to vote is given, the proxy will vote or abstain from voting at his/her discretion.

ORDINARY RESOLUTIONS		FIRST PROXY		SECOND PROXY	
		FOR	AGAINST	FOR	AGAINST
1.	To approve the payment of Directors' Fees and benefits payable up to an amount of RM400,000 for the period from the date of this 28th AGM until the next AGM of the Company in 2024.				
2.	To re-elect Mr. Edward Tan Juan Peng who retires pursuant to Article 120 of the Company's Constitution.				
3.	To re-elect Mr. Yong Loong Chen who retires pursuant to Article 125 of the Company's Constitution.				
4.	To re-elect Mr. Ong Phui Fatt who retires pursuant to Article 125 of the Company's Constitution.				
5.	To re-elect Puan Suzana Manja Binti Ibrahim who retires pursuant to Article 125 of the Company's Constitution.				
6.	To re-appoint Messrs Kreston John & Gan (AF 0113) as Auditors and to authorise the Directors to fix their remuneration.				
7.	Authority under Sections 75 And 76 of the Companies Act 2016 for the Directors to allot and issue shares.				

* delete whichever is not applicable.

Dated this _____ day of _____ 2023

Signature of Member(s) / Common Seal

Notes:-

1. For the purpose of determining a member who shall be entitled to attend, speak and vote at the 28th AGM, the Company shall be requesting the Record of Depositors as at 22 November 2023. Only a depositor whose name appears on the Record of Depositors as at 22 November 2023 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.
2. A member may appoint up to two (2) proxies who need not be members of the Company to attend, speak and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
3. Where a member is an authorised nominee as defined under the Central Depositories Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorised in writing, and in the case of a corporation, shall be executed under its Common Seal or under the hand of an officer or attorney of the corporation duly authorised.
6. The duly completed and executed Proxy Form must be deposited with the Share Registrar of the Company at Lot 10, The Highway Centre, Jalan 51A/205, 46050 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

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"28TH ANNUAL GENERAL MEETING"

AFFIX
STAMP

The Share Registrar
KHEE SAN BERHAD
Registration No. 199401018697 (304376-A)
Lot 10, The Highway Centre
Jalan 51/205
46050 Petaling Jaya
Selangor Darul Ehsan

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KHEE SAN BERHAD

Reg no. 199401018697 (304376-A)



Lot 1819-1824 & 1832,
Jalan Kolej, Pusat Perdagangan
Seri Kembangan,
43300 Seri Kembangan,
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