Khee San Berhad

Reg no. 199401018697 (304376-A)

2021

ANNUAL REPORT

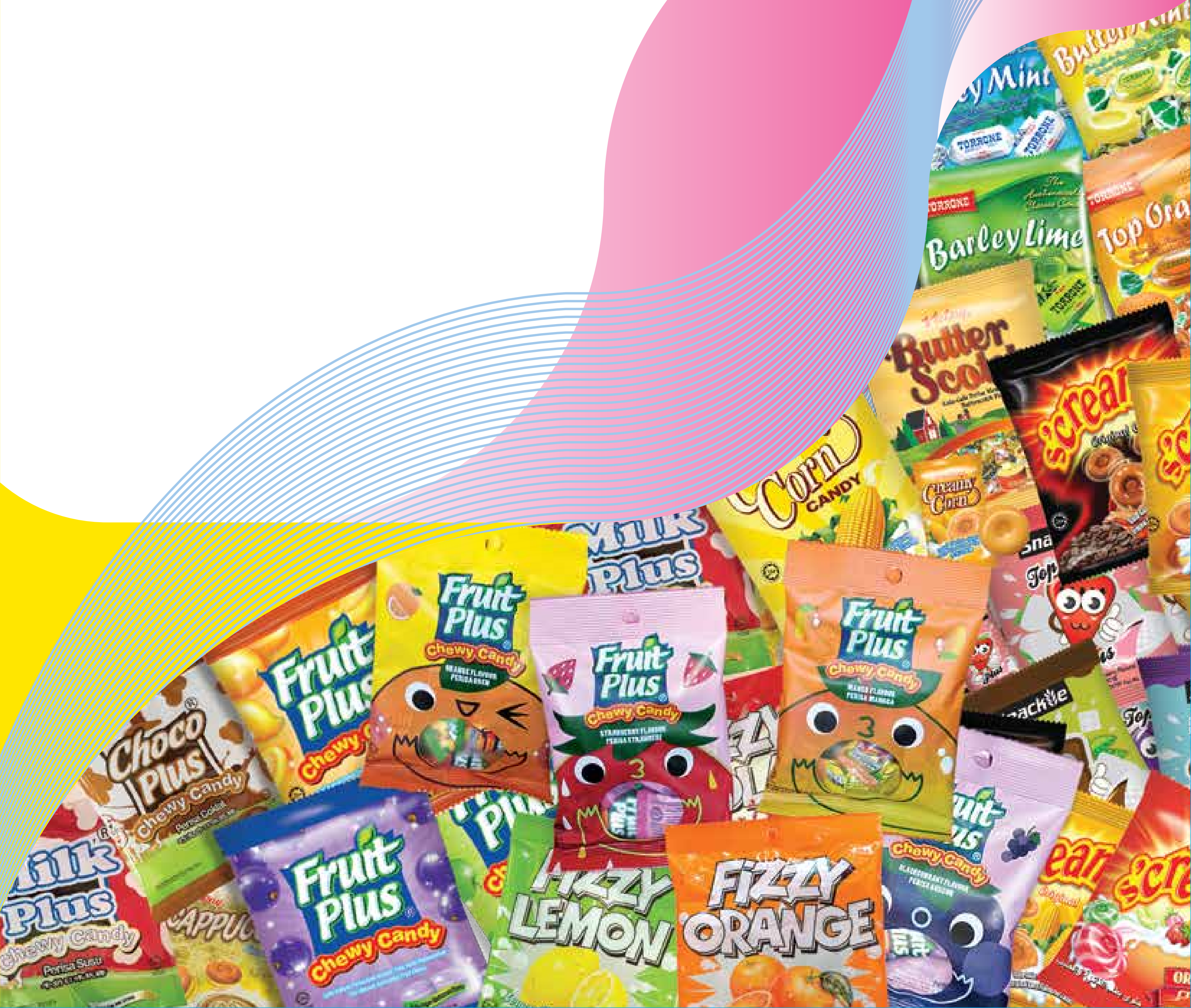
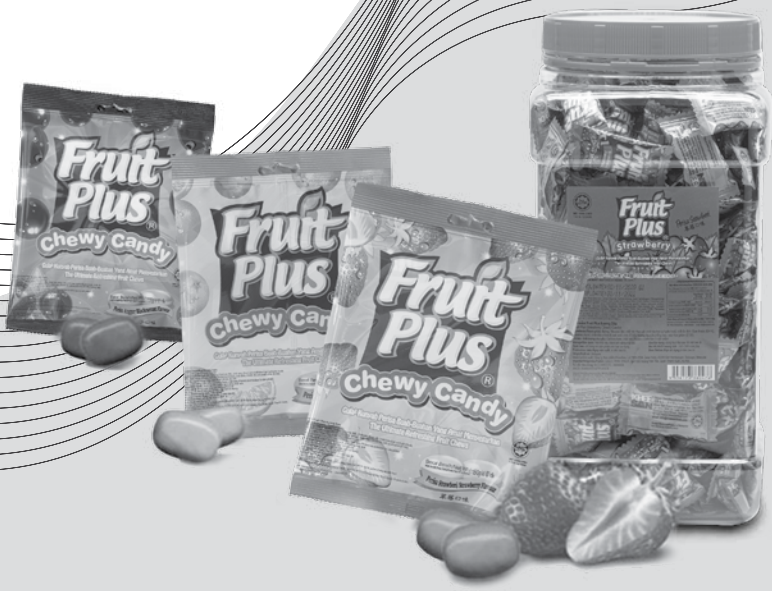


TABLE OF CONTENTS



CORPORATE INFORMATION

BOARD OF DIRECTORS

EDWARD TAN JUAN PENG
Chief Executive Officer

DATO' HJ. MOHD ARIS BIN RAMLI
Independent Non-Executive Director

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

PROF. DR. HJ. MOHD AMY AZHAR BIN MOHD HARIF
Independent Non-Executive Director

AUDIT COMMITTEE

PROF. DR. HJ. MOHD AMY AZHAR BIN MOHD HARIF
(Chairman)

DATO' HJ. MOHD ARIS BIN RAMLI
(Member)

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

REMUNERATION COMMITTEE

DATO' HJ. MOHD ARIS BIN RAMLI
(Chairman)

PROF. DR. HJ. MOHD AMY AZHAR BIN MOHD HARIF
(Member)

EDWARD TAN JUAN PENG
(Member)

NOMINATING COMMITTEE

PROF. DR. HJ. MOHD AMY AZHAR BIN MOHD HARIF
(Chairman)

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

DATO' HJ. MOHD ARIS BIN RAMLI
(Member)

CORPORATE ADMINISTRATION AND COMPLIANCE COMMITTEE

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

EDWARD TAN JUAN PENG
(Member)

NG CHEE KEONG
(Member)

VOO LIP SANG @ PHILIP
(Member)

LEE CHAI HONG
(Member)

FOO VOON HOI @ FOO VOO HOY
(Member)

RISK MANAGEMENT COMMITTEE

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

DATO' HJ. MOHD ARIS BIN RAMLI
(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

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
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : +603-2282 6331
Fax : +603-2201 9331

PRINCIPAL PLACE OF BUSINESS

Lot 1819, 1820, 1821, 1822, 1823, 1824 & 1832,
Jalan Kolej, 43300 Seri Kembangan,
Selangor Darul Ehsan
Tel : +603-8943 1390
Fax : +603-8943 1351
Website : www.kheesanbhd.com

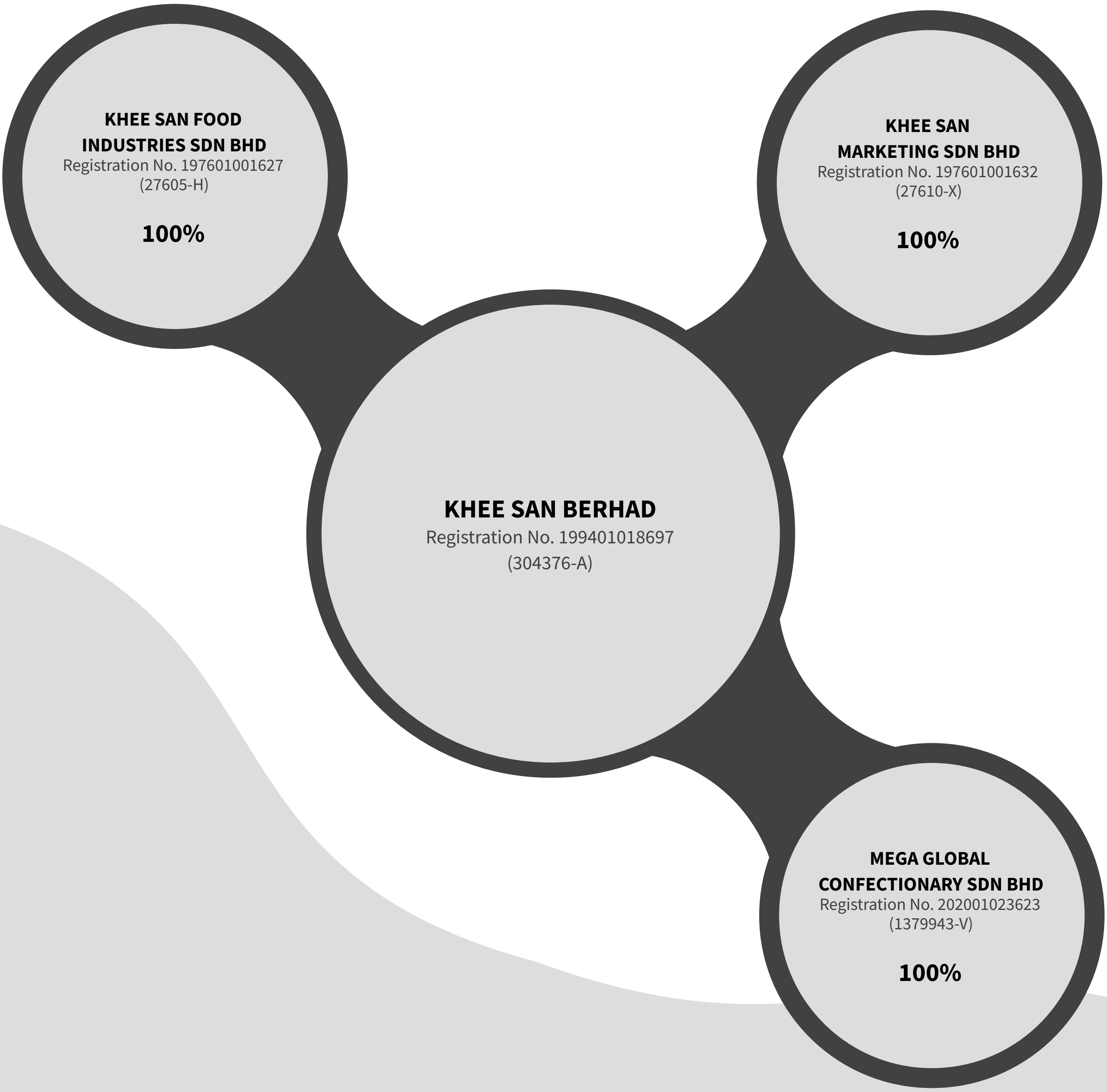
STOCK EXCHANGE LISTING

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

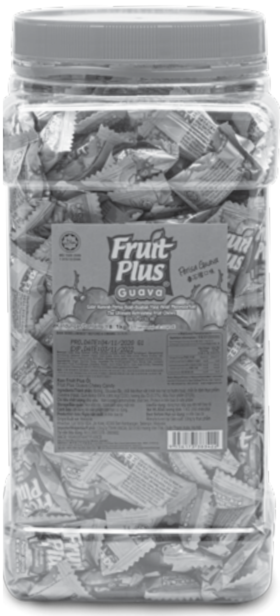
**EDWARD
TAN JUAN PENG**
Chief Executive Officer

NATIONALITY:
Malaysian

AGE:
48

GENDER:
Male

DATE APPOINTED:
5 January 2017



No of Board meetings attended in the financial period(*)

12 out of 12 (100% attendance)

Qualifications

- Bachelor of Arts (Hons) in Business Administration from Coventry University, Warwickshire, United Kingdom.
- Associate Member of the Asian Institute of Chartered Bankers (AICB)

Experience

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.

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.

Membership in Board Committee(s)

- Member, Corporate Administration and Compliance Committee
- Member, Remuneration 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

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 (CONT’D)

DATO’ HJ. MOHD ARIS BIN RAMLI
Independent Non-Executive Director

NATIONALITY:
Malaysian

AGE:
67

GENDER:
Male

DATE APPOINTED:
13 September 2018

No of Board meetings attended in the financial period(*)

12 out of 12 (100% attendance)

Qualifications

- Diploma in Political Science
- Masters Degree in Human Resource Management

Experience

He was a senior assistant commissioner in the Royal Malaysia Police. He has served as the Deputy Director of Commercial Crime Division, responsible for oversight of Wilayah Persekutuan which involved insurance fraud, e-banking fraud, numerous other criminal justice and public safety agencies of the cyber-crime.

Membership in Board Committee(s)

- Chairman, Remuneration Committee
- 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

He has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group.

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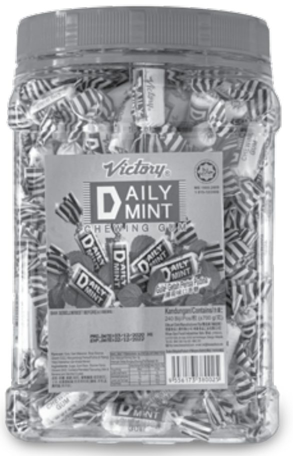


DIRECTORS' PROFILE (CONT'D)

PROF. DR. HJ. MOHD AMY AZHAR BIN MOHD HARIF

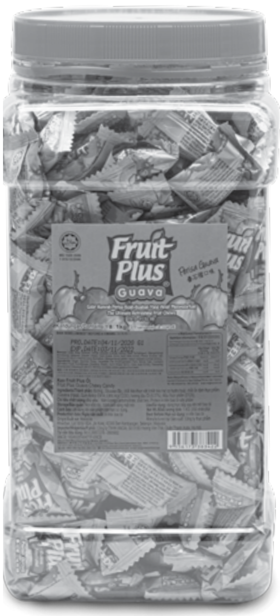
Independent Non-Executive Director

NATIONALITY:
Malaysian

AGE:
48

GENDER:
Male

DATE APPOINTED:
13 September 2018



No of Board meetings attended in the financial period(*)

12 out of 12 (100% attendance)

Qualifications

- Doctor of Philosophy (Ph.D), University of Southern Queensland, Australia
- Master in Business Administration (Management), Universiti Utara Malaysia, Kedah
- Bachelor in Accounting (Hons.), Universiti Utara Malaysia, Kedah
- Chartered Accountant, Malaysian Institute of Accountants

Experience

He was the former Assistant Vice Chancellor for Department of Universiti Utara Malaysia (UUM) Enterprise, former member of University Management Committee and member of Senate at UUM. Currently, he is the professor at School of Economic, Finance and Banking and also a member of Senate of UUM. His specialization is in financial planning, SME finance and franchising. Currently, he is a Board Member and Audit Committee Chairman of Impiana Hotels Berhad. He was previously a Director in Perbadanan Nasional Berhad (PNS) from 2008 to 2013. During his tenure as a Director in PNS, he assumed the role of the Chairman of Audit and Risk Committee. He is highly regarded as a Franchise and SME Industry Expert and Consultant. He has extensive exposure in franchise industry, SME finance and entrepreneurship development involving research, consultation, government advisory and presentation research findings locally and abroad.

Membership in Board Committee(s)

- Chairman, Audit Committee
- Chairman, Nominating Committee
- Member, Remuneration Committee

Directorship in other public companies

Impiana Hotels Berhad

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 (CONT'D)

MOHANADAS A/L K.P. BALAN

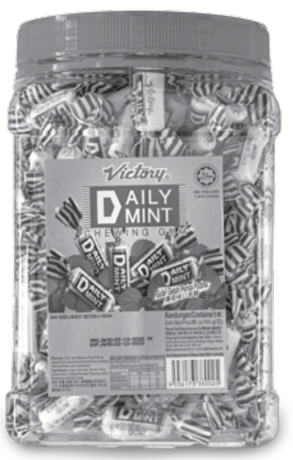
Independent Non-Executive Director

NATIONALITY:
Malaysian

AGE:
68

GENDER:
Male

DATE APPOINTED:
13 September 2018



No of Board meetings attended in the financial period(*)

12 out of 12 (100% attendance)

Qualifications

- 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)

- Chairman, Corporate Administration and Compliance Committee
- Chairman, Risk Management Committee
- Member, Audit 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 maintains a clean record with regards to convictions for offences (other than traffic offences, if any) within the past 5 years.

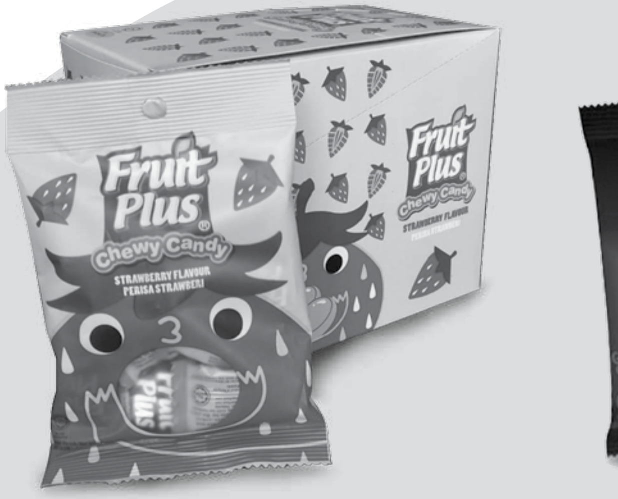
KEY SENIOR MANAGEMENT PROFILE

NG CHEE KEONG

Position	Deputy Chief Executive Officer (Legal, Compliance, Internal Controls and Corporate Governance)
Nationality	Malaysian
Age	50
Gender	Male
Date of appointment	24 June 2020
Qualifications	Bachelor of Law from Bond University, Australia
Experience	He was called to the Malaysian Bar in 1996 and has over 20 years of experience as a legal practitioner. 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. He was appointed as Independent Non-Executive Director of Revenue Group Berhad since 1st December 2017. He is currently the Deputy Chief Executive Officer in charge of legal compliance, internal controls and corporate governance of the Group.
Directorship in other public companies	Revenue Group Berhad

FOO VOON HOI @ FOO VOON HOY

Position	Head of Candy Division
Nationality	Malaysian
Age	74
Gender	Male
Date of appointment	1 April 1996
Qualifications	Senior Middle Three (Chinese School)
Experience	He started his career with ACM Sdn Bhd, and became an agent for Daikin Air-conditioners in Malaysia. During his years of service with the company, he undergone training program in Japan on the design and installation of central air-conditioning system. In 1977, Mr Foo joined Khee San Group ("KSG") as Assistant Factory Manager where he was the pioneer team who successfully implemented the layout planning on the setting up of air-conditioners and cooling system for the candy production factory in KSG. Subsequently, he has also improvised the layout planning for the expansion of different type of candies such as hard candy, soft candy, deposited hard candy and chewing gum / bubble gum. With his years of experience in candy production factory, he is appointed to lead the Product Research and Development Department.



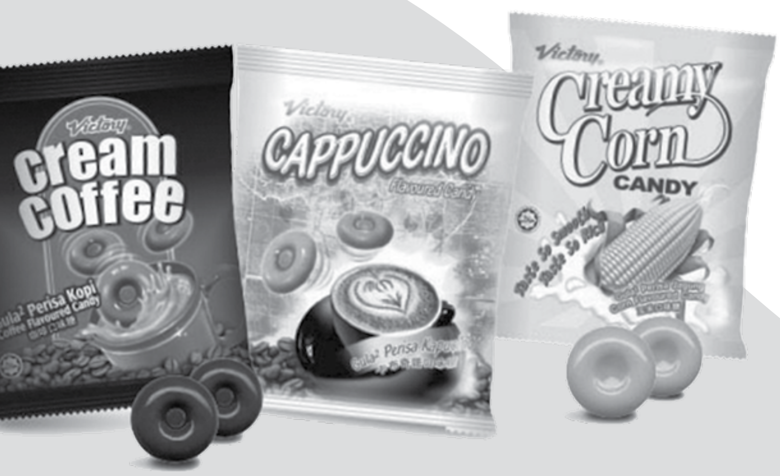
KEY SENIOR MANAGEMENT PROFILE (CONT'D)

VOO LIP SANG @ PHILIP

Position	Financial Controller
Nationality	Malaysian
Age	54
Gender	Male
Date of appointment	22 July 2020
Qualifications	• Chartered Accountant, Malaysian Institute of Accountants (MIA) • Malaysian Institute of Certified Public Accountants (MICPA)
Experience	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).

YEE CHUN LUNG

Position	Head of Sales & Marketing
Nationality	Malaysian
Age	45
Gender	Male
Date of appointment	16 July 2021
Qualifications	• Certificates in Association of Business Executives • Master's Degree in Business Administration
Experience	He has been in the fast-moving consumer goods industries for more than 21 years. Over these 21 years, he has worked and contributed in both reputable local manufacturers and multi-national companies. He has gained in-depth experience and has tremendous knowledge when it comes to above and below the line marketing, building good relationship with key business partners, managing both on-trade and off-trade for domestic and export markets.



KEY SENIOR MANAGEMENT PROFILE (CONT'D)

YEN PENG YEW

Position Deputy Head of Candy Division

Nationality Malaysian

Age 53

Gender Male

Date of appointment 1 January 2008

Qualifications
- Certificate in Marketing from Advance Tutorial Centre
- Cambridge General Certificate of Education A Level from Thomson Pre-University Singapore

Experience

Since his graduation from Advance Tutorial Centre, he joined Victory Sochew Food Industries Ltd. (Chouzhou) as a Production Manager, to set up and design the new candy line in their Chouzhou plant. He was also 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.

He joined Khee San Food Industries Sdn Bhd as Deputy Factory Manager in 2003, mainly in-charge of the new wafer line set up and design. He is now in-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.

THYE CHEE LIN

Position Deputy Head of Candy Division

Nationality Malaysian

Age 51

Gender Male

Date of appointment 1 July 2013

Qualifications
- Diploma in Electrical and Electronic-City of Guilds of London Institute (Institute Technology Pertama, Kuala Lumpur)

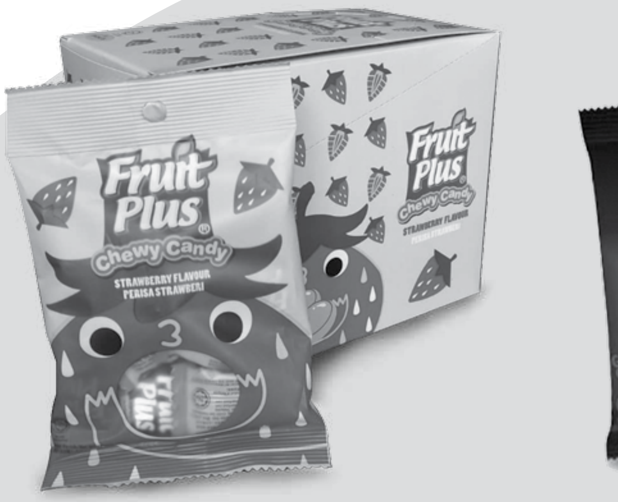
Experience

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.

He was promoted on 1 May 2009 as Assistant Production Manager and was responsible for daily production operation and machinery maintenance upkeep.

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.

He was promoted to Deputy Factory Manager on 1 July 2013 and is responsible for the factory operation including production, housekeeping, infrastructure and maintenance.



KEY SENIOR MANAGEMENT PROFILE (CONT'D)

LEE CHAI HONG

Position Head of Procurement/Purchasing Division

Nationality Malaysian

Age 62

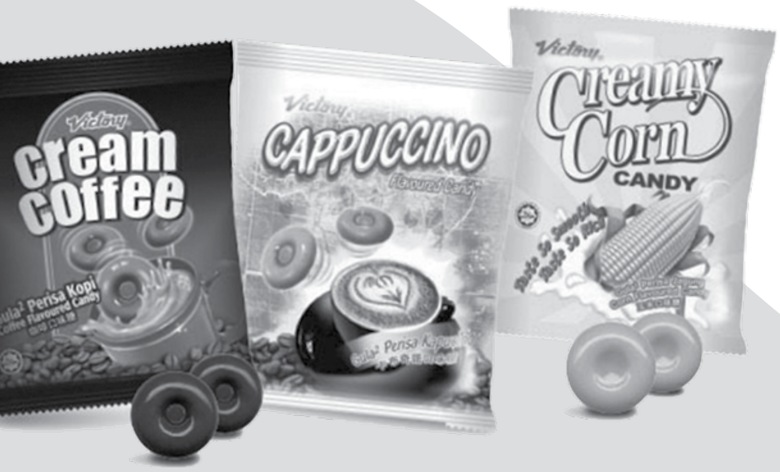
Gender Female

Date of appointment 28 February 2020

Qualifications

- KUEN CHENG HIGH SCHOOL, SPM
- UNIFIED EXAMINATION CERTIFICATE
- LCCI

Experience Ms Lee Chai Hong joined Khee San Food Industries Sdn Bhd in July 1978 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 and part of Information Technology matters.



TANG SIOW MEEI

Position Head of Human Resources and Administration

Nationality Malaysian

Age 53

Gender Female

Date of appointment 1 March 2020

Qualifications Master of Business Administration (MBA), University of Western Sydney, Australia

Experience Ms. Tang Siow Meei joined the Group in December 2019 and was appointed as the Head of Human Resource (HR) in March 2020 and is responsible for the overall HR and administrative functions of the Group.

In her 24 years of working experiences, she has previously held various senior positions in HR and administration including in hotel hospitality which covered Malaysia, Singapore, Vietnam and China.

Notes:

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

(a) Any directorships in public companies and listed issuers;
(b) Any family relationship with any director and/or major shareholders of the Company;
(c) Any conflict of interest with the Company;
(d) Any conviction 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 and wafer products in Malaysia. In February 2021, the Group has discontinued its manufacture of wafer products in order to streamline the operations of the Group.

The Group's headquarters and facilities are located in Seri Kembangan where it produces and distributes the following products:

Sweets & Candies	
• Chewy • Deposited • Hard	• Tablet • Chewing Gum • Bubble Gum

2. FINANCIAL REVIEW

The current financial year of the Group covers a period of 12 months from 1 July 2020 to 30 June 2021 ("FYE2021"). In the previous financial period, the Group had changed its financial year end from 31 December 2019 to 30 June 2020 ("FPE2020") covering a 18 month period as compared to the current financial year which covers a 12 month period. Hence, it is impractical to compare the financial results of the previous and current financial period.

a) Review of Statement of Comprehensive Income

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

(RM Million)	FYE2021 (12 months)	FPE2020 (18 Months)
Revenue	59.6	66.1
Gross Profit / (Loss)	10.0	(8.4)
Gross Profit / (Loss) Margin ("GPM")	16.8%	(12.7%)
Other Income	4.9	4.5
Distribution Costs	(0.1)	(3.9)
Administrative Expenses	(74.1)	(133.9)
Other Expenses	(0.5)	(4.0)
Net Finance Costs	(4.5)	(7.2)
Profit Before Tax/(Loss Before Tax)	(64.3)	(152.9)
Profit After Tax/(Loss After Tax)	(58.3)	(152.8)

Despite the global pandemic that has negatively affected the economy globally, the Group has largely managed to generate revenue that is comparable to the previous financial period. Nonetheless, the Group's operations were still significantly affected due to the lack of financial resources resultant from the suspension of the Group's bank facilities.

However, the Group managed to register a gross profit ("GP") of RM10m in the current financial year as compared to a gross loss in the previous financial period. Correspondingly, the Group's GP margin also made a reversal, registering a Gross Profit Margin of 16.8% in the current financial year.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

The Group has also managed to reduce its Loss After Tax to RM58.3m as compared to the previous financial period primarily due to the reversal of gross loss generated in the previous period to a gross profit in the current financial year. The Loss After Tax in the current financial year was primarily due to impairment loss on property, plant and equipment of RM42.8m, impairment loss on right-of-use assets of RM5.3m and property, plant and equipment written off of RM5.0m.

b) Review of Statement of Comprehensive Income

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

(RM Million)	FYE2021 (12 months)	FPE2020 (18 Months)	Variance
Property, Plant and Equipment	60.2	115.0	(47.7%)
Right-Of-Use Assets	1.5	7.6	(80.3%)
Inventories	6.5	5.3	22.6%
Trade and Other Receivables	4.3	5.3	72.0%
Cash and Bank Balances	2.4	4.3	(44.2%)
Other Assets	-	1.0	(100.0%)
Total Assets	74.9	138.5	(45.9%)
Trade and Other Payables	54.5	53.5	1.9%
Deferred Tax Liabilities	6.1	15.0	(59.3%)
Total Borrowings	75.0	73.7	1.8%
Other Liabilities	7.1	7.2	(1.4%)
Total Liabilities	142.7	149.4	(4.5%)
Shareholders' Equity	(67.8)	(10.9)	n/m[1]

Note: [1]*n/m denotes not measurable*

The Group experienced a 45.9% decrease in total assets from RM138.5m in FPE2020 to RM74.9m in FYE2021. This was primarily due to the impairment of property, plant and equipment of RM42.8m, impairment of right-of-use asset of RM5.3m and property, plant and equipment written off of RM5.0m.

Total Liabilities stood at RM142.7m, which represents a decrease of 4.5% in comparison with RM149.4m registered in FPE2020. This was resultant from the decrease in deferred tax liabilities to RM6.1m due to the write off and impairment of property, plant and equipment during the year.

Total borrowings rose by 1.8% due to a restructuring of lease financing being done to convert a lease to loan during the financial year.

Correspondingly, the Shareholders' Equity plunged further negative to RM67.8m primarily due to the significant impairment being made to property, plant and equipment and right-of-use assets.

MANAGEMENT DISCUSSION
& ANALYSIS (CONT'D)

c) Review of Statement of Cash Flows

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

(RM Million)	FYE2021 (12 months)	FPE2020 (18 Months)
Net cash used in operating activities	(1.9)	(8.2)
Net cash used in investing activities	(0.8)	(0.1)
Net cash from/(used in) financing activities	0.3	(12.9)
Net decrease in cash and cash equivalents	(2.4)	(21.2)
Cash and cash equivalents at the beginning of the year/period	(3.7)	17.5
Cash and cash equivalents at the end of the year/period	(6.1)	(3.7)

The Group's net cash used in operating activities contracted to RM1.9m from RM8.2m in the previous financial period. The reduction in net cash used in operating activities is a direct result of the gross profit position of the Group.

The Group's net cash used in investing activities increased slightly to RM0.9m due to some additional purchase of property, plant and equipment during FYE2021.

There has been a reversal on the net cash from financing activities of RM0.4m. The reversal is mainly due to a restructuring being done on a lease liability which has been converted to loan.

3. GROUP REVENUE PERFORMANCE OVERVIEW

The Group's revenue performance for FYE2021 and FPE2020 on a geographical market segment basis is as follows:

(RM Million)	FYE2021	FPE2020
Domestic Market	**32.4**	28.8
Export Market	**27.2**	37.3
Total	**59.6**	66.1

4. BUSINESS OPERATIONS REVIEW

In FYE2021, the Group recorded total sales revenue of RM59.6m of which domestic sales accounted for 54% and export sales accounted for the balance of 46%. The main product category of the Group is Candy.

MANAGEMENT DISCUSSION
& ANALYSIS (CONT'D)

Candy

The Candies segment is subdivided into various categories as follows:

Categories	Brands
Chewy	Fruitplus, Mintplus, Choco Plus and Milk Plus, Victory, Snackie and Sochews
Deposited	Victory Brand and S'creams
Hard	Torrone, Snackie, Kiss Me, BonBon, Fizzy, Salt Plus, Salt & Lemon, Comilk, Nini Drop, Golly Pop 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.

Wafer

The Wafer segment is subdivided into various categories as follows:

Categories	Brands
Wafer Bars	Torrone, Lovin and Tip-Top
Wafer Cubes	Snackie

The Wafer segment's *Lovin* wafer in red waxed paper packaging is one of the oldest and iconic wafer brands in Malaysia having been in constant production for the past 40 years remained well known and recognised by consumers.

The Group originally operated a single wafer production line and due to strong demand for wafers, it had installed and commission the second wafer production line in 2009. However, during the current financial year, due to the financial issues faced by the Group, the wafer segment has been temporarily discontinued while the Group restructures its finances.

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.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

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 mom and pop outlets, 24-hour convenient stores, to the various big hypermarket chains.

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.

MANAGEMENT DISCUSSION
& ANALYSIS (CONT'D)

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.

6. OUTLOOK OF FUTURE PROSPECTS

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 90% 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.

In so far as the issues surrounding the debts involving the banks, the Group continues to pursue its claims and the cases are now at the Appeal stage at the Court of Appeal. Despite this, the Group has continued its efforts to resolve matters with the creditor banks and all other creditors. So far in principle all creditors and majority of the creditor banks are agreeable but only one creditor bank has refused to accept the offer.

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 2021. 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 report 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 http://www.kheesanbhd.com/investor-relations.php.

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

Business	Conduct and Compliance	Environmental Sustainability	Community
• Customers' satisfaction • Return on Investments • Innovation	• Regulatory requirements • Strict internal control	• Environment Friendly • Wastes and garbage treatment	• Employees • Customers • Investors • Stakeholders • Government Agencies • Community

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	• Corporate strategy • Corporate governance	• Board Meetings
Business Partners (Non-Suppliers)	• Financial performance • Corporate governance • Business developments	• Meetings and discussions • Financial announcement and reporting • Corporate website
Certification and Regulatory Bodies	• Regulatory compliance • Approvals and permits • Standards and certifications	• Meetings and consultations • Training programmes and dialogue • Audit and verification
Communities	• Quality of health and education • Indirect economic impact • Environment impact of operations • Community well-being	• Community engagement • Donations and sponsorships • Charity drives and programmes
Customers	• Customer satisfactions • Quality assurance • Product quality and branding • Customer-company relationship • Customer service and complaint resolution • Pricing and promotion	• Feedback and enquiry forms • Social media platforms • Customers Relationship Management • Products standards and certification • Regular meetings • Marketing activities • Sponsorship activities
Employees	• Occupational safety and health • Remuneration policy • Career development and advancements • Performance review • Fair employment practices • Employee retention and loyalty	• Recruitment • Performance appraisal • Dialogues between employers and employees • Training programme (in house, external, study trips) • Long service awards
Government	• Operational regulations • Bursa Malaysia Listing Requirements • Companies Act 2016 • Labour Law • Taxation • Local government licensing	• Compliances to laws and regulations
Media	• Reputation and image • Financial performance • Business update and corporate news • Public relations	• Social media platform • Conference and interviews • Events and functions
Shareholders and Investors	• Financial performance • Regulatory compliance • Corporate Governance • Ethical business conduct • Investment and divestment • Internal control and risk management • Composition of the Board and various committees	• Meetings and briefings • Financial announcements and reporting • Policies and framework • Corporate website / social media

SUSTAINABILITY REPORT (CONT'D)

Stakeholder	Engagement Focus Areas	Engagement Approaches
Vendors and Suppliers	• Food safety • Product quality and branding • Customers-company relationship • Customer service management • Pricing and promotion	• Quality audit and evaluation on services and products • Regular meetings • Factory visits • Quality audit on services and products • Contract negotiation
Wholesalers & Distributors	• Enhancement of distribution platform • Market demand • Product quality and pricing • Product development and innovation	• Marketing plan • Product promotions • Events • Training • Feedback and surveys

SUSTAINABLE STRATEGIES

Economic Sustainability

The core business of the Group is manufacturing of wide range of candies. The Group sell 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 good 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

SUSTAINABILITY REPORT (CONT'D)

Social Sustainability

The health and safety of our workers at the workplace is of utmost importance. During COVID-19 pandemic, 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: -

- Implement strict and effective standard operating procedures ("SOP") and best practices as recommended by the ministry of health and the world health organisation
- Provide hostel accommodation as a quarantine place for covid 19 infected staff
- Developing SOP and/or alternative business arrangements with customers, contractors or suppliers to ensure smooth continuity of the business and operations
- Provide food supplies to foreign workers during pandemic time

Human resource is a vital component for the Group to achieve sustainable result. The continuous support from all the staff is 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 serious 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 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
- Employee Share Option Scheme (ESOS) to allow the staff the opportunity to invest into the Company
- 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.

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 27 October 2021.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

THE BOARD OF DIRECTORS ("THE 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 UNDER THE LEADERSHIP OF THE BOARD DURING THE FINANCIAL YEAR ENDED 30 JUNE 2021 AND UP TO THE DATE OF THIS STATEMENT. THIS OVERVIEW TAKES GUIDANCE FROM THE KEY CORPORATE GOVERNANCE PRINCIPLES AS SET OUT IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE ("MCCG").

The Corporate Governance Overview 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 (3rd Edition) issued by Bursa Securities.

The overview statement is to be read together with the CG Report 2021 ("CG Report") of the Company which is available on the Company's website at www.kheesanbhd.com. The detailed explanation on the application of the corporate governance practices is reported under the CG Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

PART I - BOARD RESPONSIBILITIES

Strategic plans and directions

The Group is led and controlled by an effective Board that is responsible for the overall business conduct of the Group, with priorities given on strategic management, risk management, internal control, succession planning and monitoring Management's performance. The Board also undertakes full responsibility on issues concerning the Group's financials, strategies, compliance, governance and other operational matters while protecting the interests of the Group's stakeholders.

The Board recognises the key role it plays in charting the strategic direction of the Group and has assumed the following principal responsibilities in discharging its fiduciary duties:

(a) Reviewing and adopting a strategic plan for the Company, addressing the sustainability of the Group's business;
(b) Overseeing the conduct of the Group's businesses and evaluating whether or not its businesses are being properly managed;
(c) Identify principal business risks faced by the Company and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
(d) Reviewing the adequacy and integrity of the Company's internal control and management information systems;
(e) Carrying out periodic review of the Group's financial performance and operating results and major capital commitments; and
(f) Reviewing and approving any major corporate proposals, new business ventures or joint ventures of the Company.

The Executive Director(s) are responsible for implementing policies of the Board, overseeing the Group's operations and developing the Group's business strategies for the Board's review and adoption. The Independent Directors fulfil a pivotal role in corporate accountability by providing independent views, advices and judgement to enable a balanced and unbiased decision-making process in safeguarding shareholders' interest.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT (CONT'D)

To assist in the discharge of its stewardship role, the Board has established the following Board Committees to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations:

(i) Audit Committee ("AC")
(ii) Nominating Committee ("NC")
(iii) Remuneration Committee ("RC")
(iv) Corporate Administration and Compliance Committee ("CACC")
(v) Risk Management Committee ("RMC")

All committees have written terms of reference. The Chairman of the respective Committees will report to the Board the outcome of the Committees 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.

<u>Chairman and Chief Executive Officer (CEO)</u>

The Board have yet to appoint any Chairman since the resignation of Dato' Sri Liew Yew Chung on 13 September 2019. The Board is of the opinion that the current size and composition does not warrant the requirement for a Chairman to be appointed at the present moment.

The Chief Executive Officer, Mr. Edward Tan Juan Peng and assisted by the Deputy CEO, Mr. Ng Chee Keong manages and leads the senior management team of the Group on the day-to-day business operations and implements the Board's decisions and policies.

<u>Qualified and Competent Company Secretaries</u>

The Board is supported by suitably qualified and competent Company Secretaries who are members of the relevant professional bodies. 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 restriction in dealing with the securities of the Company and updates as issued by the various regulatory authorities including the latest developments in the legislations and regulatory framework affecting the Group.

<u>Access to information and advice</u>

The Board recognises that the decision-making process is highly contingent on the quality of information furnished. As such, all Directors have unrestricted access to any information pertaining to the Company and the Group. All the Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests, for decisions to be made on an informed basis and effective discharge of Board's responsibilities.

The Executive Directors and/or other relevant Board members will be furnished with comprehensive explanation on pertinent issues and recommendations by Management. The issues are then deliberated and discussed thoroughly by the Board prior to decision making. In addition, the Board members are updated on the Company's activities and its operations on a regular basis.

External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. Key Senior Management team are also invited to participate at the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the Management team.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT (CONT'D)

The Company Secretary is entrusted to record the minutes of meeting on the Board's and Board Committees' deliberation and ensure the deliberations are adequately documented. The minutes of meetings are then circulated to the Board and Board Committee members in a timely manner for further action.

Board Charter

The Board has established a Board Charter to provide guidance in the roles and responsibilities of the Directors and management, and to facilitate an effective discharge of its duties.

The Board Charter, which serves as a referencing point for Board's activities to enable Directors to carry out their stewardship role and discharge their fiduciary duties towards the Company, also seeks to include a formal schedule of matters reserved to the Board for deliberation and decision, so that the control and direction of the Company are in its hands.

The Board Charter was last reviewed and approved on 13 March 2019. The Board will review the Board Charter from time to time to ensure that the Board Charter remains consistent with the Board's objectives, current law and practices.

Code of Conduct and Ethics

The Company establishes appropriate standards of business conduct and ethical behaviour as a guide to ensure that the Directors and all employees of the Group discharge their respective duties and responsibilities with the highest professionalism and trustworthiness in order to uphold good corporate integrity.

The Code of Conduct and Ethics was adopted on 13 March 2019.

Whistle-Blowing Policy

The Board has in place a Whistle Blowing Policy and serve as a platform and laid out the procedures for employees to raise genuine concerns about any suspected and/or known unethical behaviour, malpractices, illegal acts or failure to comply with regulatory requirements that is taking place and/or has taken place and/or may take place in the future at the earliest opportunity, without being subject to victimisation, harassment or discriminatory treatment.

The Whistle Blowing Policy sets out the protection to any reporting individual who has made the disclosure or report in good faith, the confidentiality and safeguarding in dealing with such disclosure or report, the communication channel and the procedurals flow of making the disclosure or report.

The Board Charter, Code of Conduct and Ethics and Whistle-Blowing Policy are available for reference on the Group's website at www.kheesanbhd.com.

Anti-Bribery & Corruption Policy

In line with the Malaysian Anti-Corruption Commission (Amendment) Act 2018 (MACC Act 2018), the Company has put in place Anti-Bribery & Corruption Policy ("ABC Policy") to encourage a culture of integrity and transparency in all of the Group's activities. This policy which adheres to the MMLR and the Guidelines on Adequate Procedures issued pursuant to Section 17A(5) of the MACC Act 2018, generally set out the responsibilities of the Company, and all individuals who work for the Group, in observing and upholding the Group's position on bribery and corruption and provides key anti bribery and corruption principles that apply to all interactions with the Group's customers, business partners, and other third parties, as well as guidelines for the prevention, management, and remediation of bribery and corruption related risks. A copy of the ABC Policy is also available on the corporate website, www.kheesanbhd.com.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT (CONT'D)

PART II - BOARD COMPOSITION

Board Composition and Balance

The Board currently consists of four (4) members, comprising one (1) Executive Director and three (3) 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 (1/3rd) of the Board membership and for a director who is qualified under Paragraph 15.09(1)(c) of Bursa Securities' Listing Requirements to sit on the Audit Committee.

The Directors play an active role in the Board's decision-making process, offering vast experience and knowledge as well as independence and objectivity, acting in the best interests of the Company. All Independent Non-Executive Directors are independent from the management and free from any relationship with any Director and/or major shareholder of the Group. The profile of each member of the Board is set out in this Annual Report.

Tenure of Independent Non-Executive Directors

The Board acknowledged that the tenure of an independent director shall not be more than nine (9) years. In the event the Board wishes to retain an Independent Director who has served beyond the nine (9) year tenure, shareholders' approval is required subject to assessment of the NC and with valid justification. If the Board wishes to retain an Independent Director after the 12th year, the Board must justify and seek annual shareholders' approval through a two-tier voting process. An Independent Director may continue to serve on the Board subject to him/her being re-designated as Non-Independent Director.

As at the date of this Annual Report, none of our Independent Non-Executive Directors have served more than nine (9) years.

Diverse Board and Senior Management Team

To maintain the best interest of the Company, diversity is applied within the Board, Senior Management and all levels of the organisation. In line with this, the Board and Senior Management are appointed based on merit, mix of skills, competencies, experience, professionalism and other relevant qualities which includes age and cultural background to have better governance in the Group.

Brief descriptions of the background of Directors and Key Management are presented in Directors' Profile and Key Management's Profile respectively in this Annual Report.

Gender Diversity Policy

The Board has always taken into account diversity as one of the selection criteria of Board appointees as it recognises that a diversified Board will provide effective and dynamic discussions at the Board level.

Currently, the Company does not have a written policy on diversity pertaining to the selection of its Board members. However, the Board is of the collective opinion that there was no necessity to adopt a formal gender diversity policy as the Group is committed to provide fair and equal opportunities and nurturing within the Group.

The Board would endeavour to meet the requirement to identify and recommend suitable female candidate to the Nominating Committee in accordance with their skills, contributions, background, commitments and experiences in the nearby future.

The Board is satisfied with the composition of its current members and is of the view that with the current mix of skills, knowledge, experience and strength, the Board is able to discharge its duties effectively and in a competent manner.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT (CONT'D)

Directors' Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board meetings.

As of the date of this Statement, none of the Directors held directorship in more than five (5) public listed companies. The Board is satisfied that the external directorships of the Directors have not impaired their ability to devote sufficient time in discharging their roles and responsibilities effectively as well as regularly updating and enhancing their skills and knowledge.

During the financial year ended 30 June 2021, the Directors' attendance at the Board Meetings were as follows:

Name of Directors	Designation	No of meetings attended
Edward Tan Juan Peng	Executive Director/Chief Executive Officer	12/12
Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif	Independent Non-Executive Director	12/12
Dato' Hj. Mohd Aris Bin Ramli	Independent Non-Executive Director	12/12
Mohanadas A/L K.P.Balan	Independent Non-Executive Director	12/12

Nominating Committee ("NC")

The Board as a whole is responsible for recommending suitable candidates for Directorships to the Board. In evaluating potential candidates, the Board through the NC will assess directorship suitability based on objective criteria, including:

- Qualification;
- Required competencies, skills, expertise and experience;
- Specialist knowledge or technical skills;
- Professionalism and integrity; and
- Time commitment to the Company

In searching for suitable candidates, the Board may receive suggestions from existing Board Members, Management, and major shareholders. The Board is also open to referrals from external sources available, such as industry and professional associations, as well as independent search firms.

The current composition of NC comprises of three (3) members, all of whom are Independent Non-Executive Directors and chaired by Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif.

The terms of reference of NC are available for reference at the Company's website at www.kheesanbhd.com

All Directors are encouraged to attend training programmes which they have individually or collectively considered relevant or those identified by the Company, to enable them to discharge their duties effectively and to keep abreast with relevant new development on a continuous basis on rules and regulations, economic, industry and technical developments to further enhance their skills and knowledge. The Directors are also regularly updated by the Management and Company Secretary of changes in statutory requirements, accounting standards and other relevant laws and regulations.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT (CONT'D)

The training and development programmes attended by the Directors during the financial year ended were as follows:

Director	Training/Seminar/Conference
Edward Tan Juan Peng	• Workshop on connecting the dots Section 17A of the MACC Act 2009, the Ministerial Guidelines on Adequate Procedure Guidelines by Amethyst Destiny Sdn Bhd on 23 October 2020 and 25 March 2021 • Workshop on connecting the dots Navigating the Minefields of Corporate and Personal Liabilities under the Malaysian Anti-Corruption Legislation and Initiatives on 25 March 2021
Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif	• Workshop on connecting the dots Section 17A of the MACC Act 2009, the Ministerial Guidelines on Adequate Procedure Guidelines by Amethyst Destiny Sdn Bhd on 23 October 2020 and 25 March 2021 • AKEPT Global Series: Universities leadership in challenging times and the way forward on 10 February 2021 • World Finance Conference 2021 from 3 to 6 August 2021 • Workshop on connecting the dots Navigating the Minefields of Corporate and Personal Liabilities under the Malaysian Anti-Corruption Legislation and Initiatives on 25 March 2021
Mohanadas A/L K.P. Balan	• Workshop on connecting the dots Section 17A of the MACC Act 2009, the Ministerial Guidelines on Adequate Procedure Guidelines by Amethyst Destiny Sdn Bhd on 23 October 2020 and 25 March 2021 • Workshop on connecting the dots Navigating the Minefields of Corporate and Personal Liabilities under the Malaysian Anti-Corruption Legislation and Initiatives on 25 March 2021
Dato' Hj. Mohd Aris Bin Ramli	• Workshop on connecting the dots Section 17A of the MACC Act 2009, the Ministerial Guidelines on Adequate Procedure Guidelines by Amethyst Destiny Sdn Bhd on 23 October 2020 and 25 March 2021 • Workshop on connecting the dots Navigating the Minefields of Corporate and Personal Liabilities under the Malaysian Anti-Corruption Legislation and Initiatives on 25 March 2021

The directors will continue to undergo periodic training of 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.

<u>Annual Assessment</u>

The Board conducted an annual assessment to evaluate the effectiveness of the Board and the Board Committees through the NC for the financial year ended 30 June 2021. The evaluation involves individual Director completing a set of questions regarding the following key areas:
- Quality and composition
- Quality of information and decision making
- Boardroom activities
- Board Committees

The NC also received the declaration and assessment on the independence by the Independent Non-Executive Directors to ensure they were able to exercise and maintain their independent judgement at all times. Upon reviewing the results of assessments, the NC was satisfied with the existing Board composition as well as the mix of experience, expertise and qualification of its Board members.

The NC had also concluded that all Directors have demonstrated their commitment, responsibilities and effectiveness towards the Company in terms of time and participation during the financial year ended 30 June 2021 and subsequently recommended to the Board on the re-election of the retiring Director(s) at the upcoming Annual General Meeting ("AGM").

During the financial year ended 30 June 2021, apart from the annual assessment, the NC had also conducted the following activities:

(a) Reviewed the composition of the members of the AC, NC, RC, RMC and CACC;
(b) Reviewed the Terms of Reference of the NC;
(c) Reviewed the list of employees above 60 years old in the Group in 2020; and
(d) Proposed the setting up of the Management EXCO & Human Capital Committee

CORPORATE GOVERNANCE
OVERVIEW STATEMENT (CONT'D)

PART III - REMUNERATION

Remuneration Committee

At present, the Remuneration Committee ("RC") consists of a majority of Independent Non-Executive Directors and is chaired by Dato' Hj. Mohd Aris Bin Ramli. The RC is entrusted under its terms of reference to assist the Board, amongst others, to recommend to the Board the remuneration of the Directors. The terms of reference of RC are available for reference at the Company's website at www.kheesanbhd.com

Remuneration Policy

The Board believes that appropriate and competitive remuneration is crucial to attract, retain and motivate Directors of the necessary caliber, expertise and experience to lead the Group. In line with this philosophy, remuneration for the Executive Directors is aligned to individual and the Company's performance. For Non-Executive Directors, the fees are set based on the responsibilities shouldered by the respective Directors. Individual Directors do not participate in determining their own remuneration package.

The remuneration of Executive Directors is made up of basic salaries, monetary incentives and fringe benefits; and is linked to their personal performance targets. Salaries for Executive Directors consist of both fixed (i.e. base salary) and variable (performance-based incentive) remuneration components. The remuneration levels of Executive Directors are structured to enable the Company to attract and retain the most qualified Executive Directors. The Company may provide competitive benefits to Executive Directors, such as a fully expensed car or cash alternative in lieu of car, company driver, fuel expenses, private medical insurance and life insurance. Allowances relating to business expenses (i.e. entertainment and travel) incurred are reimbursed such that no additional compensation is given to the Executive Directors.

The remuneration of Non-Executive Directors is made up of Directors' fees, meeting allowances and other benefits. The level of remuneration for Non-Executive Directors shall reflect the experience and level of responsibilities undertaken by the Non-Executive Director concerned. The remuneration of a Non-Executive Director shall and is not based on commission, percentage of profits, or turnover. Non-Executive Directors are not entitled to receive performance-based bonuses. The remuneration of Non-Executive Directors is reviewed by the Remuneration Committee and Board annually. In accordance with the Companies Act 2016 ("the Act"), payment of directors' fees and benefits shall be approved at a general meeting. The Board shall seek shareholders' approval at the upcoming AGM for the payment of directors' fees and benefits for the directors of the Group for the financial year ended 30 June 2021.

In line with the Code, disclosure of the remuneration of Directors' of the Group is made on a named basis. Details of the remuneration of each Director for the financial year ended 30 June 2021 are as follows:

	Company				Group			
Name of Directors	**Fees (RM)**	**Salaries & Bonuses (RM)**	**Benefits-in-kind (RM)**	**Others[i] (RM)**	**Fees (RM)**	**Salaries & Bonuses (RM)**	**Benefits-in-kind (RM)**	**Others (RM)**
Executive Director								
Edward Tan Juan Peng	80,385	419,100	31,150	16,000	80,385	419,100	31,150	16,000
Independent Non-Executive Director								
Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif	51,059	-	-	24,351	51,059	-	-	24,351
Dato' Hj. Mohd Aris Bin Ramli	54,259	-	-	30,651	54,259	-	-	30,651
Mohanadas A/L K.P.Balan	53,410	-	9,000	25,071	53,410	-	9,000	25,071

Notes:
(i) Others comprised meeting allowances

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Board is of the view that the disclosure of the Senior Management's remuneration components will not be in the best interest of the Group given the competitive human resources environment as such disclosure may give rise to talent recruitment and retention issue. Also premised on the confidentiality of the remuneration package of our Senior Management, the Board has adopted a disclosure of our Senior Management remuneration in bands of RM50,000 on an unnamed basis. The top five Management of the Group in each remuneration band are as follows:

Range of Remuneration	Number
RM100,000 to RM150,000	2
RM150,001 to RM200,000	2
RM200,001 to RM250,000	1

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

PART I - AUDIT COMMITTEE

The Audit Committee ("AC") of the Company comprises all Independent Non-Executive Directors and is chaired by Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif.

The AC assesses the suitability and independence of the external auditors on an annual basis. Areas of assessment including amongst others, the external auditor's objectivity and independence, audit fees, size and competency of the audit team, audit strategy, audit reporting and partner involvement. The inputs/opinions from the Company's personnel who had constantly contacted with the external audit team throughout the year would also be used as a tool in the judgement of the suitability of the external auditor.

The external auditors, in supporting their independence, will provide the Audit Committee with a written assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. The external auditors have provided such declaration in their annual audit plan presented to the Audit Committee of the Company during the financial year.

PART II - 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.

The Risk Management Committee ("RMC") was established on 13 March 2019. It is chaired by Mr. Mohanadas A/L K.P. Balan. and comprises a majority of Independent Directors. The primary responsibility and purpose of the RMC is to assist the Board in fulfilling its responsibility with respect to evaluating, reviewing and monitoring the Group's risk management framework and activities on on-going basis. The RMC reports to the Board regarding the Group's risk exposures, including review risk assessment model used to monitor the risk exposures and Management's view on the acceptable and appropriate level of risks faced by the Group.

Further information on the Group's risk management and internal control framework is made available in the Statement of Risk Management and Internal Control of this Annual Report 2021.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

PART I - COMMUNICATION 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.

The AGM also serves as a principal forum for dialogue with the shareholders where they will be given the opportunity to seek and clarify any issues on the resolutions being proposed and also matters relating to the performance, developments within and the future direction of the Group.

The Annual Report serves to provide a detailed account of the Group's performance for the financial year ended 30 June 2021 as well as its business plans and strategies going forward. The Annual Report is sent to shareholders 28 days prior to the AGM in fulfilment of Practice 12.1 of the MCCG. The Notice of AGM and Proxy Form is also sent 28 days prior to the AGM to enable shareholders to have sufficient time to make arrangements to attend, or to send a proxy in their stead.

The Board continues to encourage shareholders to attend and voice their opinions and concerns and to vote accordingly.

PART II - CONDUCT OF GENERAL MEETINGS

The Company values its AGM as a key shareholder engagement channel. AGMs are conducted in a transparent manner with comprehensive disclosure of financial results, business strategies, the Group's risk factors and its prospects going forward.

Pursuant to the Listing Requirements of Bursa Securities, any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, must be voted by poll. Hence, voting for all resolutions as set out in the Notice of the forthcoming AGM and future general meetings will be conducted by poll. An independent scrutineer will be appointed to validate the votes cast at the general meetings.

Barring unforeseen circumstances, all Directors will be present at the forthcoming AGM of the Group to enable the shareholders to raise questions and concerns directly to those responsible.

COMPLIANCE STATEMENT

Saved as disclosed above, the Board is satisfied that throughout the financial year ended 30 June 2021, the Company has applied the principles and recommendations of the corporate governance set out in MCCG, where necessary and appropriate.

This Corporate Governance Overview Statement was approved by the Board on 27 October 2021.

AUDIT COMMITTEE REPORT

A. 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 2021 are as follows:

Name	Designation	Number of Meeting(s) Attended
Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif ^	Chairman, Independent Non-Executive Director	11/11
Mohanadas A/L K.P. Balan ^	Member, Independent Non-Executive Director	11/11
Dato' Hj. Mohd Aris Bin Ramli	Member, Independent Non-Executive Director	11/11

^ *Member of the Malaysian Institute of Accountants*

The AC met eleven (11) 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.

The summary of the AC meetings held were as follows:

Date of Meeting	Subject matters
10 July 2020	Discussed the Audit Plan for the FYE 30 June 2020 Discussed on the progress of the Special Audit
21 August 2020	Discussed the preliminary report from BDO Governance Advisory Sdn Bhd Status of Audit Report FYE 30 June 2020 Reviewed the Quarterly Results for period ended 30 June 2020
28 August 2020	Reviewed the Quarterly Results for period ended 30 June 2020
14 September 2020	Discussed the report from BDO Governance Advisory Sdn Bhd
19 October 2020	Reviewed the Audited Financial Statements for FPE 30 June 2020 Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control ("SORMIC")
27 November 2020	Discussed the Auditor's Management Letter for audit FYE 30 June 2020 Reviewed the Quarterly Results for period ended 30 September 2020
11 December 2020	Discussed the proposed pricing and cost structure Discussed the Group's car policy Discussed the Enterprise Resource Planning ("ERP") System
1 February 2021	Discussed the transfer pricing between Khee San Food Industries Sdn. Bhd. and London Biscuits Berhad Discussed the Internal Audit Plan 2021/2022
25 March 2021	Discussed the update on Lembaga Hasil Dalam Negeri ("LHDN") Audit on Transfer Pricing FYA 2014 to 2018 Reviewed the Quarterly Results for period ended 31 December 2020
29 March 2021	Reviewed the Quarterly Results for period ended 31 December 2020
27 May 2021	Discussed on the Audit Planning Memorandum for FYE 30 June 2021 Reviewed the Internal Audit Review Report on Procurement Process

The AC engages on a continuous basis with Management, the external and internal auditors to keep abreast of matters affecting the Group. Where significant issues are noted, the Chairman of the AC communicates and confers with the other members, either through emails, group chat on WhatsApp messaging platform, virtual and physical meetings.

AUDIT COMMITTEE REPORT (CONT'D)

B. TERMS OF REFERENCE

The Terms of Reference of the AC are aligned with the MMLR of Bursa Securities and recommendations of the Malaysian Code on Corporate Governance. The Terms of Reference will be revised accordingly, to cater for changes, if any. The Terms of Reference is available at the Company's website at www.kheesanbhd.com

c. SUMMARY OF ACTIVITIES

In line with the Terms of Reference of the AC, the following is a summary of work undertaken by the AC during the financial year ended 30 June 2021 in discharging its functions and duties:

1. Financial Reporting

Reviewed Quarterly Results and the annual audited financial statements of the Company for the financial year ended 30 June 2021 including the announcements pertaining thereto before recommending to the Board for approval and release of the announcements to Bursa Securities in order 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

2. Annual Reporting

Reviewed the AC Report, Corporate Governance Overview Statement and Statement of Risk Management and Internal Control for insertion into the Company's Annual Report 2021 before tabling and recommending for the Board's approval.

3. External Audit (Kreston John & Gan)

a) Reviewed and discussed at the meeting held on 10 July 2020, the Audit Plan and Key Audit Matters.

b) Reviewed and discussed at the meeting held on 19 October 2020, the AFS for the financial period ended 30 June 2020.

c) Reviewed and discussed at the meeting held on 27 May 2021, the Audit Planning Memorandum for financial year ended 30 June 2021

4. Internal Audit (Resolve IR Sdn Bhd)

a) Reviewed the Internal audit reports prepared by the Internal Auditors based on the approved Annual Audit Plan for the Group. The AC also reviewed the audit findings, shortcomings actions taken and the recommendations to improve any weaknesses or non-compliance.

b) Reviewed with Management on corrective actions taken on all matters raised in the internal audit reports to improve the system of internal control.

5. Special Audit by BDO Governance Advisory Sdn Bhd

The AC has appointed BDO Governance Advisory Sdn Bhd ("BDOGA") to conduct a special audit and investigation as the Company had realised there were some discrepancies in the supporting documents used for the drawdown of credit facilities. This was brought to the attention of the Company by the lawyers during the course of the proceeding initiated by Bank of China (Malaysia) Berhad. As such, all bankers' acceptance facilities were evaluated and reassessed.

AUDIT COMMITTEE
REPORT (CONT'D)

BDOGA was appointed to carry out agreed upon procedures pertaining to a specific scope of work for the period from 1 October 2018 to 31 March 2019 and extended to 4 July 2019 which are as follows:

(a) To review the validity of purchase orders, invoices, and other relevant documents used as basis to draw down financing from its bankers; and

(b) To trace the movements of funds from the receipt of the drawdown to any subsequent withdrawals and/or transfers of these funds thereafter.

The special audit and investigation have been completed on 20 October 2020. This has been approved by the Board and all documents were submitted to relevant parties.

D. INTERNAL AUDIT FUNCTION

The Company appointed Resolve IR Sdn Bhd on 1 February 2021 as Internal Auditors to assist the AC and the Board in providing independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system. The IA audit processes were mainly:

- To ascertain the effectiveness 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)

The Internal Auditor's Enterprise Risk Management (ERM) and the Internal Audit Services was aligned with the COSO ERM Framework and the key steps of the ERM Framework was:

1. Pre Workshop: Planning & Preparation
2. Workshop: Risk Identification
3. Worksop: Risk Analysis
4. Post Workshop: Reporting

During the financial year ended 30 June 2021, the Internal Auditors reviewed and audited the areas related with the Procurement Process as follows:-

- Pre-qualification & selection of vendors
- Procurement planning
- Sourcing for competitive prices
- Purchase processing to receiving
- Payment processing
- Vendor performance evaluation
- Authority limit review
- Assess the adequacy of existing policies & procedures

The fees incurred for the outsourcing of the internal audit function for the financial year ended 30 June 2021 was RM12,500.

STATEMENT ON 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 on risk management and internal controls, 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 2021.

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 new Board Committee, Risk Management Committee had been established on 13 March 2019 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 new committee is to complement the groups' existing Board committees which include Corporate Administration and Compliance Committee formulated on 30 Nov 2018 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 as 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.

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

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.

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 1st 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 Procurement Management. A second key area was planned to be carried out in Q4 2021. 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 2021, 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.

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

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;

- 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.

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

6. BOARD ASSESSMENT

The Chief Executive Officer, being the person primarily responsible for the overseeing and managing of the operational affairs of the Company has 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 2020, 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 27 October 2021.

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"), the requirements of the Act in Malaysia and the MMLR.

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 is currently in the process of formulating a Proposed Regularisation Plan which entails a debt settlement arrangement to address the financial condition of the Group and of the Company and believes that the Proposed Regularisation Plan once formulated and implemented after obtaining the approval from relevant authorities, bankers and creditors, will enable the Group and the Company to generate sufficient cash flows to meet their obligations and continue sustainable and viable operations;

   b. continuous financial support provided by substantial shareholders to the Group and the Company to meet their obligations; and

   c. the Group and the Company are currently implementing various group-wide cost-cutting measures to reduce the operating costs and stringent monitoring of administrative costs to improve cash flow position.

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.

FINANCIAL STATEMENTS

30 JUNE 2021

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2021.

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
Loss for the financial year after taxation attributable to owner of the Company	58,325,818	322,624

Dividend

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

The directors do not recommend any dividend for the financial year ended 30 June 2021.

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 or debentures during the financial year.

Options granted over unissued shares

At an Extraordinary General Meeting held on 11 November 2015, the shareholders had approved the establishment of an Employees Share Option Scheme ("ESOS" or "Scheme").

DIRECTORS' REPORT (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

Employees Share Option Scheme

The Company's ESOS is governed by the by-laws approved by the shareholders at the Extraordinary General Meeting held on 11 November 2015.

The principal features of ESOS are as follows: -

(a) Scheme shall be in force for a period of five years from the effective date at implementation of the scheme but subject to any extension or renewal for a further period of five years.

(b) Eligible persons are employees of the Group, who is a Malaysian citizen who has attained eighteen (18) years of age (including Executive Directors) and have been confirmed and has served at least six (6) months in the employment of the Group on the date of the offer where the Executive Director or employee is under an employment contract, the contract is for a duration of at least one (1) year and has not expired within three (3) months from the date of offer. The eligibility for participation in ESOS shall be at the discretion of the ESOS Committee appointed by the Board of Directors.

(c) The total number of shares to be issued under ESOS shall not exceed 15% of the issued and paid-up share capital of the Company being, the maximum allowable allotment of shares, at any point of time during the duration of Scheme.

(d) The option price for each new RM1.00 share to be offered shall be determined by the ESOS Committee in the following manner: -

  (i) a price at a discount of not more than ten percent (10%) from the five (5) days weighted average market price of the Company's shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad immediately preceding the Date of Offer; or

  (ii) the par value of the Company's shares of RM1.00 each, whichever is the higher.

(e) No option shall be granted for less than 100 shares and shall always be in multiples of 100 shares.

(f) An offer made by the ESOS Committee to a selected employee shall be valid for a period of forty-five (45) days from the date of offer and may be accepted within this prescribed period by the selected employee to whom the offer is made by written notice to the ESOS Committee. Upon acceptance of an offer, the Grantee may during the option period exercise his options in full or in part in such manner as stipulated in the offer letter.

(g) All new ordinary shares issued upon exercise of the options granted under ESOS will rank pari-passu in all respects with the existing ordinary shares of the Company except that the shares so issued will not be entitled to any dividends, rights allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the new ordinary shares.

Details of ESOS are disclosed in the Note 14 to the financial statements. The ESOS expired on 20 November 2020.

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.

DIRECTORS' REPORT (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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.

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

Dato' Hj. Mohd Aris Bin Ramli

Mohanadas A/L K.P. Balan

Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif

DIRECTORS' REPORT (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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 – Appointed on 14 August 2020

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' remunerations

The amounts of the remuneration of the directors or past directors of the Company comprising remunerations received or receivable from the Company or any of its subsidiary companies during the financial year are disclosed in Note 24 to the financial statements.

None of the directors or past directors of the Company have received any other benefits otherwise than in cash from the Company or any of its subsidiary companies during the financial year.

No payment has been paid to or payable to any third party in respect of the services provided to the Company or any of its subsidiary companies by the directors or past directors of the Company during the financial year.

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.

Subsidiary companies

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

Significant events

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

DIRECTORS' REPORT (CONT'D)
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

Auditors

a) Details of the auditors' remuneration for the Group and for the Company are disclosed in Note 27 to the financial statements.

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

Edward Tan Juan Peng

Mohanadas A/L K.P. Balan

Kuala Lumpur
Date: 27 October 2021

INDEPENDENT AUDITORS' REPORT

TO MEMBERS OF KHEE SAN BERHAD
(INCORPORATED IN MALAYSIA, REGISTRATION NO. 199401018697 (304376-A))

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 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statement 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 51 to 131.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinions 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 2021, 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

<u>*Material Uncertainty Related to Going Concern*</u>

1. We draw attention to Note 2(e) to the financial statements, which discloses the following: -

   i. For the financial year ended 30 June 2021, the Group and the Company incurred net losses of RM58,325,818 and RM322,624 respectively. As of that date, the Group reported shareholders' deficit of RM67,805,560, and the Group's and the Company's current liabilities exceeded their current assets by RM122,486,940 and RM2,877,684 respectively.

   ii. On 10 July 2020, the Company announced that it has triggered the Prescribed Criteria of paragraph 2.1(f) of Practice Note 17 ("PN17") pursuant to paragraph 8.04(2) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia whereby it has defaulted in payment by the listed issuers, its major subsidiary or major associated company, as the case may be, as announced pursuant to paragraph 9.19A of the MMLR as per the Company's announcement made on 8 July 2020.

   Pursuant to the Bursa Malaysia's Circular dated 16 April 2020; *Additional Temporary Relief Measures To Listed Issuer*, the Company which has triggered the above Prescribed Criteria under PN 17 of the MMLR ("Suspended Criteria") from 17 April 2020 to 30 June 2021 ("Relief Period") was granted PN 17 Relief Measures as follows:

      a. the Company will not be classified as a PN 17 listed issuer and will not be required to comply with the obligations pursuant to paragraph 8.04(3) and PN 17 of the MMLR for a period of 12 months from the date of triggering the criteria;

      b. the Company is still required to make an immediate announcement that it has triggered the Suspended Criteria and the relief provided ("Relief Announcement");

      c. upon the expiry of the 12 months from the Relief Announcement, the Company must re-assess its condition and announce whether it continues to trigger any of the criteria in PN 17 of the MMLR ("said Announcement");

      d. if the company continues to trigger any of the criteria in PN17 of the MMLR, it will then be classified as a PN17 listed issuer and must comply with all the obligations under paragraph 8.04(3) and PN 17 of the MMLR, including the obligation to submit a regularisation plan to the relevant authorities within 12 months from the said Announcement.

   Pursuant to the Bursa Malaysia's Circular dated 17 February 2021; *Additional Temporary Relief Measures To Listed Issuers Amid The Evolving Covid-19 Situation*, a listed issuer which triggers the PN17 Suspended Criteria, instead of 12 months, will have a period of 18 months from the date of PN17 Relief Announcement, to re-assess its condition and make the announcement whether it continues to trigger any of the criteria in PN17 of MMLR.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO MEMBERS OF KHEE SAN BERHAD
(INCORPORATED IN MALAYSIA, REGISTRATION NO. 199401018697 (304376-A))

Basis for Qualified Opinion (Cont'd.)

Material Uncertainty Related to Going Concern (Cont'd.)

2. We also draw attention to Note 36 to the financial statements where there exists adversarial outcome from legal suits against the bankers which is firmly not in favour to the Group and the Company.

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. the Company is currently in the process of formulating a Proposed Regularisation Plan which entails a debt settlement arrangement to address the financial condition of the Group and of the Company and believes that the Proposed Regularisation Plan once formulated and implemented after obtaining the approval from relevant authorities, bankers and creditors, will enable the Group and the Company to generate sufficient cash flows to meet their obligations and continue sustainable and viable operations;

b. continuous financial support provided by substantial shareholders to the Group and the Company to meet their obligations; and

c. the Group and the Company are currently implementing various group-wide cost-cutting measures to reduce the operating costs and stringent monitoring of administrative costs to improve cash flow position.

However, as at to-date, we have not been able to obtain sufficient appropriate audit evidence regarding the feasibility of the Group and the Company to successfully formulate and implement the Proposed Plan as it entails a debts settlement arrangement which requires agreement with all the bankers. In view of the unfavourable outcome of legal suits against the bankers as disclosed in Note 36 to the financial statements, the possibility of the Group and the Company to obtain unanimous consensus from all the bankers on the debt settlement arrangement is highly in doubt. Accordingly, we are unable to ascertain whether the Group and the Company are able to continue sustainable and viable operations in the next 12 months.

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.

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.

INDEPENDENT
AUDITORS' REPORT (CONT'D)

TO MEMBERS OF KHEE SAN BERHAD
(INCORPORATED IN MALAYSIA, REGISTRATION NO. 199401018697 (304376-A))

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 23 - 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 23 to the financial statements.

Property, plant and equipment

Refer to Note 4 - Property, plant and equipment

The Key Audit Matters

The carrying amount of the Group's property, plant and equipment ("PPE") amounted to RM60,235,459 represent 80% of the Group's total assets as at 30 June 2021.

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 (CONT'D)

TO MEMBERS OF KHEE SAN BERHAD
(INCORPORATED IN MALAYSIA, REGISTRATION NO. 199401018697 (304376-A))

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 (CONT'D)

TO MEMBERS OF KHEE SAN BERHAD
(INCORPORATED IN MALAYSIA, REGISTRATION NO. 199401018697 (304376-A))

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

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

- 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 (CONT'D)

TO MEMBERS OF KHEE SAN BERHAD
(INCORPORATED IN MALAYSIA, REGISTRATION NO. 199401018697 (304376-A))

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: 02892/04/2022 J

Kuala Lumpur,
Date: 27 October 2021

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
ASSETS					
Property, plant and equipment	4	60,235,459	114,956,858	-	-
Right-of-use assets	5	1,462,403	7,633,935	-	-
Intangible assets	6	-	-	-	-
Investment in subsidiaries	7	-	-	4,361,426	4,361,326
Amount due from a subsidiary company	8	-	-	-	-
Total Non-Current Assets		61,697,862	122,590,793	4,361,426	4,361,326
Inventories	9	6,525,839	5,263,902	-	-
Trade receivables	10	3,080,382	2,542,737	-	-
Other receivables	11	1,203,468	2,750,103	143,100	-
Current tax assets		16,020	1,064,669	-	-
Cash and cash equivalents	12	2,387,959	4,311,151	64,600	1,018
Total Current Assets		13,213,668	15,932,562	207,700	1,018
Total Assets		74,911,530	138,523,355	4,569,126	4,362,344
EQUITY AND LIABILITIES					
Share capital	13	109,789,517	109,789,517	109,789,517	109,789,517
Reserves	13	(177,595,077)	(120,674,122)	(108,305,775)	(107,983,151)
Equity attributable to owner of the Company		(67,805,560)	(10,884,605)	1,483,742	1,806,366
Loans and borrowings	15	304,903	-	-	-
Lease liabilities	18	625,097	1,322,178	-	-
Deferred tax liabilities	19	6,086,482	14,996,231	-	-
Total Non-Current Liabilities		7,016,482	16,318,409	-	-
Trade payables	20	16,031,565	22,057,336	-	-
Other payables	21	38,471,221	31,424,753	2,859,634	2,550,035
Amount due to directors	22	5,225,750	5,000,000	225,750	-
Loans and borrowings	15	74,661,021	73,730,475	-	-
Lease liabilities	18	1,202,882	871,044	-	-
Current tax liabilities		108,169	5,943	-	5,943
Total Current Liabilities		135,700,608	133,089,551	3,085,384	2,555,978
Total Liabilities		142,717,090	149,407,960	3,085,384	2,555,978
Total Equity and Liabilities		74,911,530	138,523,355	4,569,126	4,362,344

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

		Group		Company	
	Note	1.7.2020 to 30.6.2021 RM	1.1.2019 to 30.6.2020 RM	1.7.2020 to 30.6.2021 RM	1.1.2019 to 30.6.2020 RM
Revenue	23	59,551,132	66,110,366	-	-
Cost of sales		(49,462,056)	(74,552,020)	-	-
Gross profit/(loss)		10,089,076	(8,441,654)	-	-
Other income		4,861,518	4,455,139	2,957,702	8,954
Distribution expenses		(115,288)	(3,873,239)	-	-
Administrative expenses		(29,759,556)	(18,723,603)	(3,286,269)	(4,069,690)
Impairment loss on amount due from a subsidiary company		-	-	-	(72,186,503)
Impairment loss on investment in subsidiary companies		-	-	-	(28,987,274)
Impairment loss on property, plant and equipment		(42,788,734)	(31,285,202)	-	-
Impairment loss on trade receivables		(1,607,065)	(83,899,363)	-	-
Other expenses		(487,085)	(3,988,760)	-	-
Loss from operations		(59,807,134)	(145,756,682)	(328,567)	(105,234,513)
Finance income		11,689	-	-	-
Finance costs	25	(4,538,580)	(7,222,234)	-	-
Loss before taxation		(64,334,025)	(152,978,916)	(328,567)	(105,234,513)
Tax credit	26	6,008,207	178,067	5,943	-
Loss for the year/period	27	(58,325,818)	(152,800,849)	(322,624)	(105,234,513)
Other comprehensive income, net of tax					
Revaluation surplus on property, plant and equipment		1,404,863	8,660,363	-	-
Total comprehensive loss for the year/period		(56,920,955)	(144,140,486)	(322,624)	(105,234,513)
Loss for the year/period attributable to: -					
Owners of the Company		(58,325,818)	(152,800,849)	(322,624)	(105,234,513)
Total comprehensive loss for the year/period attributable to: -					
Owners of the Company		(56,920,955)	(144,140,486)	(322,624)	(105,234,513)
Basis earnings per share (sen)	28	(50.98)	(137.76)		
Diluted earnings per share (sen)	28	(50.98)	(137.76)		

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

		Non-Distributable				
	Note	**Share Capital RM**	**Merger reserves RM**	**Revaluation reserves RM**	**Distributable Retained Earning/ (Accumulated Losses) RM**	**Total RM**
Group						
At 1.1.2019		106,300,498	(17,443,699)	22,588,406	19,465,657	130,910,862
Issuance of shares	13	3,489,019	-	-	-	3,489,019
Transactions with owners: -						
Dividend paid	29	-	-	-	(1,144,000)	(1,144,000)
Loss for the period		-	-	-	(152,800,849)	(152,800,849)
Other comprehensive income for the period		-	-	8,660,363	-	8,660,363
Total comprehensive income for the period		-	-	8,660,363	(152,800,849)	(144,140,486)
At 30.6.2020/1.7.2020		109,789,517	(17,443,699)	31,248,769	(134,479,192)	(10,884,605)
Loss for the year		-	-	-	(58,325,818)	(58,325,818)
Other comprehensive income for the year		-	-	1,404,863	-	1,404,863
Total comprehensive income for the year		-	-	1,404,863	(58,325,818)	(56,920,955)
At 30.6.2021		109,789,517	(17,443,699)	32,653,632	(192,805,010)	(67,805,560)

STATEMENT OF
CHANGES IN EQUITY (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Non-Distributable Share capital RM	Distributable Accumulated losses RM	Total RM
Company				
At 1.1.2019		106,300,498	(1,604,638)	104,695,860
Issuance of shares	13	3,489,019	-	3,489,019
Transactions with owners: -				
Dividend paid	29	-	(1,144,000)	(1,144,000)
Total comprehensive loss for the period		-	(105,234,513)	(105,234,513)
At 30.6.2020/1.7.2020		109,789,517	(107,983,151)	1,806,366
Total comprehensive loss for the year		-	(322,624)	(322,624)
At 30.6.2021		109,789,517	(108,305,775)	1,483,742

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

		Group		Company	
	Note	1.7.2020 to 30.6.2021 RM	1.1.2019 to 30.6.2020 RM	1.7.2020 to 30.6.2021 RM	1.1.2019 to 30.6.2020 RM
Cash flows from operating activities					
Loss before tax		(64,334,025)	(152,978,916)	(328,567)	(105,234,513)
Adjustments for: -					
Depreciation of property, plant and equipment	4	7,992,353	14,698,131	-	-
Depreciation of right-of-use assets	5	947,996	883,168	-	-
(Gain)/Loss on disposal of property, plant and equipment		(220,654)	601,810	-	-
Impairment loss on amount due from a subsidiary	8	-	-	-	72,186,503
Impairment loss on intangible assets	6	-	600,000	-	-
Impairment loss on inventories	9	-	1,372,519	-	-
Impairment loss on investment in subsidiary companies	7	-	-	-	28,987,274
Impairment loss on other receivables	11	-	1,037	-	1,037
Impairment loss on property, plant and equipment	4	42,788,734	31,285,202	-	-
Impairment loss on right-of-use asset	5	5,324,262	-	-	-
Impairment loss on trade receivables	10	1,607,065	83,899,363	-	-
Finance cost	25	4,538,580	7,222,234	-	-
Finance income		(11,689)	-	-	-
Inventory written off		175,765	-	-	-
Other receivables and deposits written off		807,281	239,165	-	-
Property, plant and equipment written off		4,990,254	-	-	-
Reversal of impairment loss on amount due from a subsidiary no longer required		-	-	(2,957,689)	-
Unrealised gain on foreign exchange - net		4,024,660	(1,073,518)	-	-
Operating profit/(loss) before working capital changes		8,630,582	(13,249,805)	(3,286,256)	(4,059,699)

STATEMENT OF CASH FLOWS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Group		Company	
		1.7.2020 to 30.6.2021 RM	**1.1.2019 to 30.6.2020 RM**	**1.7.2020 to 30.6.2021 RM**	**1.1.2019 to 30.6.2020 RM**
Changes in working capital: -					
Amount due from subsidiary companies		-	-	2,957,689	(467,125)
Amount due to directors		225,750	5,000,000	225,750	-
Inventories		(1,437,702)	3,651,893	-	-
Other payables and accruals		7,046,468	(50,310,201)	309,599	2,155,823
Other receivables, deposits and prepayments		739,354	(1,459,812)	(143,100)	5,505
Trade payables		(6,025,771)	7,948,822	-	-
Trade receivables		(6,169,370)	48,219,400	-	-
Cash generated from/(used in) operations		3,009,311	(199,703)	63,682	(2,365,496)
Interest received		11,689	-	-	-
Interest paid		(4,538,580)	(7,222,234)	-	-
Tax paid		(345,804)	(783,111)	-	-
Net cash (used in)/from operating activities		(1,863,384)	(8,205,048)	63,682	(2,365,496)
Cash flows from investing activities					
Increase in investments in subsidiary		-	-	(100)	-
Proceeds from disposal of property, plant and equipment		259,495	650,000	-	-
Purchases of property, plant and equipment	4	(1,088,783)	(653,883)	-	-
Purchase of right-of-use assets		-	(55,910)	-	-
Net cash used in investing activities		(829,288)	(59,793)	(100)	-
Dividends paid	29	-	(1,144,000)	-	(1,144,000)
Proceed from issuance of shares		-	3,489,019	-	3,489,019
Proceed from/ (repayment of) borrowings		763,655	(11,446,727)	-	-
Repayment of lease liabilities		(465,969)	(3,884,426)	-	-
Net cash generated from/(used in) financing activities		297,686	(12,986,134)	-	2,345,019
Net (decrease)/increase in cash and cash equivalents		(2,394,986)	(21,250,975)	63,582	(20,477)
Cash and cash equivalents at the beginning of the year/period		(3,720,934)	17,530,041	1,018	21,495
Cash and cash equivalents at the end of the year/period	12	(6,115,920)	(3,720,934)	64,600	1,018

STATEMENT OF CASH FLOWS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2021

a) Cash outflows for leases as a lessee

	Note	Group 1.7.2020 to 30.6.2021 RM	Group 1.1.2019 to 30.6.2020 RM
Included in net cash from operating activities:			
Payment relating to short-term leases	27	517,306	1,313,724
Payment relating to leases of low-value assets	27	2,922	13,880
Interest paid in relation to lease liabilities	25	280,283	343,877
Included in net cash from financing activities:			
Payment of lease liabilities		365,243	3,884,426
Total cash outflows for leases		1,165,754	5,555,907

b) Purchase of right-of-use assets

	Note	Group 2021 RM	Group 2020 RM
Addition on right-of-use assets	5	100,726	415,910
Financed by finance lease agreement		-	(360,000)
Acquire under lease agreements		(100,726)	-
Cash payment on purchase of right-of-use assets		-	55,910

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

Group	At 1 January 2019	Net change from financing cash flows	Acquisition of new lease	At 30 June 2020/ 1 July 2020	Net change from financing cash flows	Acquisition of new lease	At 30 June 2021
Bankers' acceptance	77,145,117	(11,446,727)	-	65,698,390	152,213	-	65,850,603
Lease liabilities	5,717,648	(3,884,426)	360,000	2,193,222	(465,969)	100,726	1,827,979
Term loans	-	-	-	-	611,442	-	611,442
Total liabilities from financing activities	82,862,765	(15,331,153)	360,000	67,891,612	297,686	100,726	68,290,024

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2021

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 principal place of business and registered office of the Company are as follows:

Principal place of business
Lot 1819 – 1824 & 1832,
Jalan Kolej
43300 Seri Kembangan
Selangor Darul Ehsan.

Registered office
No. 5-9A
The Boulevard Offices
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur.

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2021 comprise the Company and its subsidiaries (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 2021 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 27 October 2021.

2. Basis of preparation

a) Statement of compliance

The financial statements of the Group and of 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 first-time for the financial year beginning on 1 July 2020:

- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 3, Business Combinations - Definition of a Business
- Amendments to MFRS 4, Insurance Contracts - Extension of the Temporary Exemption from Applying MFRS 9
- Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures - Interest Rate Benchmark Reform
- Amendment to MFRS 16, Leases - COVID-19-Related Rent Concessions
- Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material
- Amendments to MFRS 101, Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current - Deferral of Effective Date

2. Basis of preparation (Cont'd.)

a) Statement of compliance (Cont'd.)

The following are accounting standards, amendments and interpretations 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 2021

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 April 2021

- Amendments to MFRS 16, Leases - Covid-19-Related Rent Concessions beyond 30 June 2021

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, First-Time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020 Cycle)
- Amendments to MFRS 3, Business Combination - Reference to the Conceptual Framework
- Amendments to MFRS 9, Financial Instruments (Annual Improvements to MFRS Standards 2018-2020 Cycle)
- Amendments to MFRS 116, Property, Plant and Equipment - Property, Plant and Equipment - Proceeds before Intended Use
- Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets - Onerous Contract - Cost of Fulfilling a Contract
- Amendments to MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018-2020 Cycle)

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

- MFRS 17, Insurance Contracts
- Amendment to MFRS 17, Insurance Contracts
- 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 Error - Definition of Accounting Estimates
- Amendment to MFRS 112, Income Tax - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 MFRS 128, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

2. Basis of preparation (Cont'd.)

a) Statement of compliance (Cont'd.)

The Group and the Company plan to apply the above mentioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2021 for those accounting standards, amendments or interpretations that are applicable to the Group and the Company and effective for annual periods beginning on or after 1 July 2021;

- from the annual period beginning on 1 April 2021 for those accounting standards, amendments or interpretations that are applicable to the Group and the Company and effective for annual periods beginning on or after 1 July 2021;

- from the annual period beginning on 1 January 2022 for those accounting standards, amendments or interpretations that are applicable the Group and the Company and effective for annual periods beginning on or after 1 July 2022; and

- from the annual period beginning on 1 January 2023 for those accounting standards, amendments or interpretations that are applicable to the Group and the Company and effective for annual periods beginning on or after 1 July 2023.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Company except as mention below:

Amendment to MFRS 16 - Covid-19-Related Rent Concessions

The amendment provided a practical expedient whereby a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the Covid-19 pandemic is a lease modification. A lessee that makes such election will account for any changes in lease payments resulting from such rent concessions as if they were not lease modifications.

The practical expedient is applicable only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

- there is no substantive change to other terms and conditions of the lease.

The adoption of all the above Amendments to MFRS did not result in any material impact to the financial statements of the Group and the Company.

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 (CONT'D)

30 June 2021

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.

2. Basis of preparation (Cont'd.)

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

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.

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

i) For the financial year ended 30 June 2021, the Group and the Company incurred net losses of RM58,325,818 and RM322,624 respectively. As of that date, the Group reported shareholders' deficit of RM67,805,560, and the Group's and the Company's current liabilities exceeded the current assets by RM122,486,940 and RM2,877,684 respectively.

ii) On 10 July 2020, the Company announced that it has triggered the Prescribed Criteria of paragraph 2.1(f) of Practice Note 17 ("PN17") pursuant to paragraph 8.04(2) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia whereby it has defaulted in payment by the listed issuers, its major subsidiary or major associated company, as the case may be, as announced pursuant to paragraph 9.19A of the MMLR as per the Company's announcement made on 8 July 2020.

NOTES TO
THE FINANCIAL STATEMENTS (CONT'D)

30 June 2021

2. Basis of preparation (Cont'd.)

e) Financial position of the Group and the Company (Cont'd.)

ii) (Cont'd.)

Pursuant to the Bursa Malaysia's Circular dated 16 April 2020; *Additional Temporary Relief Measures To Listed Issuer*, the Company which has triggered the above Prescribed Criteria under PN 17 of the MMLR ("Suspended Criteria") from 17 April 2020 to 30 June 2021 ("Relief Period") was granted PN 17 Relief Measures as follows:

a. the Company will not be classified as a PN 17 listed issuer and will not be required to comply with the obligations pursuant to paragraph 8.04(3) and PN 17 of the MMLR for a period of 12 months from the date of triggering the criteria;

b. the Company is still required to make an immediate announcement that it has triggered the Suspended Criteria and the relief provided ("Relief Announcement");

c. upon the expiry of the 12 months from the Relief Announcement, the Company must re-assess its condition and announce whether it continues to trigger any of the criteria in PN 17 of the MMLR ("said Announcement");

d. if the company continues to trigger any of the criteria in PN17 of the MMLR, it will then be classified as a PN17 listed issuer and must comply with all the obligations under paragraph 8.04(3) and PN 17 of the MMLR, including the obligation to submit a regularisation plan to the relevant authorities within 12 months from the said Announcement.

Pursuant to the Bursa Malaysia's Circular dated 17 February 2021; *Additional Temporary Relief Measures To Listed Issuers Amid The Evolving Covid-19 Situation*, a listed issuer which triggers the PN17 Suspended Criteria, instead of 12 months, will have a period of 18 months from the date of PN17 Relief Announcement, to re-assess its condition and make the announcement whether it continues to trigger any of the criteria in PN17 of MMLR.

In Note 36 to the financial statements where there exists adversarial outcome from legal suits against the bankers which is firmly not in favour to the Group and the Company.

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. the Company is currently in the process of formulating a Proposed Regularisation Plan which entails a debt settlement arrangement to address the financial condition of the Group and of the Company and believes that the Proposed Regularisation Plan once formulated and implemented after obtaining the approval from relevant authorities, bankers and creditors, will enable the Group and the Company to generate sufficient cash flows to meet their obligations and continue sustainable and viable operations;

b. continuous financial support provided by substantial shareholders to the Group and the Company to meet their obligations; and

c. the Group and the Company are currently implementing various group-wide cost-cutting measures to reduce the operating costs and stringent monitoring of administrative costs to improve cash flow position.

NOTES TO
THE FINANCIAL STATEMENTS (CONT'D)
30 June 2021

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 though 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 as investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of these investee that significantly affect the investee's return.

Investments in subsidiaries 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.

3. Significant accounting policies (Cont'd.)

a) Basis of consolidation (Cont'd.)

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.

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 appliable to the nature of the host contract.

3. Significant accounting policies (Cont'd.)

c) Financial instruments (Cont'd.)

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.

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.

3. Significant accounting policies (Cont'd.)

c) Financial instruments (Cont'd.)

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

Financial assets (Cont'd.)

b) Fair value through other comprehensive income (Cont'd.)

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.

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.

3. Significant accounting policies (Cont'd.)

c) Financial instruments (Cont'd.)

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

Financial liabilities (Cont'd.)

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

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.

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.

NOTES TO
THE FINANCIAL STATEMENTS (CONT'D)
30 June 2021

3. Significant accounting policies (Cont'd.)

c) Financial instruments (Cont'd.)

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.

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.

vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

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.

NOTES TO
THE FINANCIAL STATEMENTS (CONT'D)

30 June 2021

3. Significant accounting policies (Cont'd.)

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

i) Recognition and measurement (Cont'd.)

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.

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.

3. Significant accounting policies (Cont'd.)

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

iii) Depreciation (Cont'd.)

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 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.

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.

3. Significant accounting policies (Cont'd.)

e) Leases (Cont'd.)

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.

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.

3. Significant accounting policies (Cont'd.)

e) Leases (Cont'd.)

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

b) As a lessor (Cont'd.)

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.

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.

3. Significant accounting policies (Cont'd.)

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, 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.

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 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.

3. Significant accounting policies (Cont'd.)

i) Impairment (Cont'd.)

i) Financial assets (Cont'd.)

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 of 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, contract assets, 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.

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.

NOTES TO
THE FINANCIAL STATEMENTS (CONT'D)
30 June 2021

3. Significant accounting policies (Cont'd.)

i) Impairment (Cont'd.)

ii) Other assets

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.

j) 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.

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.

3. Significant accounting policies (Cont'd.)

k) Employee benefits (Cont'd.)

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.

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.

3. Significant accounting policies (Cont'd.)

m) Revenue (Cont'd.)

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.

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.

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 (CONT'D)
30 June 2021

4. Property, plant and equipment

Group	At valuation		At costs						
	Freehold land	Buildings	Electrical equipment	Furniture, fittings and equipment	Motor vehicles	Plant and machinery (own use)	Plant and machinery (subject to operating lease)	Plant and Machinery in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost									
At 1.1.2019	28,880,390	5,752,555	16,575,623	721,801	3,606,397	156,498,741	1,294,315	19,352,719	232,682,541
Additions	-	175,520	386,710	29,343	-	62,310	-	-	653,883
Disposals	-	-	-	-	(2,600,000)	-	-	(19,352,719)	(21,952,719)
Adjustment on revaluation	-	(269,984)	-	-	-	-	-	-	(269,984)
Revaluation surplus	3,929,610	8,209,984	-	-	-	-	-	-	12,139,594
At 30.6.2020	32,810,000	13,868,075	16,962,333	751,144	1,006,397	156,561,051	1,294,315	-	223,253,315
Additions	-	4,820	613,137	207,684	-	263,142	-	-	1,088,783
Disposals	-	-	-	-	(180,954)	(1,452,969)	-	-	(1,633,923)
Write-off	-	(1,800)	(3,095,674)	(27,297)	(5,770)	(54,146,312)	(1,294,315)	-	(58,571,168)
At 30.6.2021	32,810,000	13,871,095	14,479,796	931,531	819,673	101,224,912	-	-	164,137,007

NOTES TO
THE FINANCIAL STATEMENTS (CONT'D)
30 June 2021

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

Group	At valuation		At costs						
	Freehold land RM	Buildings RM	Electrical equipment RM	Furniture, fittings and equipment RM	Motor vehicles RM	Plant and machinery (own use) RM	Plant and machinery (subject to operating lease) RM	Plant and Machinery in-progress RM	Total RM
Accumulated depreciation									
At 1.1.2019	-	276,946	10,282,113	445,240	1,920,675	50,800,027	206,297	-	63,931,298
Adjustment on revaluation	-	(269,984)	-	-	-	-	-	-	(269,984)
Charge for the period	-	535,107	1,000,638	25,651	188,235	12,907,241	41,259	-	14,698,131
Disposals	-	-	-	-	(1,348,190)	-	-	-	(1,348,190)
At 30.6.2020	-	542,069	11,282,751	470,891	760,720	63,707,268	247,556	-	77,011,255
Charge for the year	-	271,111	1,776,273	187,184	157,105	5,600,680	-	-	7,992,353
Disposals	-	-	-	-	(172,183)	(1,422,899)	-	-	(1,595,082)
Write-off	-	(97)	(2,362,617)	(16,469)	(2,995)	(19,665,978)	(247,556)	-	(22,295,712)
At 30.6.2021	-	813,083	10,696,407	641,606	742,647	48,219,071	-	-	61,112,814
Accumulated impairment loss									
At 1.1.2019	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	30,238,443	1,046,759	-	31,285,202
At 30.6.2020	-	-	-	-	-	30,238,443	1,046,759	-	31,285,202
Additions	-	-	-	-	-	42,788,734	-	-	42,788,734
Write-off	-	-	-	-	-	(30,238,443)	(1,046,759)	-	(31,285,202)
At 30.6.2021	-	-	-	-	-	42,788,734	-	-	42,788,734

NOTES TO
THE FINANCIAL STATEMENTS (CONT'D)
30 June 2021

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

Group	← At valuation →		← At costs →						
	Freehold land	Buildings	Electrical equipment	Furniture, fittings and equipment	Motor vehicles	Plant and machinery (own use)	Plant and machinery (subject to operating lease)	Plant and Machinery in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Carrying amount									
At 1.1.2019	28,880,390	5,475,609	6,293,510	276,561	1,685,722	105,698,714	1,088,018	19,352,719	168,751,243
At 30.6.2020	32,810,000	13,326,006	5,679,582	280,253	245,677	62,615,340	-	-	114,956,858
At 30.6.2021	32,810,000	13,058,012	3,783,389	289,925	77,026	10,217,107	-	-	60,235,459

NOTES TO
THE FINANCIAL STATEMENTS (CONT'D)
30 June 2021

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

i) The freehold land and building of the Group at carrying amount of RM45,868,012 (2020 - RM46,136,006) 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/period as follows:

	Group	
	2021 RM	**2020 RM**
Freehold land	3,795,500	3,795,500
Buildings	8,111,625	8,379,619
	11,907,125	12,175,119

ii) The freehold land and buildings at carrying amount of RM32,810,000 and RM13,058,012 (2020 - RM32,810,000 and RM13,326,006) respectively are used as securities for an advance received from other payable to the Group as disclosed in Note 21 to the financial statements.

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

	Group Level 2 RM
2021	
Freehold land	32,810,000
Buildings	13,058,012
	45,868,012
2020	
Freehold land	32,810,000
Buildings	13,326,006
	46,136,006

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.

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: (Cont'd.)

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) Impairment loss and subsequent reversal

During the financial year, the Group has carried out an impairment review on the non-financial assets with indication of impairment on the business activities. As a result, the Group recorded impairment losses of RM42,788,734 for property, plant and equipment and RM5,324,262 for right-of-use assets respectively during the financial year.

The aggregate carrying amount of property, plant and equipment and right-of-use assets amounting to RM69,196,140 has been tested for impairment. The recoverable amount is determined based on the higher of fair value less cost to sell ("FVLCTS") and value in use ("VIU"). Estimates of fair value have been determined with reference to an external valuation performed during the financial year, and prepared in accordance with RICS valuation professional standards, as published by the Royal Institution of Chartered Surveyors ("RICS"), on the basis of market value and is within Level 3 of the fair value hierarchy.

The VIU was determined by discounting the future cash flows expected to be generated from the property, plant and equipment and right-of-use assets over a period of 5 years, from 2022 to 2026 (2020 - 5 years from 2021 to 2025) based on the following key assumptions:

- Cash inflow from sales of confectionaries is expected to be RM3.5 million (2020 - RM5 million) per month based on the decline of sales seen in the last quarter of the financial year and uncertainty of the COVID-19 impact, with a slight annual growth rate of 2% - 5% (2020 - 10%).
- A pre-tax discount rate of 5% (2020 - 7.6%) was applied in determining the recoverable amount. The discount rate was based on the Group's weighted average cost of capital ("WACC") in 2020.

The values assigned to the key assumptions represent management's assessment of future trends in the operation of property, plant and equipment and right-of-use assets are determined based on external sources and internal sources (historical data).

Following the impairment of the property, plant and equipment and right-of-use assets, the recoverable amount is equal to FVLCTS. Therefore, any adverse change in the key assumptions will not result in further impairment.

v) Plant and machinery leased to third party

Rental income of RM NIL (2020 – RM298,201) is recognised in profit or loss in respect of the plant and machinery.

NOTES TO
THE FINANCIAL STATEMENTS (CONT'D)
30 June 2021

5. Right-of-use assets

Group	Buildings RM	Motor vehicles RM	Plant and machinery RM	Total RM
Cost				
At 1.1.2019	-	1,272,832	7,823,408	9,096,240
Additions	-	415,910	-	415,910
At 30.6.2020	-	1,688,742	7,823,408	9,512,150
Additions	100,726	-	-	100,726
At 30.6.2021	100,726	1,688,742	7,823,408	9,612,876
Accumulated depreciation				
At 1.1.2019				
Accumulated depreciation	-	399,301	595,746	995,047
Charge for the financial period	-	236,306	646,862	883,168
At 30.6.2020	-	635,607	1,242,608	1,878,215
Charge for the year	20,984	644,742	282,270	947,996
At 30.6.2021	20,984	1,280,349	1,524,878	2,826,211
Accumulated impairment loss				
At 1.1.2019/30.06.2020	-	-	-	-
Impairment loss	-	-	5,324,262	5,324,262
At 30.6.2021	-	-	5,324,262	5,324,262
Carrying amount				
At 1.1.2019	-	873,531	7,227,662	8,101,193
At 30.6.2020	-	1,053,135	6,580,800	7,633,935
At 30.6.2021	79,742	408,393	974,268	1,462,403

5. Right-of-use assets (Cont'd.)

The Group leases a number of plant and machinery, motor vehicles and a hostel for its foreign workers with lease term of 2 to 6 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.

6. Intangible assets

	Trademarks RM
Group	
Cost	
At 1.1.2019/30.6.2020/30.6.2021	1,600,000
Impairment loss	
At 1.1.2019	1,000,000
Impairment loss	600,000
At 30.6.2020/30.6.2021	1,600,000
Carrying amount	
At 1.1.2019	600,000
At 30.6.2020/30.6.2021	-

The recoverable amounts of the intangible assets at the end of the financial year are determined from value-in-use ("VIU") calculation by discounting the future cash flows generated from the continuing use of the cash generating unit ("CGU").

The Group prepares cash flow forecasts derived from the most recent financial forecasts approved by the management for the next 5 years.

The key assumption used for VIU calculations are based on future projection of the Group at a pre-tax discount rate of 5% (2020 - 7.6%) was applied in determining the recoverable amount. The discount rate was based on the Group's weighted average cost of capital ("WACC") in year 2020.

The values assigned to the key assumption represent the management's assessment of future trends in the operation and are based on both external and internal sources (historical data).

There were no reasonably changes in any of the key assumptions used that would cause the carrying amount of this CGU to exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 June 2021

7. Investment in subsidiaries

	Company	
	2021 RM	**2020 RM**
Unquoted shares, at cost	35,567,739	35,567,639
Less: Impairment loss	(31,206,313)	(31,206,313)
	4,361,426	4,361,326

Impairment loss amounted to RM NIL (2020 - RM28,987,274) was recognised as at reporting date.

The details of the subsidiaries are as follows:

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest	
			2021 %	**2020 %**
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	-

* 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.

8. Amount due from a subsidiary company

	Note	Company	
		2021 RM	**2020 RM**
Non-Current			
Amount due from a subsidiary company		69,228,814	72,186,503
Less: Impairment losses	31(c)(i)	(69,228,814)	(72,186,503)
		-	-

Impairment loss amounted to RM NIL (2020 - RM72,186,503) was recognised as at reporting date.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 June 2021

9. Inventories

	Group	
	2021 RM	**2020 RM**
At cost		
Raw materials	4,268,669	2,968,228
Work-in-progress	298,321	732,067
Finished goods	1,958,849	1,563,607
	6,525,839	5,263,902
Recognised in profit or loss:		
Inventories recognised as costs of sales	33,508,065	48,414,056
Impairment loss on inventories	-	1,372,519

10. Trade receivables

		Group	
	Note	**2021 RM**	**2020 RM**
Trade receivables		32,069,400	117,146,952
Less: Impairment losses	31(c)(i)	(28,989,018)	(114,604,215)
		3,080,382	2,542,737

Impairment loss amounted to RM1,607,065 (2020 - RM83,899,363) was recognised as at reporting date.

The normal credit terms of trade receivables range from immediate payment to 60 days (2020 – immediate payment to 90 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	
	2021 RM	**2020 RM**
Euro	49	-
Hong Kong Dollar	-	36,518
Japanese Yen	-	124,058
Thai Baht	-	98,076
US Dollar	506,989	551,077

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 June 2021

11. Other receivables, deposits and prepayments

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Other receivables		-	815,024	-	1,037
Less: Impairment loss	31(c)(i)	-	(1,037)	-	(1,037)
		-	813,987	-	-
Deposits		1,052,910	1,659,329	143,100	-
Prepayments		150,558	276,787	-	-
		1,203,468	2,750,103	143,100	-

12. Cash and cash equivalents

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Cash and bank balances		2,387,959	4,311,151	64,600	1,018
Cash and cash equivalents in the statement of financial position					
Bank overdraft	15	(8,503,879)	(8,032,085)	-	-
Cash and cash equivalents in the statement of cash flows		(6,115,920)	(3,720,934)	64,600	1,018

13. Capital and reserves

Share capital

	Group and Company			
	2021 Number of ordinary shares	2020 Number of ordinary shares	2021 RM	2020 RM
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares				
At beginning of the year/period	114,400,000	104,000,000	109,789,517	106,300,498
Issuance of shares	-	10,400,000	-	3,489,019
At end of the financial year/period	114,400,000	114,400,000	109,789,517	109,789,517

Ordinary shares

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 subsidiaries 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 subsidiaries upon consolidation using merger accounting principles.

13. Capital and reserves (Cont'd.)

Revaluation reserves

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

14. Employee Share Option Scheme ("ESOS")

The Company's ESOS is governed by the by-laws approved by the shareholders at the Extraordinary General meeting held on 11 November 2015.

The principal features of ESOS are as follows:

i. Scheme shall be in force for a period of five (5) years from the effective date at implementation of the scheme but subject to any extension or renewal for a further period of five (5) years.

ii. Eligible persons are employees of the Group, who is a Malaysian citizen who has attained eighteen (18) years of age (including Executive Directors) and have been confirmed and has served at least six (6) months in the employment of the Group on the date of the offer where the Executive Director or employee is under an employment contract, the contract is for a duration of at least one (1) year and has not expired within three (3) months from the date of offer. The eligibility for participation in ESOS shall be at the discretion of the ESOS Committee appointed by the Board of Directors.

iii. The total number of shares to be issued under ESOS shall not exceed 15% of the issued and paid-up share capital of the Company being, the maximum allowable allotment of shares, at any point of time during the duration of Scheme.

iv. the maximum allowable allotment of shares, at any point of time during the duration of Scheme.

v. The option price for each new RM1.00 share to be offered shall be determined by the ESOS Committee in the following manner:

    i) a price at a discount of not more than ten percent (10%) from the five (5) days weighted average market price of the Company's shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad immediately preceding the Date of Offer; or

    ii) the par value of the Company's shares of RM1.00 each, whichever is the higher.

vi. No option shall be granted for less than 100 shares and shall always be in multiples of 100 shares.

vii. An offer made by the ESOS Committee to a selected employee shall be valid for a period of forty-five (45) days from the date of offer and may be accepted within this prescribed period by the selected employee to whom the offer is made by written notice to the ESOS Committee. Upon acceptance of an offer, the Grantee may during the option period exercise his options in full or in part in such manner as stipulated in the offer letter.

viii. All new ordinary shares issued upon exercise of the options granted under ESOS will rank pari-passu in all respects with the existing ordinary shares of the Company except that the shares so issued will not be entitled to any dividends, rights allotments and/ or other distributions, the entitlement date of which is prior to the date of allotment of the new ordinary shares.

Since the end of previous financial period, there were no share option exercised. The ESOS expired on 20 November 2020.

15. Loans and borrowings

	Note	Group 2021 RM	Group 2020 RM
Non-current			
Unsecured			
Term loan	17	304,903	-
Current			
Secured			
Bankers' acceptances	16	65,850,603	65,698,390
Bank overdraft	16	8,503,879	8,032,085
Unsecured			
Term loan	17	306,539	-
		74,661,021	73,730,475
		74,965,924	73,730,475

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

	Group 2021 %	Group 2020 %
Bankers' acceptances	2.65 - 10.42	3.53 - 6.95
Bank overdraft	1.25	1.25
Term loan	6.00	-

16. Bankers' acceptance 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.

NOTES TO
THE FINANCIAL STATEMENTS (CONT'D)
30 June 2021

17. Term loan

	Group	
	2021	**2020**
	RM	**RM**
Unsecured		
Term loan	611,442	-
Repayable as follows:		
Non-current liabilities		
- Later than one year and not later than two years	304,903	-
Current liabilities		
- Not later than one year	306,539	-
	611,442	-

18. Lease liabilities

	Group	
	2021	**2020**
	RM	**RM**
Minimum lease payments:		
- not later than one year	1,236,393	957,028
- later than one year and not later than two years	263,032	537,465
- later than two years and not later than five years	403,908	968,239
- later than five years	4,964	70,901
	1,908,297	2,533,633
Less: Future interest charges	(80,318)	(340,411)
Present value of lease liabilities	1,827,979	2,193,222
Repayable as follows:		
Non-Current		
later than one year and not later than two years	240,431	468,913
later than two years and not later than five years	380,611	789,877
later than five years	4,055	63,388
	625,097	1,322,178
Current		
not later than one year	1,202,882	871,044
	1,827,979	2,193,222
	%	%
Effective interest rate	2.34 - 5.30	2.34 - 6.00

Included in the Group's lease liabilities were leases of motor vehicles, workers hostel, plant and machinery under leases expiring from 1 to 7 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.

NOTES TO
THE FINANCIAL STATEMENTS (CONT'D)
30 June 2021

19. Deferred tax liabilities

Recognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2021 RM**	**2020 RM**	**2021 RM**	**2020 RM**	**2021 RM**	**2020 RM**
Property, plant and equipment	2,445	-	(2,460,746)	(9,963,186)	(2,458,301)	(9,963,186)
Revaluation reserve	-	-	(3,628,181)	(5,033,045)	(3,628,181)	(5,033,045)
Net tax assets/ (liabilities)	2,445	-	(6,088,927)	(14,996,231)	(6,086,482)	(14,996,231)

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

	Group	
	2021 RM	**2020 RM**
Tax loss carried forward	7,617,636	8,026,695
Other deductible temporary differences	25,193,082	33,885,872
	32,810,718	41,912,567

The unabsorbed tax losses are only allowed to be carried forward to offset against future taxable profits from the same business source of the Group. 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 7 consecutive years. Upon expiry of the 7 years, the unabsorbed tax losses will be disregarded.

Movement in temporary differences during the year as follows:

	Group	
	2021 RM	**2020 RM**
At beginning of the financial year/period	14,996,231	11,517,000
Recognised in profit or loss	(7,504,886)	-
Recognised in other comprehensive income	(1,404,863)	3,479,231
At end of the financial year/period	6,086,482	14,996,231

20. Trade payables

The normal credit terms of the Group's trade payables range from immediate payment to 60 days (2020 - immediate payment to 90 days). However, the terms may vary upon negotiation with the trade payables.

21. Other payables and accruals

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Other payables	28,110,673	21,952,628	2,168,133	677,325
Accruals	10,200,687	9,436,125	691,401	1,872,710
Deposits	159,861	36,000	-	-
	38,471,221	31,424,753	2,859,534	2,550,035

Included in other payables consists of advance amounted to RM18,000,000 (2020 - RM18,000,000) which is secured by freehold land and building of the Group as disclosed in Note 4 to the financial statements.

22. Amount due to directors

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

23. Revenue

	Group	
	1.7.2020 to 30.6.2021 RM	1.1.2019 to 30.6.2020 RM
Revenue from contract with customers	59,551,132	66,110,366

a) Disaggregation of revenue

	Group					
	Manufacturing		Trading		Total	
	1.7.2020 to 30.6.2021 RM	1.1.2019 to 30.6.2020 RM	1.7.2020 to 30.6.2021 RM	1.1.2019 to 30.6.2020 RM	1.7.2020 to 30.6.2021 RM	1.1.2019 to 30.6.2020 RM
Primary geographical markets						
Malaysia	3,435,719	28,043,571	29,004,802	787,330	32,440,521	28,830,901
Rest of Asia	24,573,287	33,148,964	-	-	24,573,287	33,148,964
Europe	453,291	667,935	-	-	453,291	667,935
Africa	1,902,509	130,725	-	-	1,902,509	130,725
Middle East	181,524	3,331,841	-	-	181,524	3,331,841
	30,546,330	65,323,036	29,004,802	787,330	59,551,132	66,110,366

The timing of revenue recognition is at point in time.

23. Revenue (Cont'd.)

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 60 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.

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.

24. Directors' remuneration

	Group and Company	
	1.7.2020 to 30.6.2021 RM	**1.1.2019 to 30.6.2020 RM**
Executive directors		
- Fees	96,385	61,713
- Other emoluments	419,100	555,000
	515,485	616,713
Non-executive directors		
- Fees	238,801	329,710
Total excluding benefits-in-kind	754,286	946,423

25. Finance costs

	Group	
	1.7.2020 to 30.6.2021 RM	1.1.2019 to 30.6.2020 RM
Interest expense of financial liabilities that are not fair value through profit or loss	4,258,297	6,878,357
Interest expense on lease liabilities	280,283	343,877
	4,538,580	7,222,234

26. Tax credit

Recognised in profit or loss

	Group		Company	
	1.7.2020 to 30.6.2021 RM	1.1.2019 to 30.6.2020 RM	1.7.2020 to 30.6.2021 RM	1.1.2019 to 30.6.2020 RM
Income tax credit	(6,008,207)	(178,067)	(5,943)	-
Major components of income tax expense include:				
Current tax expense				
Current year	108,169	-	-	-
Prior year	1,388,510	(178,067)	(5,943)	-
Total current tax recognised in profit or loss	1,496,679	(178,067)	(5,943)	-
			-	-
Deferred tax expense				
Current year	(2,446)	-		
Over provision in prior year	(7,502,440)	-	-	-
Total income tax credit	(6,008,207)	(178,067)	(5,943)	-

Reconciliation of tax expense

	Group		Company	
	1.7.2020 to 30.6.2021 RM	1.1.2019 to 30.6.2020 RM	1.7.2020 to 30.6.2021 RM	1.1.2019 to 30.6.2020 RM
Loss for the year	(58,325,818)	(152,800,849)	(322,624)	(105,234,513)
Total income tax credit	(6,008,207)	(178,067)	(5,943)	-
Loss excluding tax	(64,334,025)	(152,978,916)	(328,567)	(105,234,513)
	%	%	%	%
Income tax calculated using Malaysian tax rate of 24%	24	24	24	24
Non-deductible expenses	(5)	(21)	(240)	(24)
Non-taxable income		1	216	
Recognition of previously unrecognised tax losses	-	-	-	-
Current year losses for which no deferred tax asset was recognised	(19)	(4)	-	
Over provided in prior years	(9)	-	(2)	-
	(9)	-	(2)	-

NOTES TO
THE FINANCIAL STATEMENTS (CONT'D)
30 June 2021

27. Loss for the year/period

	Group		Company	
	1.7.2020 to 30.6.2021 RM	**1.1.2019 to 30.6.2020 RM**	**1.7.2020 to 30.6.2021 RM**	**1.1.2019 to 30.6.2020 RM**
Loss for the year is arrived at after charging/(crediting):				
Auditors' remuneration				
- current year provision	96,500	180,000	25,000	45,000
- under/(over) provision in previous year	-	2,086	-	(11,700)
- other services	13,000	13,000	13,000	13,000
Material expenses/(income)				
Depreciation of:				
- property, plant and equipment	7,992,353	14,698,131	-	-
- right-of-use assets	947,996	883,168	-	-
Personnel expenses (including key management personnel):				
- contributions to state plans	577,458	694,837	86,438	118,165
- wages, salaries and others	8,119,660	12,608,519	719,894	931,050
Impairment loss on:				
- property, plant and equipment	42,788,734	31,285,202	-	-
- right-of-use asset	5,324,262	-	-	-
- subsidiary companies	-	-	-	28,987,274
- intangible assets	-	600,000	-	-
- amount due from a subsidiary	-	-	-	72,186,503
- inventories	-	1,372,519	-	-
- trade receivables	1,607,065	83,899,363	-	-
- other receivables	-	1,037	-	1,037
(Gain)/loss on disposal of property, plant and equipment	(220,654)	601,810	-	-
Write off on:				
- other receivables and deposits	807,281	239,165	-	-
- inventory	175,765	-	-	-
- property, plant and equipment	4,990,254	-	-	-
Net foreign exchange loss	272,951	3,992,149	-	-
Rental income	-	(298,201)	-	-
Reversal of impairment loss on amount due from a subsidiary no longer required	-	-	(2,957,689)	-
Expenses arising from leases				
Expenses relating to lease of low value assets	2,922	13,880	-	-
Expenses relating to short-term leases	517,306	1,313,724	-	-

The Group leases buildings and office equipment with contract term of 1 to 5 years. These leases are short-term and/or leases of low value items.

28. Loss per share

Basic:

Basic loss per share is calculated by dividing the 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/period.

	Group	
	1.7.2020 to 30.6.2021	**1.1.2019 to 30.6.2020**
Loss for the year/period attributable to ordinary equity holders of the Company (RM)	(58,325,818)	(152,800,849)
Weighted-average number of ordinary shares in issue (Unit)	114,400,000	110,920,658
Basic loss per share (sen)	(50.98)	(137.76)

Diluted:

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

29. Dividend paid

The interim dividend paid in respect of the financial year/period ended are as follows: -

	Group and Company	
	1.7.2020 to 30.6.2021 RM	**1.1.2019 to 30.6.2020 RM**
Interim single-tier dividend of RM0.01 per share, paid on 9 August 2019	-	1,144,000

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/period to acquire segment assets that are expected to be used for more than one year.

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.

30. Segmental information (Cont'd.)

Business segments Cont'd.)

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
30.6.2021				
Revenue				
Revenue from external customers	-	83,231,614	(23,680,482)	59,551,132
Total revenue	-	83,231,614	(23,680,482)	59,551,132
Results				
Segment results	(3,286,269)	(61,382,383)	-	(64,668,652)
Other income	2,957,702	4,861,505	(2,957,689)	4,861,518
Finance income	-	11,689	-	11,689
Finance costs	-	(4,538,580)	-	(4,538,580)
Loss before taxation	(328,567)	(61,047,769)	(2,957,689)	(64,334,025)
Tax credit	5,943	6,002,264	-	6,008,207
Loss for the year	(322,624)	(55,045,505)	(2,957,689)	(58,325,818)

NOTES TO
THE FINANCIAL STATEMENTS (CONT'D)
30 June 2021

30. Segmental information (Cont'd.)

a) Business Segment (Cont'd.)

	Investment holding RM	Manufacturing and trading RM	Elimination RM	Total RM
30.6.2021				
Other information				
Segment assets	4,569,126	82,226,759	(11,884,355)	74,911,530
Segment liabilities	3,085,384	216,383,449	(76,751,743)	142,717,090
Non-cash expenses				
- Depreciation of property, plant and equipment	-	7,992,353	-	7,992,353
- Depreciation of right-of-use assets	-	947,996	-	947,996
- Impairment loss on property, plant and equipment	-	42,788,734	-	42,788,734
- Impairment loss on right-of-use asset	-	5,324,262	-	5,324,262
- Impairment loss on trade receivables	-	1,607,065	-	1,607,065
- Gain on disposal of property, plant and equipment	-	(220,654)	-	(220,654)
- Other receivables and deposits written off	-	807,281	-	807,281
- Inventory written off	-	175,765	-	175,765
- Property, plant and equipment written off	-	4,990,254	-	4,990,254
- Loss on foreign exchange - unrealised	-	4,024,660	-	4,024,660
Included in the measure of segment assets are: -				
- Additions to non-current assets other than financial instruments and deferred tax assets	-	1,189,509	-	1,189,509
30.6.2020				
Revenue				
Revenue from external customers	-	66,897,666	(787,330)	66,110,366
Total revenue	-	66,897,666	(787,330)	66,110,366
Results				
Segment results	(105,243,467)	(146,142,131)	101,173,777	(150,211,821)
Other operating income	8,954	4,446,185	-	4,455,139
Finance costs	-	(7,222,234)	-	(7,222,234)
Loss before taxation	(105,234,513)	(148,918,180)	101,173,777	(152,978,916)
Tax credit	-	178,067	-	178,067
Loss for the period	(105,234,513)	(148,740,113)	101,173,777	(152,800,849)

30. Segmental information (Cont'd.)

a) Business Segment (Cont'd.)

	Investment holding RM	Manufacturing and trading RM	Elimination RM	Total RM
30.6.2020				
Other information				
Segment assets	4,362,344	143,980,103	(9,819,092)	138,523,355
Segment liabilities	2,555,978	224,496,251	(77,644,269)	149,407,960
Non-cash expenses				
- Depreciation of property, plant and equipment	-	14,698,131	-	14,698,131
- Depreciation of right-of-use assets	-	883,168	-	883,168
- Impairment loss on property, plant and equipment	-	31,285,202	-	31,285,202
- Impairment loss on intangible assets	-	600,000	-	600,000
- Impairment loss on inventories	-	1,372,519	-	1,372,519
- Impairment loss on trade receivables	-	83,899,363	-	83,899,363
- Impairment loss on other receivables	1,037	-	-	1,037
- Loss on disposal of property, plant and equipment	-	601,810	-	601,810
- Other receivables and deposits written off	-	239,165	-	239,165
Non-cash income				
- Gain on foreign exchange - unrealised	-	1,073,518	-	1,073,518
Included in the measure of segment assets are: -				
Additions to non-current assets other than financial instruments and deferred tax assets	-	1,069,793	-	1,069,793

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	
	1.7.2020 to 30.6.2021 RM	**1.1.2019 to 30.6.2020 RM**	**1.7.2020 to 30.6.2021 RM**	**1.1.2019 to 30.6.2020 RM**
Malaysia	32,440,521	28,830,901	74,911,530	138,523,355
Rest of Asia	24,573,287	33,148,964	-	-
Europe	453,291	667,935	-	-
Africa	1,902,509	130,725	-	-
Middle East	181,524	3,331,841	-	-
	59,551,132	66,110,366	74,911,530	138,523,355

The following are the major customers with revenue equal or more than 10% of the Group's total revenue:

	Revenue		Segment
	1.7.2020 to 30.6.2021 RM	**1.1.2019 to 30.6.2020 RM**	
Customer A	-	23,349,098	Manufacturing and trading
Customer B	7,044,405	8,058,412	Manufacturing and trading

NOTES TO
THE FINANCIAL STATEMENTS (CONT'D)
30 June 2021

31. Financial instruments

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
2021			
Financial assets			
Trade receivables	3,080,382	3,080,382	-
Other receivables and deposits	1,203,468	1,203,468	-
Cash and bank balances	2,387,959	2,387,959	-
	6,671,809	6,671,809	-
Financial liabilities			
Trade payables	(16,031,565)	-	(16,031,565)
Other payables and accruals	(38,471,221)	-	(38,471,221)
Amount due to directors	(5,225,750)	-	(5,225,750)
Loans and borrowings	(74,965,924)	-	(74,965,924)
Lease liabilities	(1,827,979)	-	(1,827,979)
	(136,522,439)	-	(136,522,439)
2020			
Financial assets			
Trade receivables	2,542,737	2,542,737	-
Other receivables and deposits	2,473,316	2,473,316	-
Cash and bank balances	4,311,151	4,311,151	-
	9,327,204	9,327,204	-
Financial liabilities			
Trade payables	(22,057,336)	-	(22,057,336)
Other payables and accruals	(31,424,753)	-	(31,424,753)
Amount due to a director	(5,000,000)	-	(5,000,000)
Borrowings	(73,730,475)	-	(73,730,475)
Lease liabilities	(2,193,222)	-	(2,193,222)
	(134,405,786)	-	(134,405,786)

31. Financial instruments (Cont'd.)

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

Company	Carrying amount RM	FAAC RM	FLAC RM
2021			
Financial assets			
Cash and bank balances	64,600	64,600	-
Deposit	143,100	143,100	-
	207,700	207,700	-
Financial liabilities			
Other payables and accruals	(2,859,634)	-	(2,859,634)
Amount due to directors	(225,750)	-	(225,750)
	(3,085,384)	-	(3,085,384)
2020			
Financial asset			
Cash and bank balances	1,018	1,018	-
Financial liability			
Other payables and accruals	(2,550,035)	-	(2,550,035)

b) Net losses arising from financial instruments

	Group	
	1.7.2020 to 30.6.2021	**1.1.2019 to 30.6.2020**
Financial assets at amortised cost	2,414,346	84,139,565
Financial liabilities at amortised cost	4,538,580	7,222,234
	6,952,926	91,361,799

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 risks
- Market risk
- Operational risk

31. Financial instruments (Cont'd.)

c) Financial risk management (Cont'd.)

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 and financial guarantees given to banks for credit facilities granted to subsidiaries. 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.

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.

NOTES TO
THE FINANCIAL STATEMENTS (CONT'D)
30 June 2021

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.)

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
2021			
Not past due	1,504,654	-	1,504,654
Past due 1 – 30 days	542,543	-	542,543
Past due 31 – 60 days	113,582	-	113,582
Past due 61 – 90 days	281,664	-	281,664
Past due 91 – 120 days	391,752	-	391,752
Past due 121 – 150 days	49,844	-	49,844
Past due 151 – 180 days	-	-	-
Past due over 180 days	29,185,361	(28,989,018)	196,343
	32,069,400	(28,989,018)	3,080,382
2020			
Not past due	1,536,435	-	1,536,435
Past due 1 – 30 days	316,007	-	316,007
Past due 31 – 60 days	56,515	-	56,515
Past due 61 – 90 days	55,108	-	55,108
Past due 91 – 120 days	43,596	-	43,596
Past due 121 – 150 days	174,666	-	174,666
Past due 151 – 180 days	8,595	-	8,595
Past due over 180 days	114,956,030	(114,604,215)	351,815
	117,146,952	(114,604,215)	2,542,737

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 January 2019	30,704,852	-	30,704,852
Net measurement of loss allowance	-	83,899,363	83,899,363
At 30 June 2020	30,704,852	83,899,363	114,604,215
Addition	-	1,607,065	1,607,065
Written off	(30,704,852)	(56,517,410)	(87,222,262)
At 30 June 2021	-	28,989,018	28,989,018

The allowance in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the trade receivable directly. As at 30 June 2021, RM46,423,959 (2020 – RM NIL) of trade receivables were written off but they are still subject to enforcement activity.

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. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

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 is represented by their carrying amounts in the statement of financial position.

31. Financial instruments (Cont'd.)

c) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Other receivables (Cont'd.)

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.

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

Group	Lifetime ECL RM	Credit impaired RM	Total RM
At 1 January 2019	-	-	-
Net measurement of loss allowance	-	1,037	1,037
At 30 June 2020	-	1,037	1,037
Written off	-	(1,037)	(1,037)
At 30 June 2021	-	-	-

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 subsidiaries. The Company monitors on an ongoing basis the results of subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM74,965,924 (2020 – RM73,730,475) representing the outstanding banking facilities of the subsidiaries 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.

31. Financial instruments (Cont'd.)

c) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

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.

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'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.

31. Financial instruments (Cont'd.)

c) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Inter-company loans and advances

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

Company	Lifetime ECL RM	Credit impaired RM	Total RM
At 1 January 2019/30 June 2020	-	72,186,503	72,186,503
Reversal	-	(2,957,689)	(2,957,689)
At 30 June 2021	-	69,228,814	69,228,814

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 and bank facilities 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 (CONT'D)

30 June 2021

31. Financial instruments (Cont'd.)

c) Financial risk management (Cont'd.)

ii) Liquidity and cash flow 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	More than 5 years RM
2021							
Non-derivative financial liabilities							
Trade payables	16,031,565		16,031,565	16,031,565	-	-	-
Other payables and accruals	38,471,221		38,471,221	38,471,221	-	-	-
Amount due to directors	5,225,750		5,225,750	5,225,750	-	-	-
Bankers' acceptance	65,850,603	2.65 – 10.42	65,850,603	65,850,603	-	-	-
Bank overdraft	8,503,879	1.25	8,503,879	8,503,879	-	-	-
Term loan	611,442	6.00	671,760	335,880	335,880	-	-
Lease liabilities	1,827,979	2.34 - 5.30	1,908,297	1,236,393	263,032	403,908	4,964
	136,522,439		136,663,075	135,655,291	598,912	403,908	4,964

NOTES TO
THE FINANCIAL STATEMENTS (CONT'D)
30 June 2021

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: (Cont'd.)

Group	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1 – 2 years RM	2 – 5 years RM	More than 5 years RM
2020							
Non-derivative financial liabilities							
Trade payables	22,057,336	-	22,057,336	22,057,336	-	-	-
Other payables and accruals	31,424,753	-	31,424,753	31,424,753	-	-	-
Amount due to a director	5,000,000	-	5,000,000	5,000,000	-	-	-
Bankers' acceptances	65,698,390	3.53 – 6.95	65,698,390	65,698,390	-	-	-
Bank overdraft	8,032,085	1.25	8,032,085	8,032,085	-	-	-
Lease liabilities	2,193,222	2.34 – 6.00	2,533,633	957,028	537,465	968,239	70,901
	134,405,786		134,746,197	133,169,592	537,465	968,239	70,901

NOTES TO
THE FINANCIAL STATEMENTS (CONT'D)
30 June 2021

31. Financial instruments (Cont'd.)

c) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risks (Cont'd.)

Company	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM
2021				
Non-derivative financial liabilities				
Other payables and accruals	2,859,634	-	2,859,634	2,859,634
Amount due to directors	225,750	-	225,750	225,750
Financial guarantee	74,354,482	-	74,354,482	74,354,482
	77,439,866		77,439,866	77,439,866
2020				
Non-derivative financial liabilities				
Other payables and accruals	2,550,035	-	2,550,035	2,550,035
Financial guarantee	73,730,475	-	73,730,475	73,730,475
	76,280,510		76,280,510	76,280,510

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 Singapore Dollar ("SGD"), US Dollar ("USD"), Hong Kong Dollar ("HKD"), Thai Baht ("THB"), Japanese Yen ("JPY"), Euro ("EURO"), and Indonesian Rupiah ("IDR").

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. In occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk.

31. Financial instruments (Cont'd.)

c) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Exposure to foreign currency risk (Cont'd.)

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:

	2021 RM	2020 RM
Trade receivables (Note 10)		
- EURO	49	-
- HKD	-	36,518
- JPY	-	124,058
- THB	-	98,076
- USD	506,989	551,077
Cash and bank balances		
- USD	20,364	10,733
- HKD	4,904	-
- EURO	108,180	-
- JPY	622,897	-

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.

	2021		2020	
	Equity	Profit for the period	Equity	Profit for the period
Increase	25,352	25,352	40,486	40,486

At 5% (2020 – 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 (CONT'D)
30 June 2021

31. Financial instruments (Cont'd.)

c) Financial risk management (Cont'd.)

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:

	2021		**2020**	
	RM	**Interest rate %**	**RM**	**Interest rate %**
Group				
Fixed rate instruments				
Lease liabilities	(1,827,979)	2.34 – 5.30	(2,193,222)	2.34 – 6.00
Term loan	(611,442)	6.00	-	-
Floating rate instruments				
Bankers' acceptances	(65,850,603)	2.65 – 10.42	(65,698,390)	3.53 – 6.95
Bank overdraft	(8,503,879)	1.25	(8,032,085)	1.25

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.

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 loss net of tax would have been RM 565,000 (2020 – RM560,000) 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.

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(f) of Practice Note 17 ("PN17") pursuant to paragraph 8.04(2) of the Main Market Listing Requirements of Bursa Malaysia.

33. Contingent liabilities

	Company	
	2021 RM	**2020 RM**
<u>Unsecured</u>		
Corporate guarantees issued to bank for bank facilities granted to subsidiary companies	74,354,482	73,730,475

The directors are of the opinion that adequate allowance has been made in the financial statements for any possible liabilities.

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.

The Group has related party relationship with its subsidiaries, directors and key management personnel.

Significant related party transactions

Related party transactions have been entered into the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company are shown below. The related party balances are shown in Note 8 and 22 to the financial statements.

a) Related party/companies transactions:

Transactions with a company in which is an existing corporate shareholder with a common director in the Company which had resigned in previous financial period:

	Group
	1.1.2019 to 30.6.2020 RM
Sales	
- London Biscuits Berhad	23,349,098
Rental income	
- London Biscuits Berhad	298,201
Sales of property, plant and equipment	
- London Biscuits Berhad	19,352,719

b) Compensation of key management personnel

The remuneration paid by the Group and the Company to key management personnel during the financial period are disclosed in Note 24 in the financial statements.

NOTES TO
THE FINANCIAL STATEMENTS (CONT'D)
30 June 2021

35. Significant events

i) The COVID-19 pandemic has significantly disrupted many business operations around the world. The the Company has performed an assessment of the overall impact of the situation on the Company's operations, including the recoverability of the carrying amount of assets and measurements of assets and liabilities and concluded that there are no material adverse effects on the financial statements for the financial year ended 30 June 2021.

The scale and duration of the economic uncertainty and its related impact on the outlook and prospects of the Company could not be reasonably estimated at this juncture. The Company is closely monitoring the evolving situation of the COVID-19 pandemic and the effects, if any will be reflected in the next annual financial statements.

ii) On 25 June 2020, the Company announced that it had engaged the services of BDO Governance Advisory Sdn Bhd ("BDOGA") to carry out agreed upon procedures pertaining to a specific scope of work which are as follows:

1. To review the validity of purchase orders, invoices, and other relevant documents used as basis to draw down financing from its bankers; and

2. To trace the movements of funds from the receipt of the drawdowns to any subsequent withdrawals and/or transfers of these funds thereafter.

The above scope of work shall cover the period from 1 October 2018 to 31 March 2019.

This engagement shall commence immediately from the day hereof and shall continue until the completion of the exercise.

The Company expects to complete this Engagement within six (6) weeks from the date hereof and the findings may, pursuant to the terms of this Engagement, be announced accordingly for public record.

On 7 July 2020, the Company further announced that the triggering factors for the appointment of BDOGA is to conduct the probe as the Company has realised, there were some discrepancies in the supporting documents used for the drawdown of the facilities. It was brought to the attention of the Company by the lawyers during the course of the proceeding initiated by Bank of China (Malaysia) Berhad. As such, all bankers' acceptance facilities are now being evaluated and reassessed.

On 25 September 2020, the Company announced that BDOGA's review on the credit facilities in default, and the validity of the invoices and supporting documents in relation to the credit facilities, revealed the following:

1. All applications of the credit facilities were signed by Dato' Sri Liew Yew Chung;
2. Sales invoices amounting to RM39,454,484 submitted as basis for drawdown of credit facilities appear to be fictitious and for products not manufactured by Khee San Food Industries Sdn Bhd;
3. Purchase invoices amounting to RM4,467,123, which are not supported by stock card movements, were submitted as basis for drawdown of credit facilities, of which RM2,922,263, in respect of purchases from Secret Ingredients Sdn Bhd appear to be fictitious;
4. Discrepancies between Summary Listings of Invoices submitted for credit facility drawdown and the actual invoices attached to the Summary Listings;
5. Financing drawn in excess over total amounts stated in invoices; and
6. Financing from 2 different Banks over the same invoices.

35. Significant events (Cont'd)

ii) (Cont'd.)

Subsequently on 14 September 2020, the Board had instructed BDOGA to: -

1. Complete and report on the tracing of the flow of funds, i.e. analysis demonstrating how funds drawn down from Bankers' Acceptances were used; and
2. Provide a breakdown of the issue for each Bank.

On 20 October 2020, the Company announced that BDOGA's had reviewed the movements of receipts of funds from the Banks to subsequent withdrawals/transfer of the funds ("money trail") based on date and information for the period 1 October 2018 to 31 March 2019 and extended to 4 July 2019 ("Review Period").

BDOGA was not able to trace the specific movement of funds received from the drawdowns. However, BDOGA was able to establish/identify the following in respect of the observed net outflow of funds from the Company of RM13,574,762 during the Review Period as follows: -

1. RM3,000,000 of receipts from Secret Ingredients Sdn Bhd ("SISB") for the sale of products that are neither manufactured nor normally sold by Khee San Food Industries Sdn Bhd ("KSFI");
2. Payments of RM22,994,759 to SISB for purchases of raw materials are in respect of invoices previously identified to be fictitious;
3. Transfer of RM790,000 to Khee San Berhad to defray its' operating expenses;
4. Receipts of RM50,230,000 from London Biscuits Berhad ("LBB"), which appear to have been used to repay credit facilities;
5. Remittances of RM85,191,000 to LBB for which no supporting or underlying documentation could be identified to support the transfer of such funds to LBB;
6. A total of RM12,602,500 used to defray operating expenses, made up of drawdowns of RM165,011,919 and repayments of RM177,664,747; and
7. Numerous instances in which funds drawn down were immediately (on the same day) used to repay previous drawdowns.

The investigation was completed on 20 October 2020 and approved by the directors of the Company. All report findings were submitted to relevant authorities for their review and records.

The Group and the Company have initialed legal suit against Dato' Sri Liew Yew Chung and London Biscuit Berhad as disclosed in Note 36(xviii) and 36(xix) to the financial statements respectively.

NOTES TO
THE FINANCIAL STATEMENTS (CONT'D)
30 June 2021

35. Significant events (Cont'd)

iii) On 8 July 2020 and 10 July 2020, the Company announced all the defaults with Creditor Banks which are summarised as follows: -

No	Bank	BA Facilities (RM)	OD Facilities (RM)	Total Facilities (RM)	Date of Default
1.	HSBC Bank Malaysia Berhad	16,519,000	1,040,938	17,559,938	10/5/2019 – 15/8/2019
2.	Bank of China (Malaysia) Berhad	14,153,000	2,135,982	16,288,982	23/4/2019 – 8/8/2019
3.	Standard Chartered Bank Malaysia Berhad	7,541,146	-	7,541,146	24/5/2019 – 5/8/2019
4.	Maybank Islamic Berhad	5,279,384	1,041,313	6,320,697	26/4/2019 – 13/9/2019
5.	United Overseas Bank (Malaysia) Berhad	5,209,000	2,707,772	7,916,772	19/4/2019 – 9/8/2019
6.	OCBC Bank (Malaysia) Berhad	4,236,000	-	8,347,000	16/4/2019 – 30/7/2019
7.	OCBC Al-Amin Berhad	4,111,000	-	-	16/4/2019 – 30/7/2019
8.	Alliance Bank Malaysia Berhad	4,277,000	-	4,277,000	3/5/2019 – 30/8/2019
9.	CIMB Islamic Bank Berhad	4,415,005	1,031,123	5,446,128	20/5/2019 – 19/8/2019
TOTAL FACILITIES ON RECORD		65,740,535	7,957,128	73,697,663	

The Company reiterated that the Company has discovered numerous potential irregularities and potential discrepancies in the supporting documents used pursuant to the drawdown of these facilities as well as the usage of these funds. This is further compounded by the fact that the then-holding company, London Biscuits Bhd ("LBB") owes the Company approximately RM54 million, which was also brought to the attention of the Creditor Banks. Some Creditor Banks are reluctant to respond as they are refuting certain facts as they are also involved in the LBB liquidation exercise.

iv) On 10 July 2020, the Company announced to Bursa Malaysia, that the Company has triggered the Prescribed Criteria of paragraph 2.1(f) of Practice Note 17 ("PN17") pursuant to paragraph 8.04(2) of the Main Market Listing Requirements ("MMLR") whereby it has defaulted in payment by the listed issuers, its major subsidiary or major associated company, as the case may be, as announced pursuant to paragraph 9.19A of the MMLR as per announcement made on 8 July 2020.

Pursuant to the Bursa Malaysia's Circular dated 16 April 2020: Additional Temporary Relief Measures To Listed Issuer, Bursa will be granting affected listed issuers that triggers any of the following criteria under PN 17 of the MMLR ("Suspended Criteria") from 17 April 2020 to 30 June 2021 ("Relief Period") relief from complying with the obligation under paragraph 8.04 (3) and PN17 : -

a) its shareholders' equity on a consolidated basis is 25% or less of its share capital (excluding treasury shares) and such shareholders' equity is less than RM40 million.

b) auditors have highlighted a material uncertainty related to going concern or expressed a qualification on the listed issuer's ability to continue as a going concern in its latest audited financial statements and its shareholders' equity on a consolidated basis is 50% or less of its share capital (excluding treasury shares); and

NOTES TO
THE FINANCIAL STATEMENTS (CONT'D)
30 June 2021

35. Significant events (Cont'd)

iv) (Cont'd)

c) default in payment by the listed issuers, its major subsidiary or major associated company, as the case may be, as announced pursuant to paragraph 9.19A of the MMLR and the listed issuer is unable to provide a solvency declaration to the Exchange.

As the Company has triggered the Suspended Criteria (c) during the Relief Period, the Company has been granted a relief from complying with the obligations under the paragraph 8.04(3) and PN17 of the Main Market Listing Requirements ("PN17 Relief Measures") for a period of 12 months from the date of triggering the criteria.

Under the PN17 Relief Measures: -

a) the Company will not be classified as a PN17 listed issuer and will not be required to comply with the obligations pursuant to paragraph 8.04 (3) and PN 17 of the MMLR for a period of 12 months from the date of triggering the criteria;

b) the Company is still required to make an immediate announcement that it has triggered the Suspended Criteria and the relief provided ("Relief Announcement");

c) upon the expiry of the 12 months from the Relief Announcement, the Company must re-assess its condition and announce whether it continues to trigger any of the criteria PN 17 of the MMLR ("said Announcement"); and

d) if the Company continues to trigger any of the criteria in PN17 of the MMLR, it will be classified as a PN17 listed issuer and must comply with all the obligations under paragraph 8.04 (3) and PN17 of the MMLR, including the obligation to submit a regularisation plan to the relevant authorities within 12 months from the said Announcement.

Pursuant to the Bursa Malaysia's Circular dated 17 February 2021; Additional Temporary Relief Measures To Listed Issuers Amid The Evolving Covid-19 Situation, a listed issuer which triggers the PN17 Suspended Criteria, instead of 12 months, will have a period of 18 months from the date of PN17 Relief Announcement, to re-assess its condition and make the announcement whether it continues to trigger any of the criteria in PN17 of MMLR.

36. Material litigation

i) **ALLIANCE BANK MALAYSIA BERHAD -V- KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD (WA-22NCC-215-06/2020)**

On 22 June 2020, the Company and KSFI received a Writ of Summons together with the Statement of Claim filed by Alliance Bank Malaysia Berhad ("Plaintiff").

On 14 July 2020, the Company filed a Statement of Defence and Counter – Claim against the Plaintiff. The Counterclaims repeats the defense and the Company contends that the Plaintiff owes a duty of care to make reasonable inquiries and these breaches have been particularised as follows: -

1. the Plaintiff or their agents should have verified the documents of the 3rd party as the serial numbers of the invoices and Delivery orders are identical;
2. No Purchase Orders were attached;
3. Secret Ingredients Sdn Bhd invoices were cash invoice.

The case was struck out by the Court on 19 April 2021.

NOTES TO
THE FINANCIAL STATEMENTS (CONT'D)
30 June 2021

36. Material litigation (Cont'd)

i) **ALLIANCE BANK MALAYSIA BERHAD -V- KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD (WA-22NCC-215-06/2020) (Cont'd)**

Notice of Appeal (W-02(IM)(NCC)-878-04/2021) and (W-02(IM)(NCC)-882-04/2021)

On 26 April 2021, the Defendants filed Notice of Appeal. The next Case Management and Hearing of the Appeal proper have been fixed on 29 November 2021 and 15 December 2021 respectively.

Appeal Against the Decision for Stay of Execution (WA-22NCC-215-06/2020)

On 20 September 2021, the Plaintiff filed an Appeal Against the Decision for Stay of Execution.

The Company's solicitor is of the view that the Company has a fair chance of success.

ii) **KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD -V- MAYBANK ISLAMIC BERHAD (WA-22NCC-304-07/2020))**

On 15 July 2020, the Company and KSFI filed a Writ of Summons against Maybank Islamic Berhad ("Defendant") together with a Statement of Claim with details as follows: -

1. Damages for negligence;
2. Interest;
3. Costs; and
4. Any further relief as the Court deems fit and proper.

The case was struck out by the Court on 30 March 2021.

Notice of Appeal (W-02(IM)(MUA)-690-04/2021)

On 2 April 2021, the Defendant filed Notice of Appeal. The next Case Management and Hearing of the Appeal proper have been fixed on 29 November 2021 and 15 December 2021 respectively.

iii) **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' Counter claim 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. The next Case Management and Hearing of the Appeal proper have been fixed on 29 November 2021 and 15 December 2021 respectively.

36. Material litigation (Cont'd)

iii) **MAYBANK ISLAMIC BERHAD -V- KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD (WA-22M-269-07/2020) (Cont'd)**

Appeal Against the Decision for Stay of Execution (W-02(IM)(MUA)1536-08/2021)

On 12 August 2021, the Plaintiff filed an Appeal Against the Decision for Stay of Execution. The next case management of the Appeal for Stay has been fixed on 22 November 2021.

The Company's solicitor is of the view that the Company has a fair chance of success.

iv) **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 11 May 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. The next Case Management and Hearing of the Appeal proper have been fixed on 29 November 2021 and 15 December 2021 respectively.

Appeal Against the Decision for Stay of Execution (W-02(IM)(NCC)-1070-05/2021)

On 24 May 2021, the Plaintiff filed an Appeal Against the Decision for Stay of Execution. The hearing of the Appeal for Stay has been fixed on 15 December 2021.

The Company's solicitor is of the view that the Company has a fair chance of success.

v) **KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD -V- STANDARD CHARTERED BANK MALAYSIA BERHAD (WA-22NCC-309-07/2020)**

On 17 July 2020, the Company and KSFI filed a Writ of Summons against Standard Chartered Bank Malaysia Berhad ("Defendant") together with a Statement of Claim with details as follows: -

1. Damages for negligence;
2. Interest;
3. Costs; and
4. Any further relief as the Court deems fit and proper.

The case was struck out by the Court on 25 February 2021.

NOTES TO
THE FINANCIAL STATEMENTS (CONT'D)
30 June 2021

36. Material litigation (Cont'd)

v) **KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD -V- STANDARD CHARTERED BANK MALAYSIA BERHAD (WA-22NCC-309-07/2020)**

Notice of Appeal (W-02(IM)(NCC)-491-03/2021)

On 8 March 2021, the Plaintiff filed Notice of Appeal. The next Case Management and Hearing of the Appeal proper have been fixed on 29 November 2021 and 15 December 2021 respectively.

The Company's solicitor is of the view that the Company has a fair chance of success.

vi) **STANDARD CHARTERED BANK MALAYSIA BERHAD -V- KHEE 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.

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. The next Case Management and Hearing of the Appeal proper have been fixed on 29 November 2021 and 15 December 2021 respectively.

The Company's solicitor is of the view that the Company has a fair chance of success.

vii) **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 Standard Chartered 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.

36. Material litigation (Cont'd)

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

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. The next Case Management and Hearing of the Appeal proper have been fixed on 29 November 2021 and 15 December 2021 respectively.

Stay of Execution (WA-22NCC-396-08/2020)

On 16 July 2021, the Plaintiff filed a Stay of Execution application. The hearing of Stay of Execution application has been fixed on 17 November 2021

The Company's solicitor is of the view that the Company has a fair chance of success.

viii) **KHEE SAN FOOD INDUSTRIES SDN BHD -V- WONDER FOOD SDN BHD (WA-22NCC- 402-08/2020)**

On 26 August 2020, KSFI filed a Writ of Summon and Statement of Claim against Wonder Food Sdn Bhd for the outstanding trade debt amounted to RM35,980,745.87.

The case was struck out by the Court on 24 February 2021.

Notice of Appeal (W-02(IM)(NCC)-402-02/2021)

On 24 February 2021, the Plaintiff filed Notice of Appeal. The next hearing of the Appeal proper has been fixed on 8 December 2021.

The Company's solicitor is of the view that the Company has a fair chance of success.

ix) **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.

36. Material litigation (Cont'd)

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

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

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. The next Case Management and Hearing of the Appeal proper have been fixed on 29 November 2021 and 15 December 2021 respectively.

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. The next Case Management and Hearing of the Appeal proper have been fixed on 29 November 2021 and 15 December 2021 respectively.

Appeal Against the Decision for Stay of Execution (W-02(IM)(MUA)-1537-08/2021)

On 12 August 2021, the Plaintiff filed an Appeal Against the Decision for Stay of Execution. The next case-management of the Appeal for Stay has been fixed on 22 November 2021.

Appeal Against the Decision for Stay of Execution (W-02(IM)(NCC)-1315-07/2021)

On 6 July 2021, the Plaintiff filed an Appeal Against the Decision for Stay of Execution. The next case-management of the Appeal for Stay has been fixed on 17 December 2021.

The Company's solicitor is of the view that the Company has a fair chance of success.

x) **KHEE SAN FOOD INDUSTRIES SDN BHD -V- SECRET INGREDIENTS SDN BHD (WA- 22NCC-403-08/2020)**

On 26 August 2020, KSFI filed a Writ of Summon and Statement of Claim against Secret Ingredients Sdn Bhd for the outstanding trade debt amounted to RM2,095,505.63.

The case was struck out by the Court on 9 February 2021 and the Company will not initiate further action against the Defendant. Impairment loss was provided in previous financial period.

xi) **TUNAI IMPIAN ENTERPRISE SDN BHD -V- KHEE SAN FOOD INDUSTRIES (WA- 22NCC-387-08/2020)**

On 26 August 2020, KSFI received a Writ of Summons together with the Statement of Claim filed by Tunai Impian Enterprise Sdn Bhd for the outstanding debt amounted to RM18,655,891.63.

All parties entered into a consent judgement on 3 June 2021.

xii) **KHEE SAN FOOD INDUSTRIES SDN BHD -V- CHAN KA YUEN FOOD CO.LTD (WA- 22NCC-405-08/2020)**

On 28 August 2020, the Company announced that KSFI had filed a Writ of Summon and Statement of Claim against Chan Ka Yuen Food Co. Ltd for the outstanding trade debt amounted to RM8,711,147.55.

The case was struck out by the Court on 8 March 2021 and the Company will not initiate further action against the Defendant. Impairment loss was provided in previous financial period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30 June 2021

36. Material litigation (Cont'd)

xiii) **KHEE SAN FOOD INDUSTRIES SDN BHD -V- IMPO HOLDINGS PVT LTD. (WA- B52NCC-436-08/2020)**

On 28 August 2020, the Company announced that KSFI had filed a Writ of Summon and Statement of Claim against Impo Holdings Pvt Ltd for the outstanding trade debt amounted to RM408,088.02.

The case was struck out by the Court on 18 March 2021 and the Company will not initiate further action against the Defendant. Impairment loss was provided in previous financial period.

xiv) **KHEE SAN FOOD INDUSTRIES SDN BHD -V- FL JAPAN CO LTD (WA-22NCC-413-09/2020)**

On 1 September 2020, the Company announced that KSFI had filed a Writ of Summon and Statement of Claim against FL Japan Co Ltd for the outstanding trade debt amounted to RM4,732,684.23.

The case was struck out by the Court on 24 March 2021 and the Company will not initiate further action against the Defendant. Impairment loss was provided in previous financial period.

xv) **KHEE SAN FOOD INDUSTRIES SDN BHD -V- KIMOE TRADING (S) PTE LTD (WA-22NCC-412-09/2020)**

On 1 September 2020, the Company announced that KSFI had filed a Writ of Summon and Statement of Claim against Kimoe Trading (S) Pte Ltd for the outstanding trade debt amounted to RM13,811,274.11.

The case was struck out by the Court on 2 March 2021 and the Company will not initiate further action against the Defendant. Impairment loss was provided in previous financial period.

xvi) **KHEE SAN FOOD INDUSTRIES SDN BHD -V- HIPERALIMENTAR LDA (WA-22NCC-423-09/2020)**

On 4 September 2020, the Company announced that KSFI had filed a Writ of Summon and Statement of Claim against Hiperalimentar LDA for the outstanding trade debt amounted to RM1,268,767.85.

The case was struck out by the Court on 8 March 2021 and the Company will not initiate further action against the Defendant. Impairment loss was provided in previous financial period.

xvii) **KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD -V- BANK OF CHINA (MALAYSIA) BERHAD (WA-22NCC-466-09/2020)**

On 25 September 2020, the Company announced that the Company and KSFI, had filed a Writ of Summon and Statement of Claim against BOC.

The case was struck out by the Court on 2 March 2021.

Notice of Appeal (W-02-(IM)(NCC)-463-03/2021)

On 4 March 2021, the Plaintiff filed Notice of Appeal. The next Case Management and Hearing of the Appeal proper have been fixed on 1 December 2021 and 17 December 2021 respectively.

The Company's solicitor is of the view that the Company has a fair chance of success.

36. Material litigation (Cont'd)

xvii) **KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD -V- BANK OF CHINA (MALAYSIA) BERHAD (WA-22NCC-466-09/2020) (Cont'd)**

KHEE SAN FOOD INDUSTRIES SDN BHD -V- BANK OF CHINA (MALAYSIA) BERHAD (WA-24NCC-382-09/2021)

On 27 August 2021, BOC issued a notice pursuant to Section 466(1)(a) of the Companies Act 2016 and has given 21 days' notice to make payment pursuant to a consent judgment dated 5 December 2019. The Company has filed a fortuna injunction application to injunct BOC to file a winding up petition.

On 10 September 2021, the Court dismissed the aforesaid application.

xviii) **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 KFSI, 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 21 May 2021, the Defendant filed an application for leave to issue a 3rd Party notice to 8 Parties.

xix) **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.

36. Material litigation (Cont'd)

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

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) (Cont'd)

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 has allowed LBB's application for stay of execution of the leave order until 28 February 2022.

The next case management for 10-02(A)-931-05/2021 has been fixed on 28 February 2022.

The Company's solicitor is of the view that the Company has a fair chance of success.

STATEMENT BY DIRECTORS

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

We, Edward Tan Juan Peng and Mohanadas A/L K.P. Balan, 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 51 to 131 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 2021 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

Edward Tan Juan Peng

Mohanadas A/L K.P. Balan

Kuala Lumpur,
Date: 27 October 2021

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 51 to 131, 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 27 October 2021.

Voo Lip Sang @ Philip
MIA CA15143

Before me

Datin Hjh Raihela Wanchik (W-275)
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. 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	25,000	96,500
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. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") 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.

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

The ESOS had expired on 20 November 2020 and there is no further extension or renewal.

LIST OF
PROPERTIES OF THE GROUP
AS AT 30 JUNE 2021

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 2021 (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, Jalan Kolej, 43300 Seri Kembangan, Selangor Darul Ehsan	Freehold Own Use (35 to 54 years)	22,887.48	Factory and office	43,701,917
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 (44 to 49 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 (44 to 49 years)	531.13	1 unit of semipermanent single storey	504,761
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 (44 to 49 years)	428.18	1 unit of semipermanent single storey semi-detached house with 2 sections	835,249
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 (43 to 48 years)	413.14	1 unit of semipermanent single storey semi-detached house with 2 sections	426,085
					TOTAL	45,868,012

Note:
Revalued by Independent Professional Valuer
* *The last Revaluation of the Properties were performed on 28 June 2019*

ANALYSIS OF SHAREHOLDINGS

AS AT 8 OCTOBER 2021

Number of Shares Issued : 114,400,000
Voting rights : One vote for one ordinary share
No. of Shareholders : 2,514

DISTRIBUTION OF SHAREHOLDINGS

CATEGORY	NO. OF HOLDERS	%	NO. OF SHARES	%
Less than 100	171	6.80	2,921	0.00
100 - 1,000 shares	371	14.76	183,070	0.16
1,001 - 10,000 shares	1,208	48.05	5,499,759	4.81
10,001 - 100,000 shares	638	25.38	22,190,250	19.40
100,001 to less than 5% of issued shares	124	4.93	60,871,700	53.21
5% and above of issued shares	2	0.08	25,652,300	22.42
TOTAL	2,514	100.00	114,400,000	100.00

THIRTY (30) LARGEST SHAREHOLDERS

NOS.	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	DATO' DR NG MENG KEE	17,052,300	14.91
2	KOH CHEE MENG	8,600,000	7.52
3	KOH LIAN JIE	4,575,100	4.00
4	MAYBANK NOMINEES (TEMPATAN) SDN BHD BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR BEH KIM LING	2,700,000	2.36
5	LIANG CHIANG HENG	2,556,000	2.23
6	LIM SOK HUEY	2,434,200	2.13
7	TEE YEOW	2,337,200	2.04
8	SIOW YEOW HEW	2,294,500	2.01
9	KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY: RAKUTEN TRADE SDN BHD FOR BEH SUI LOON	2,287,200	2.00
10	KOH AH KUAN	2,284,800	2.00
11	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR PHANG CHET PING	1,880,900	1.64
12	YEOH KEAN BENG	1,864,000	1.63
13	TAN LAM MOOI	1,800,000	1.57
14	LIEW SWEE MIO @ LIEW HOI FOO	1,300,700	1.14
15	KU SOO LIH	1,250,000	1.09

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 8 OCTOBER 2021

NOS.	NAME OF SHAREHOLDER	NO. OF SHARES	%
16	TEM TEM SONG	1,128,900	0.99
17	YEOH WEI CHIEH	971,100	0.85
18	GAN THENG PUAT @ YEOW THENG PUAT	836,700	0.73
19	KUAH SOO HOON	739,300	0.65
20	NG HOCK CHUAN	700,000	0.61
21	JF APEX NOMINEES (TEMPATAN) SDN BHD BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR LEE CHEE KEONG	699,000	0.61
22	KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY: RAKUTEN TRADE SDN BHD FOR TAN JOON MIN	651,400	0.57
23	LIEW FOOK MENG	600,000	0.52
24	KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY: RAKUTEN TRADE SDN BHD FOR KOK SWEELY	595,500	0.52
25	TEM KOK LEONG	593,000	0.52
26	LOW LAY HONG	570,500	0.50
27	CHUA SIA HONG	570,000	0.50
28	CHUNG BELLENE	531,600	0.46
29	PHANG CHET PING	500,000	0.44
30	LIEW YOON KEE	498,800	0.44
	TOTAL	65,402,700	57.18

SUBSTANTIAL SHAREHOLDERS

		SHAREHOLDINGS			
		Direct Interest	%	Deemed interest	%
1	DATO' DR NG MENG KEE	17,052,300	14.91	-	-
2	KOH CHEE MENG	8,600,000	7.52	-	-

DIRECTORS' SHAREHOLDINGS

		SHAREHOLDINGS			
		Direct Interest	%	Deemed interest	%
1	EDWARD TAN JUAN PENG	-	-	-	-
2	DATO' HJ. MOHD ARIS BIN RAMLI	-	-	-	-
3	PROF. DR. HJ. MOHD AMY AZHAR BIN MOHD HARIF	-	-	-	-
4	MOHANADAS A/L K.P.BALAN	-	-	-	-

NOTICE OF
26TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 26th Annual General Meeting ("AGM") of KHEE SAN BERHAD ("the Company") will be conducted on a fully virtual basis at the Broadcast Venue at Putrajaya Marriott Hotel, IOI Resort City, 62502 Sepang Utara, Wilayah Persekutuan Putrajaya, Malaysia on Wednesday, 8 December 2021 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 2021 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 RM300,000 for the period from the date of this 26th AGM until the next AGM of the Company in 2022. **RESOLUTION 1**
3. To re-elect Dato' Hj. Mohd Aris Bin Ramli, who retire in accordance with Article 120 of the Company's Constitution and being eligible, have offered himself for re-election. **RESOLUTION 2**
4. To re-appoint Messrs Kreston John & Gan (AF 0113) as Auditors of the Company and to authorise the Directors to fix their remuneration. **RESOLUTION 3**

AS SPECIAL BUSINESS

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

5. **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 approvals from Bursa Malaysia Securities Berhad ("Bursa Securities") and any other governmental/ regulatory authorities, the Directors of the Company be and are hereby empowered, pursuant to Sections 75 and 76 of the Act, to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors of the Company may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company at the time of submission to the authority and shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." **RESOLUTION 4**
6. 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: 29 October 2021

NOTICE OF
26TH ANNUAL GENERAL MEETING (CONT'D)

Notes:

1. The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue. **No shareholders/proxies** from the public will be physically present at the meeting venue. Shareholders who wish to participate in the 26th AGM will therefore have to register via the link https://vps.megacorp.com.my/SxXcCE. Kindly refer to the annexure of the Administrative Guide for further information.
2. For the purpose of determining a member who shall be entitled to attend, speak and vote at the 26th AGM, the Company shall be requesting the Record of Depositors as at 2 December 2021. Only a depositor whose name appears on the Record of Depositors as at 2 December 2021 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.
3. 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.
4. 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.
5. 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 author ised nominee may appoint in respect of each omnibus account it holds.
6. 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.
7. The Form of Proxy or the instrument appointing a proxy and the power of attorney (if any) under which it is signed or authorised certified copy thereof must be deposited at office of the Poll Administrator, Mega Corporate Services Sdn. Bhd., Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur or e-mail to AGM-support.KSB@megacorp.com.my not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof. You also have the option to register directly at https://vps.megacorp.com.my/SxXcCE to submit the proxy appointment electronically not later than Monday, 6 December 2021 at 10.00 a.m. For further information on the electronic submission of proxy form, kindly refer to the annexure of the Administrative Guide.

EXPLANATORY NOTES

8. **Audited Financial Statements for the financial year ended 30 June 2021**

   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.

9. **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 ended 30 June 2022 and Benefits to the Directors. 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.

10. **Ordinary Resolution No. 2**

   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, Dato' Hj. Mohd Aris Bin Ramli is standing for re-election as Director and being eligible, has offered himself for re-election.

NOTICE OF
26TH ANNUAL GENERAL MEETING (CONT'D)

11. **Ordinary Resolution No. 3**

The Board had approved the recommendation by the Audit Committee on the re-appointment 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.

12. **Ordinary Resolution No. 4**

The proposed Ordinary Resolution 4 is a renewal mandate of the general mandate for the issuance of shares by the Company under Sections 75 and 76 of the Companies Act 2016.

The mandate, if passed, will give the Directors of the Company, the authority to issue and allot shares in the Company up to an amount not exceeding 10% of the total number of issued shares of the Company for the time being for such purposes as the Directors would consider to be in the best interest of the Company. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next AGM of the Company.

As at the date of this Notice, no new shares in the Company were issued under the provision of the general mandate granted to the Directors at the 25th Annual General Meeting held on 2 December 2020, which will lapse at the conclusion of the 26th Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF 26TH 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 26th 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 shareholders' approval on 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 4 as stated in the Notice of the 26th AGM of the Company for details.

ADMINISTRATIVE GUIDE
FOR THE 26TH ANNUAL GENERAL MEETING ("26TH AGM")

Date	:	**Wednesday, 8 December 2021**
Time	:	**10:00 a.m**.
Broadcast Venue	:	**Putrajaya Marriott Hotel, IOI Resort City, 62502 Sepang Utara, Wilayah Persekutuan Putrajaya, Malaysia**

Voting via Digital Ballot Form at a Virtual 26th AGM

1. **Shareholders will not be allowed to attend the 26th AGM in person at the Broadcast Venue on the day of the meeting.** Shareholders who wish to participate the 26th AGM will therefore have to do so remotely. Pre-registration of attendance is required via the link at https://vps.megacorp.com.my/SxXcCE (please refer to para 4 for further details). After the registration is validated and accepted, shareholders will receive an email with a link to grant access to the **Digital Ballot Form ("DBF")**.

2. With the DBF, you may exercise your right as a shareholder of the Company to participate (including to pose questions to the Board / Management of the Company) and vote during the 26th AGM, at the comfort of your home or from any location.

3. Shareholders may use the Questions' Pane facility (located at the top right corner of the screen) to submit questions in real time during the meeting via the Live-Streaming solution. Shareholders may also submit questions before the meeting via email to the following e-mail address in relation to the agenda items for the 26th AGM: AGM-support.KSB@megacorp.com.my

Registration Procedure

4. Kindly follow the steps below to ensure that you are able to obtain your DBF and details to log in to the Live-Streaming session to participate and vote remotely during the 26th AGM online:

   a. Open this link https://vps.megacorp.com.my/SxXcCE, or scan the QR code at the top right corner of this document, and submit all requisite details at least forty-eight (48) hours before the date of 26th AGM.

   b. Only shareholders are allowed to register their details online. Shareholders can also appoint proxies or Chairman of the meeting as proxy via online, as in step (a) above. Please ensure that your details are accurate as non-compliance would result in you not being able to participate in the Meeting.

   c. Alternatively, you may deposit your Proxy Form, duly completed with the proxy's email address and mobile phone number, at the office of the Poll Administrator:
      Mega Corporate Services Sdn. Bhd.
      Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan or;
      Submit via e-mail to:
      AGM-support.KSB@megacorp.com.my

   d. For corporate shareholders / nominee accounts, please execute Form of Proxy as per step (c) above.

   e. Upon verification on your registration, the Poll Administrator, Mega Corporate Services Sdn. Bhd., will send the following via email:
      i. **Meeting Link** - for the Live-Streaming Session
      ii. **DBF** - for Voting Purposes

ADMINISTRATIVE GUIDE
FOR THE 26TH ANNUAL GENERAL MEETING ("26TH AGM")

Record of Depositors ("ROD") for the 26th AGM

5. The date of ROD for the 26th AGM is Thursday, 2 December, 2021. As such, only shareholders whose name appear in the ROD will be entitled to participate, speak and vote at the 26th AGM or appoint proxy(ies) / corporate representative(s) to participate, speak and vote on his / her behalf

Poll Voting

6. The voting of the 26th AGM will be conducted by poll. The Company has appointed Mega Corporate Services Sdn. Bhd. as the Poll Administrator to conduct the polling process by way of e-voting, and Cygnus Technology Solutions Sdn. Bhd. as Scrutineers to verify the poll results.

7. Shareholders can proceed to vote on the resolutions and submit your votes during the voting period as stipulated in the DBF. Upon completion of the voting session for the 26th AGM, the Scrutineers will verify the poll results after which the Chairman will announce the poll results of the resolutions.

Enquiry

If you have any enquiries on the above, please contact the Poll Administrator during office hours (Monday to Friday):

Mega Corporate Services Sdn. Bhd.

Email	:	AGM-support.KSB@megacorp.com.my
Tel	:	+60 (3) 2692 4271
Alfred	:	+60 (12) 912 2734
Hisham	:	+60 (12) 252 9136

PROXY FORM

No. of shares held	
CDS Account No.	

Khee San Berhad
Reg No. 199401018697 (304376-A)

I/We * ________________________________ NRIC/Passport/Registration No.* ____________________
(Full name in block)
of ____
(Address)
with email address ____________________________ mobile phone no. ____________________

being a member/members* of **KHEE SAN BERHAD** ("the Company") hereby appoint(s):-

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			
Email Address			
Mobile Phone No.			

and / or*

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			
Email Address			
Mobile Phone No.			

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 26th Annual General Meeting ("AGM") of the Company to be conducted on a fully virtual basis at the Broadcast Venue at Putrajaya Marriott Hotel, IOI Resort City, 62502 Sepang Utara, Wilayah Persekutuan Putrajaya, Malaysia on Wednesday, 8 December 2021 at 10.00 a.m. or any adjournment thereof.

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 RM300,000 for the period from the date of this 26th AGM until the next AGM of the Company in 2022.				
2.	To re-elect Dato' Hj. Mohd Aris Bin Ramli who retires pursuant to Article 120 of the Company's Constitution.				
3.	To re-appoint Messrs Kreston John & Gan (AF 0113) as Auditors and to authorise the Directors to fix their remuneration.				
4.	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 ________________________ 2021

____
Signature(s)/Common Seal of Member

Fold this flap for sealing

Notes:-

1. The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue. **No shareholders/proxies** from the public will be physically present at the meeting venue. Shareholders who wish to participate in the 26th AGM will therefore have to register via the link https://vps.megacorp.com.my/SxXcCE. Kindly refer to the annexure of the Administrative Guide for further information.
2. For the purpose of determining a member who shall be entitled to attend, speak and vote at the 26th AGM, the Company shall be requesting the Record of Depositors as at 2 December 2021. Only a depositor whose name appears on the Record of Depositors as at 2 December 2021 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.
3. 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.
4. 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.
5. 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 author ised nominee may appoint in respect of each omnibus account it holds.
6. 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.
7. The Form of Proxy or the instrument appointing a proxy and the power of attorney (if any) under which it is signed or authorised certified copy thereof must be deposited at office of the Poll Administrator, Mega Corporate Services Sdn. Bhd., Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur or e-mail to AGM-support.KSB@megacorp.com.my not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof. You also have the option to register directly at https://vps.megacorp.com.my/SxXcCE to submit the proxy appointment electronically not later than Monday, 6 December 2021 at 10.00 a.m. For further information on the electronic submission of proxy form, kindly refer to the annexure of the Administrative Guide.

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"26TH ANNUAL GENERAL MEETING"

AFFIX
STAMP

The Poll Administrator
KHEE SAN BERHAD Registration No. 199401018697 (304376-A)
c/o MEGA CORPORATE SERVICES SDN BHD
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

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Khee San Berhad
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Lot 1819-1824 & 1832 Jalan Kolej
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43300 Selangor Darul Ehsan, Malaysia

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