
AT OFFICE SYSTEM®

**POH HUAT RESOURCES HOLDINGS BERHAD**
[199701027671 (443169-X)]

# Adaptive Innovations, Endless Possibilities

**ANNUAL REPORT 2021**

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## CORPORATE STATEMENT

"To enhance our position as the leading world class furniture manufacturer by providing high quality, innovative products and excellent customer service at competitive prices."

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Tun Md Raus Bin Sharif**
*(Chairman, Independent Non-Executive Director)*

**Tay Kim Huat**
*(Group Chief Executive Officer)*

**Tay Kim Hau**
*(Executive Director)*

**Toh Kim Chong**
*(Executive Director)*

**Tay Khim Seng**
*(Non-Independent Non-Executive Director)*

**Lim Pei Tiam @ Liam Ahat Kiat**
*(Non-Independent Non-Executive Director)*

**Boo Chin Liong**
*(Independent Non-Executive Director)*

**Chua Syer Cin**
*(Independent Non-Executive Director)*

## AUDIT COMMITTEE

**Chua Syer Cin**
*(Chairman, Independent Non-Executive Director)*

**Boo Chin Liong**
*(Independent Non-Executive Director)*

**Tay Khim Seng**
*(Non-Independent Non-Executive Director)*

## NOMINATING COMMITTEE

**Tun Md Raus Bin Sharif**
*(Chairman, Independent Non-Executive Director)*

**Boo Chin Liong**
*(Independent Non-Executive Director)*

**Chua Syer Cin**
*(Independent Non-Executive Director)*

**Tay Khim Seng**
*(Non-Independent Non-Executive Director)*

## REMUNERATION COMMITTEE

**Boo Chin Liong**
*(Chairman, Independent Non-Executive Director)*

**Chua Syer Cin**
*(Independent Non-Executive Director)*

**Tay Khim Seng**
*(Non-Independent Non-Executive Director)*

## RISK MANAGEMENT COMMITTEE

**Toh Kim Chong**
*(Chairman, Executive Director)*

**Boo Chin Liong**
*(Independent Non-Executive Director)*

**Chua Syer Cin**
*(Independent Non-Executive Director)*

## SENIOR INDEPENDENT DIRECTOR

**Chua Syer Cin**
*(Independent Non-Executive Director)*

## SECRETARY

**Pang Kah Man**
(SSM PC No.: 202008000183) (MIA 18831)

## REGISTERED OFFICE

No. 2 (1st Floor),
Jalan Marin,
Taman Marin, Jalan Haji Abdullah,
Sungai Abong, 84000 Muar,
Johor Darul Takzim.
Tel No. : 606 – 9510223
Fax No. : 606 – 9501490

## PRINCIPAL PLACE OF BUSINESS

PLO 1, Jalan Raja,
Kawasan Perindustrial Bukit Pasir,
Mukim Sungai Raya,
84300 Bukit Pasir, Muar,
Johor Darul Takzim.

## REGISTRARS

Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony,
No. 5, Jalan Professor Khoo Kay Kim,
Seksyen 13, 46200 Petaling Jaya,
Selangor Darul Ehsan.
Tel No. : 603 - 78904700
Fax No. : 603 - 78904670

## AUDITORS

Crowe Malaysia PLT
201906000005
(LLP001887-LCA) & AF 1018
Chartered Accountants

## Principal Bankers

HSBC Bank (Malaysia) Bhd.
HSBC Bank (Vietnam) Ltd.
Malayan Banking Bhd.
United Overseas Bank (Malaysia) Bhd.
United Overseas Bank (Vietnam) Ltd.
Public Bank (Vietnam) Ltd.

## Solicitors

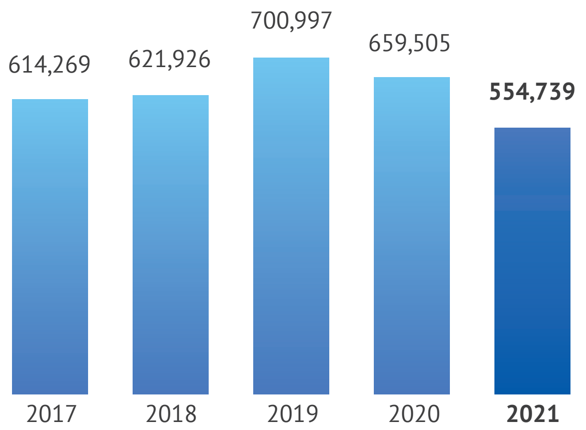
J.A. Nathan & Co.

## Stock Exchange Listing

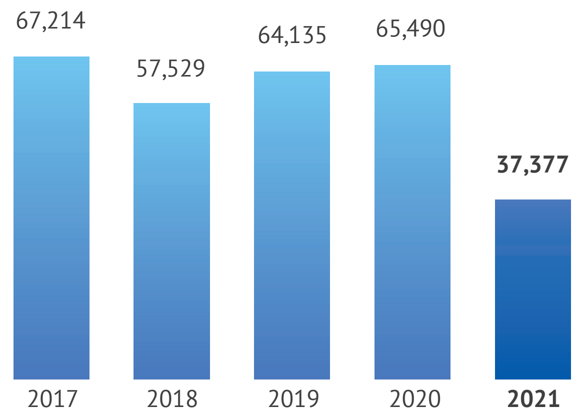
Main Market of Bursa Malaysia Securities Berhad

# GROUP FINANCIAL HIGHLIGHTS

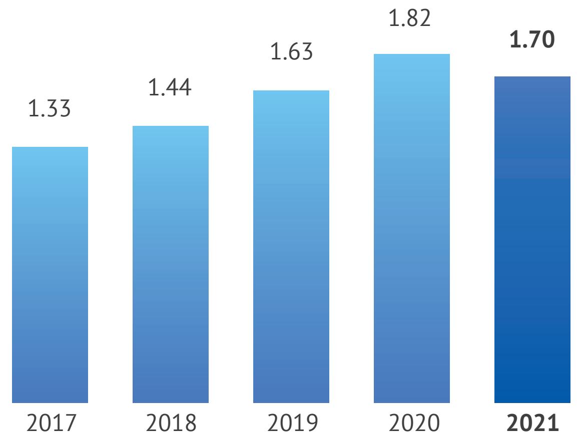
**Turnover**
(RM'000)



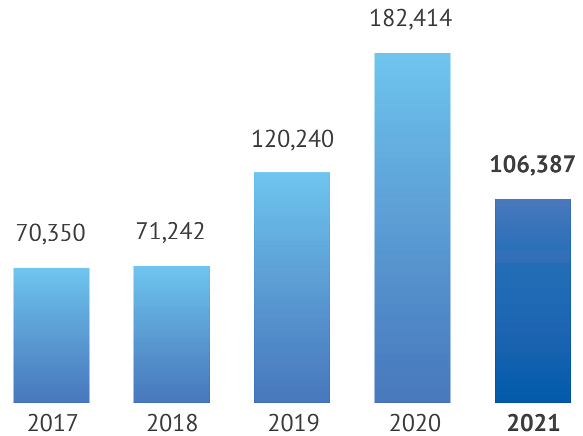

**Profit before tax**
(RM'000)



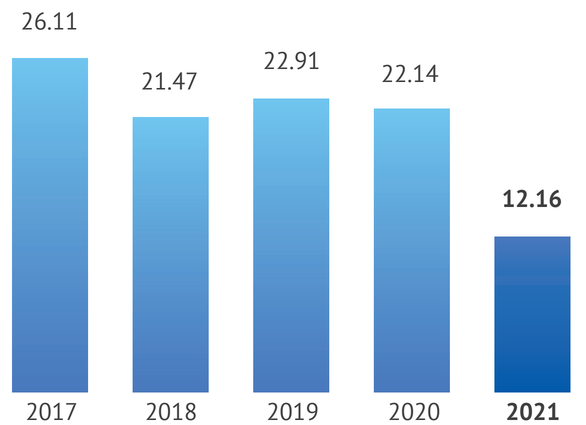

**Net assets per share**
(RM)



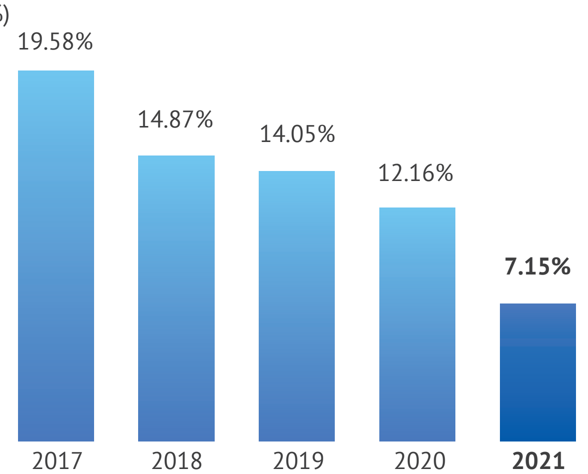

**Net cash**
(RM'000)




**Net earning per share**
(Sen)




**Return on equity**
(%)



# GROUP FINANCIAL HIGHLIGHTS (CONT'D)

| Financial year ended 31 October | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 | 2021 RM'000 |
|---|---|---|---|---|---|
| Turnover | 614,269 | 621,926 | 700,997 | 659,505 | 554,739 |
| Profit before tax | 67,214 | 57,529 | 64,135 | 65,490 | 37,377 |
| Profit after tax attributable to Owners of the Company | 55,772 | 47,138 | 50,899 | 51,910 | 32,218 |
| Net cash | 70,350 | 71,242 | 120,240 | 182,414 | 106,387 |
| Equity attributable to Owners of the Company | 284,912 | 316,991 | 362,151 | 426,776 | 450,818 |

| | sen | sen | sen | sen | sen |
|---|---|---|---|---|---|
| Net earnings per share | 26.11 | 21.47 | 22.91 | 22.14 | 12.16 |
| Dividend per share | 8.00 | 6.00 | 7.00 | 9.00 | 5.00 |
| Net assets per share | 133.38 | 144.37 | 163.03 | 181.99 | 170.14 |

| | % | % | % | % | % |
|---|---|---|---|---|---|
| Net profit margin | 9.08 | 7.58 | 7.26 | 7.87 | 5.81 |
| Return on equity | 19.58 | 14.87 | 14.05 | 12.16 | 7.15 |

# CORPORATE STRUCTURE

**POH HUAT RESOURCES HOLDINGS BERHAD**
[199701027671 (443169-X)]

100% Poh Huat Furniture Industries (M) Sdn. Bhd.

100% Contempro Furniture (Qingdao) Co. Ltd.

100% Poh Huat (Australia) Pty. Ltd.

0.01%

72.98%

100% PHW Properties Sdn. Bhd.

Poh Huat Furniture Industries Vietnam Joint Stock Company

100% Poh Huat International Sdn. Bhd.

27.01%

100% Poh Huat International (BVI) Ltd.

# MANAGEMENT DISCUSSION AND ANALYSIS


## 1. BUSINESS OVERVIEW

We are an established local furniture manufacturer with more than 35 years of experience in the international furniture business. We have our beginning in Muar, the heartland of Malaysia furniture industry in the South of Peninsular Malaysia and has over the years grown to be one of the key furniture players in South East Asia with manufacturing bases in Malaysia and Vietnam.

### Products and Markets

With an annual turnover of more than RM554 million, we are proud to be one of the leading furniture exporters in South East Asia. Our products have gained acceptance by customers in more than 30 countries. Of these, US and Canada are our main markets, making up about 79% and 17% of the group's total sales respectively, while the remaining of the sales come from UK, Malaysia, Singapore and the Middle East region. Broadly, we manufacture 2 types of furniture, namely office furniture and home furniture.

We offer a wide range of office suites for various segments of the office furniture market. The office furniture comprises mainly panel based office suites of various designs which are primarily manufactured from laminated particle boards and metal parts. The office suites comprise tables, work-tops, side extensions, counters, pedestals, cabinets and workstations. Our products are either original designs which carry our own branding or customers' specified designs which are sold under the customers' branding. Our main export markets are America, India, United Kingdom, Middle East, and South East Asia.

For the home and home-office furniture segment, we are primarily an original equipment manufacturer for major furniture importers/distributors in North America. We manufacture a wide range of bedroom suites and home-office suites for the medium and upper medium segment of the North American market. The bedroom suites comprise beds, nightstands, chests of drawers, dressers, mirrors and other bedroom fittings. Home-office suites are integrated home-workstation incorporating drawers, filing cabinets, pedestals and entertainment sets.

### Manufacturing Bases

Our manufacturing facilities and activities are organised according to the type of material and processes involved, namely panel based furniture which does not require spray finishing and wood based furniture involving spray finishing processes. The panel based products, which processes are more machine driven and hence more automated, are manufactured in our facilities in Malaysia whereas the wood based furniture which entails more elaborate manual driven fabrication and finishing processes are manufactured in Vietnam where we enjoy labour availability and cost advantages.

The Malaysia manufacturing base comprises 5 factories which are situated on 9.40 hectares of land in Muar, Johor. These factories have a total workforce

## Turnover

RM**555 MILLION**

of more than 1,000 people and are equipped with modern automated panel based wood-working machinery and finishing systems. The Muar factories specialise in the manufacture of panel based office, home and home-office furniture, primarily for the export market.

The manufacturing bases in Vietnam are situated in 2 locations, namely the districts of Binh Duong and Dong Nai, near Ho Chih Minh City, Vietnam. The Binh Duong manufacturing base comprises 3 factories, 1 administrative block and 1 hostel which are situated on 6.76 hectares of industrial land. The Dong Nai manufacturing base is sited on 12.39 hectares of industrial land and has 6 factories, 1 administrative building and 1 hostel. The 2 manufacturing bases in Vietnam have a combined workforce of close to 3,000 people and are equipped with modern woodworking machinery and finishing lines for large-scaled production of wooden household and home-office furniture. The furniture produced by these factories comprise mainly medium to upper-medium home and home-office furniture for the American market.

### 2. BUSINESS STRATEGIES

**"To enhance our position as the leading world class furniture manufacturer by providing high quality, innovative products and excellent customer service at competitive prices."**

We started as a local furniture manufacturer looking to expand our market reach overseas. One of the key objectives was to have our products exported to as many countries as possible to enhance our branding and market presence. In the late 1990s, we made a major breakthrough into the competitive US market with our home-office suites which led to the rapid expansion of our production facilities and export revenue. We had expanded our operations to Vietnam in 2002 and established ourselves as one of the leading furniture manufacturers in South East Asia with an established clientele in more than 30 countries.

#### Corporate Objectives

As a business entity, our main objective is to enhance shareholders' value by, first and foremost, exploring opportunities vis-à-vis enterprise risk appetite in a sustainable manner and providing a sustainable return on investment for our shareholders.

In the pursuit of our corporate objectives, we focus on 3 interrelated key success factors which form the pillars of our value proposition.

#### a) High Quality Innovative Products

Our products are designed and manufactured using quality raw materials and manufacturing processes that meet and/or exceed those specified by our customers.

In the design of our in-house office products, our key philosophy is to create pleasant, productive office environment with well-design office suites that integrate new office automation technology into the classic office environment. Our designs are regularly updated with new features and functionalities to accommodate new requirements of the varied demographics and preferences of our customers. Our materials are often higher than comparable or similar products, incorporating latest functional, aesthetic and ergonomic trends to meet our design goals and pricing targets without diminishing quality. We have established ISO 9001-2015 manufacturing processes that ensure that product quality standards, in-process quality control measures and final quality inspections are complied with.

On our original equipment market (OEM), we work with our customers at every stage of the product development and production program. In dealing with OEM customers, we employ a service differentiation strategy that focuses on the issues that are most important to the buyers such as product features and designs; materials construction and specifications; costing and pricing targets; production scheduling and quality control requirements.

### b) Excellent Customer Services

Customer services are an integral part of our product offering. Our customers service begins on first contacts with potential customers and continues thereon with products review; selection and development; order negotiation and production programme co-ordination; customers' quality control, warehousing, shipment co-ordination and delivery; trade credits and post delivery services, including warranties and replacements. Our emphasis is on long-term partnership with customers who are committed to sustainable business relationships.

**Profit After Tax**

**RM32 MILLION**

### c) Competitive Pricing

The third key factor in our product offerings is competitive pricing. We aim to deliver value vis-à-vis selling prices. Our value proposition combines innovative core product with value added customers' services. To mitigate the inevitable escalating costs of doing business, we work with customers to explore cost-saving designs and construction methodology during the product development stage so that target prices are met while providing reasonable returns for our efforts. In the manufacturing process, we continuously identify and implement measures to maximise production efficiency and lower production costs while maintaining the highest quality values. We work with our suppliers and business partners to ensure long-term access to important raw materials, supplies and support services at reasonable, predictable prices.

Our emphasis on the 3 value propositions have resulted in us building long-term, mutually beneficial relationship with our customers. We have received accolades from and is well recognised by top furniture companies in the US as one of the best furniture manufacturers in the South East Asia.

## 3. RISK FACTORS ASSOCIATED WITH OUR BUSINESS

We highlight below the key risk factors associated with our furniture manufacturing and exporting business. If any of these risks actually materialise, our business, results of operations, financial condition or future prospects could be negatively impacted. These risks are not the only ones we face. There may be additional risks that are presently unknown to us or that we currently believe to be immaterial that could affect our business.

***Adverse economic and industry conditions could have a negative impact on our business***

The furniture industry is particularly sensitive to cyclical variations in the general economy and to uncertainty regarding future economic prospects of the countries in which we export or sell to. Economic downturns in these countries could affect consumer spending habits by decreasing the overall demand for home furnishings. Changes in interest rates, consumer confidence, new housing starts, existing home sales, the availability of consumer credit and broader national or geopolitical factors have particularly significant effects on our business.

Financial difficulties experienced by our customers, including distributors, could result in lower orders, shipment delays and inventory issues and thereafter risks to trade receivables including delays in collection and greater bad debt expense. A downturn of these countries could also materially and adversely affect our ability to take advantage of market opportunities.

## Net Assets

RM451 MILLION

***The markets in which we operate are highly competitive and we may not be successful in winning new business.***

The furniture industry is competitive and fragmented with many players competing for new business in the global furniture trade. Many of our competitors offer similar categories of products, namely office furniture including integrated office systems and freestanding office furniture and residential furniture including bedroom suites and home-office furniture solutions.

We believe that our innovative product design, excellent customer services and strong manufacturing capabilities differentiate us in the marketplace. Through this strategy we are working closely with our customers to take advantage of developing trends within existing markets and explore growth opportunities in new markets with supportive demographics. With close co-operation, we strive to build long-term sustainable relationship with our customers.

The above notwithstanding, increased market competition and pricing pressure could make it difficult for us to win new business with certain customers and within certain market segments at acceptable profit margins. The loss of business from one or more of our key customers in the US may have an immediate and adverse impact on the Group's operational and financial performance.

***Increases in the market prices of raw materials may negatively affect our profitability.***

As manufacturer, the cost of key direct materials used in our manufacturing and assembly operations are sensitive to shifts in commodity prices. In particular, the costs of solid wood, MDF, particleboards, veneers, metal components, finishing materials and carton boxes are sensitive to the market prices of commodities such as lumber, metals, crude oil, paper and resins. The market prices base commodities are affected by availability and supply demand dynamics.

Increases in the market prices of these key direct materials will have an adverse impact on our profitability if we are unable to offset or mitigate such cost increases by passing the increase in raw materials to our customers.

***Disruptions in the supply of raw materials and components could adversely affect our manufacturing operations.***

We rely on outside suppliers to provide on-time shipments of the various raw materials and component parts used in our manufacturing and assembly processes. The availability and timeliness of deliveries of these materials and components are critical to our ability to meet customer demand. We have put in place, as part of our production and risk management policy, raw materials buffers or reserves to accommodate temporary shortage or delivery disruption. These notwithstanding, any material disruptions in this flow of delivery could result in us not being able to meet customers' demands which will have a negative impact on our sales, earnings, financial condition and liquidity.

***Increasing competition for production and skilled workers could adversely affect our business.***

The success of our manufacturing operations and implementation of our business strategy depends, in part, on our ability to attract and retain both production and skilled / talented workers. The increasing competition for production workers and skilled / talented employees could result in shortage of labour, higher compensation costs, difficulties in maintaining a capable workforce and management / leadership succession planning challenges.

***Changes in foreign government regulations and in the political, social and economic climates of the countries from which we sell our products.***

Changes in political, economic, and social conditions, as well as in the laws and regulations in the foreign countries from which we sell our products could adversely affect our revenue, earnings, financial condition and liquidity. These changes could make it more difficult to provide products and service to our customers or could increase the cost of those products. International trade regulations and policies of the countries which we sell our products to could adversely affect our sales. Imposition of trade sanctions and restrictions relating to imports, taxes, import duties and other charges on imports affecting our products could increase the prices to our customers and could decrease our sales and financial performance.

***Changes in the value of the US Dollar compared to the currencies for the countries from which we operate.***

For our export products, we generally negotiate firm pricing with our foreign buyers in US Dollar. Since we transact our exports in US Dollar, a relative decline in the value of the US Dollar could result in lower sales proceeds in our local currency and vice versa. These exchange rate changes could decrease or increase in our sales, earnings and liquidity during affected periods.

In Malaysia, we do not enter any forward currency contracts to hedge our US Dollar sales and we accept the exposure to exchange rate movements during the negotiated periods. We convert about 75% of our US Dollar sales proceeds for local operations requirement while the remaining 25% US Dollar proceeds will be used for purchase of imported raw materials which form a natural hedge in the Malaysia operations.

As for our Vietnamese operations, the Vietnamese Dong has historically depreciated against US Dollar. Therefore, we maintain our sales proceeds in US Dollar accounts and convert to Vietnamese Dong for operational requirements. Surplus will be kept in US Dollar accounts in Vietnam.

***Specific covid-19 related risks and mitigation***

The Covid-19 outbreak has evolved into a global pandemic. In light of the far reaching economic and social repercussions brought on by the Covid-19 pandemic, the Group has made specific efforts on assessing, identifying and mitigating the potential operational risks faced by the Group's furniture manufacturing operations. In this process, the following are the key risks identified and, where applicable, mitigation measures implemented:

***a) Contagious Disease Risk***

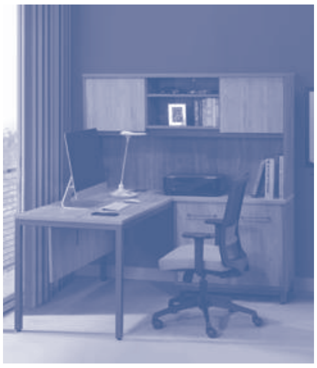
The pandemic has highlighted the importance of the safety, health and well-being of all our employees and other stakeholders and the adverse effects on the operations, financial performance and wellbeing of all stakeholders of the Group. Guided by government's guidelines and global best practices, we quickly devised and implemented Covid-19 related prevention and safety measures that include:

- regular Covid-19 screening and status verification for all employees and visitors;
- distribution of masks and hand sanitisers;
- segregation of production areas and work-flows to ensure social distancing requirements;
- sanitising workplace regularly especially common areas and workers' hostel;
- flexible working arrangement to enable employees to work from home; and
- use remote / virtue meetings for discussions / meetings with suppliers, customers and other stakeholders.

In the event of the detection of any cases amongst employees, the effected employees will be segregated and relevant risk areas or processes halted.

***b) Supply Chain Risks***

The Covid-19 pandemic has resulted in unprecedented challenges in most businesses. The health precautions and movement restrictions have caused major disruption in the supply chains. The health and safety



requirements, production interruptions and manpower shortages have caused shortage of supply and higher production costs / prices for almost all primary, secondary / semi-processed goods / parts and finished goods. We undertook the following measures to mitigate supply chain risks:-

- Covid-19 prevention and health safety measures to ensure availability of labour for continued production;
- Negotiate and make arrangements with suppliers to ensure availability of key raw materials at reasonable prices;
- Increase raw materials and finished good inventory as buffer for supply or shipment interruptions;
- Negotiate with customers for price adjustments to mitigate rising costs of materials and productions; and
- Co-ordinate with customers on production and delivery schedules to manage orders and backlogs, shortage of containers and other logistic disruptions.

***c) Market Risks***

The Covid-19 pandemic and the preventive measures taken by governments worldwide to curb this pandemic have placed significant pressure on the well-being of people, businesses and economy of most countries. While the US economy, our main market, appears to have recovered from the Covid-19 driven slowdown, we remain cautious on the near-term prospects of the Group due to the continued risks or infections as well as challenges faced by supply chain, operations and logistics restrictions.

**4. OVERVIEW OF THE BUSINESS ENVIRONMENT**

***Global Furniture Trade***

High demand for branded home furniture coupled with rising spending capacity of consumers on home decor products are some of the driving factors for the growth of this market. Prior to the Covid-19 pandemic, the global furniture market was valued at USD 610 billion in 2019, with an expected growth rate of 5.4% p.a from 2020 to 2026. However, like all other industries, the furniture industry took a massive hit in the year 2020-21 due to the ever-rising Covid-19 pandemic. Demand, however, recovered following the initial months of pandemic lockdown in 2020 as demand for home and home office furniture grew in line with the staying and working from home movement and furniture supply channel found ways to fulfil these requirements. Although furniture trade for 2020 and 2021 is expected to contract due to Covid-19 pandemic, global demand for furniture will continue its growth once global economy recovers and reverts to normalcy.

China continues to take top position as the world's largest furniture manufacturer. Prior to the US-China trade war, China accounted for nearly 40% of global production with China made furniture accounted for more than 50% of total imports by the US. The imposition of import tariffs on China products which started in mid-2018 had resulted in a noticeable shift in US source of furniture imports from Vietnam and Malaysia, with Vietnam recording the most increase from about 12% to 25% while Malaysia share increasing from about 2% to 5%.

***US Furniture Market***

With more than 90% of our exports going to US and Canada, the economic wellbeing of these countries is key to the performance of the Group. Leading indicators such as new home sales, mortgage rates, business confidence, employment and household income are considered to be bellwethers for demand of household furniture and furnishing in the US.

In 2020, the US economy shrank an estimated 3.5% in 2020 as Covid-19 hits in full-force in March 2020. The home furnishings industry fared better than the overall economy, as sales grew an estimated 0.6% to USD 115 billion in 2020, driven by demand for furniture as consumers stayed and worked from home.

Traditionally, US consumers want quality and durability when they purchase furniture. Consumers expect wall décor and wood furniture to have a longer comparative life span. While US shoppers care about quality more than price levels, millennials who are now entering the market have shown they are more price-sensitive than other age cohorts. Changes in demographics and with younger generation becoming consumers, online stores are becoming the fastest-growing channel. The movement for sustainability has also gained traction with consumers now paying more attention to eco-friendly and sustainable sourcing and manufacturing furniture.

Some of the more notable trends in the US furniture market are as follows:

***a) Increased Interest in Eco-Friendly Furniture***

Sustainability has become an important topic in many different industries, and furniture is no exception. Furniture manufacturers have been influenced by business and consumer interests in green products and manufacturers are increasing focus on sustainability on how they are manufactured to reduce environmental impacts.

***b) More Flexible Workspaces and Working from Homes***

As remote work has become more common and technology has evolved, employees are no longer tethered to their desks, and workplace designs and office furniture have changed significantly as well. Cubicles and private offices have given way to office and home environments with flexible workspaces where employees can work from home and in groups of different sizes. Flexible and remote working arrangements have resulted in fluctuating workforce present at offices. This gave rise to stronger demand for home and home-office furniture as people have to organise their daily activities mostly at home. Manufacturers are designing and producing furniture that are modular and flexible to accommodate shared workspace and home-offices.

***c) The Growth of Online Furniture Sales***

The most notable and disruptive shift is the rise of e-commerce in the furniture industry. Projections cited in the report E-Commerce : United States Report expects furniture and furnishings to be the fastest-growing segment of e-commerce sales through 2022 as more and more millennials are starting new families and are more willing to buy items online because of costs and convenience. The Covid-19 pandemic also accelerated furniture e-commerce. In the early stages of the pandemic, non-essential businesses closed, and many consumers shopped through online to avoid exposure to Covid-19. In response, major furniture manufacturers set up online presences. But even before Covid-19, the rise of e-commerce in the furniture industry had already been underway for years. As part of the "Amazon effect," the retail market shifted increasingly online through popular sites.

***d) Obesity and the Need for Larger Furniture***

The need for flexible workspaces isn't the only factor changing office furniture designs. Obesity is another factor that businesses must keep in mind. About 40% of U.S. adults are obese, up from 15% in 1990. These rising obesity levels have had an impact on furniture design, particularly for office chairs, as businesses strive to accommodate larger body sizes in both dimension and weight.

**5. BUSINESS OPERATIONS REVIEW**

While the global furniture trade has been affected by trade tensions, weaker economic growth and the disruption from the Covid-19 pandemic, demand for household furniture in the US remains strong, driven mainly by the sustained momentum of the US housing sector and more recently by a shift in the manner in which people carried out their daily routines during the Covid-19 pandemic era.

We are also happy to report that global furniture trade recovered significantly following the drastic halt in almost all furniture retail and manufacturing activities in the first three months of the pandemic in 2020. During the first half of the financial year, we were busy fulfilling orders which were previously cancelled and rescheduled with shipment recovered to pre-pandemic level of RM184 million in first quarter ended 31 January 2021.

Despite steady progress during the first half of the financial year, we were again forced to halt production for 1 week from end January 2021 after several Covid-19 cases were detected amongst our workers. We worked closely with Malaysia's Health Ministry (KKM) to implement the mitigating steps to contain the spread of Covid-19 at our factories. With the SOPs established during the first MCO in March 2020, we were able to contain the spread of the virus and successful resumed operations on 4 February 2021 with minimum production interruption.

The rapid spread of the Delta variant in May 2021 however had resulted in the Malaysian government implemented a total lockdown on 1 June 2021 (FMCO). In compliance with the FMCO, our operations again had to be halted and our factories remained closed until mid September 2021, after most of our employees were fully vaccinated.

In Vietnam, we faced similar constrains with operations halted since 19 July 2021 where the government of Vietnam first imposed a total lockdown in most districts in and around Ho Chi Minh. We were only able to re-commence manufacturing operations from 11 October 2021 in our Binh Duong facilities and 18 October 2021 in our Dong Nai facilities.

The lockdowns both in Malaysia and Vietnam had impacted our supply chain negatively. The lockdowns had resulted in reduced supply of raw materials and had experienced subsequent workforce issues like reduced operational hours, lower workers counts and social distance requirements. However, we had the resources to secure sizeable amounts of raw material inventory to ensure that our operations run uninterrupted, except during regulatory imposed production halts.

The Covid-19 pandemic had also caused interruptions in movements of goods around the world. We received feedbacks from customers on shortage of containers and rising costs of shipment and we experienced build-up of finished goods inventories which impacted our production schedule. The situation became more severe in 2021 and had resulted in delays in shipment of orders to our customers.

As we have mentioned previously, we have put in place planned investment in automation and upgrading of manufacturing process to improve the

operating efficiency and reduce reliance on manual labour thus, mitigating labour shortage and rising labour costs. During the year, we have invested in machineries close to RM4 million in both of our Malaysia and Vietnam factories. We also recognised the importance of keeping our workforce safe and healthy. We have progressively improved the living conditions and accommodation facilities for our foreign workforce, the most recent being additional flatted hostels for our Muar foreign workers.

Covid-19 travel restrictions have forced us to tap into the digital tools to serve our customers, manage orders and delivery schedules. The move to online channels notwithstanding, we remain committed to the traditional brick-and-mortar channel, especially to the local market where physical interactions, albeit with necessary social distancing SOPs, remain important. We have set up a new warehouse cum showroom and sales office in Serenia City near to Kuala Lumpur International Airport to serve local and also foreign customers when business travels are permitted.

## 6. FINANCIAL REVIEW

### Revenue

The demand for home furniture remained strong during the year as many American families stayed at and worked from home. Anticipating supply chain interruptions, our customers continued to place orders throughout the year. Despite sustained orders, outbreak of Covid-19 cases had brought about several rounds of major interruptions in our operations in Malaysia and Vietnam, the latest production halts lasting almost 4 months from early June to mid September 2021.

Despite these challenges, we managed to report a commendable turnover of RM555 million compared to RM660 million in the previous financial year ended 31 October 2020. Year-on- year, the Group recorded lower USD sales revenue of USD132 million compared to USD155 million in the previous year.

Our Vietnam operations continued to do well with shipment of RM349 million for the current financial year against RM365 million in the previous year. Responding to the spread of Covid-19 in the districts in and around Ho Chi Minh, our Vietnam factories ramped up productions in the months after the 2021 Chinese New Year festival and were able to plan strategically with our customers to build some finished goods inventory to fulfill some orders into the months from July to October 2021, during which production activities were halted.

In Malaysia, we recorded markedly lower shipment of RM206 million in the current financial year against RM294 million, mainly due to backlog of orders arising from the 3½months of production halt.

### Manufacturing Costs

Covid-19 disruptions had impacted the Group's manufacturing activities and efficiency. Costs of goods manufactured rose from 81.8% of sales in the previous financial year to 83.5% of sales in the current financial year. Total material costs consumed, as a percentage of sales, rose from 57.1% in the previous financial year to 57.8% in the current financial year. Overall, the increase in raw material costs were mainly due to prices escalations for key raw materials such as wood products, hardware and packing materials for the current financial year due to supply chain restrictions/interruption issues.

Given the increasing trend of raw material prices and the possibility of more supply chain interruptions, the Group had progressively increased raw material inventory, particular wood and panel, being the major raw material components in operations as seen in the level of our closing raw materials inventory.

Total direct labour costs, as a percentage of sales, were broadly the same at 13.4% in the current financial year compared to RM13.3% in the previous financial year. In line with the health precautions and safety measures, we reduced overtime and scaled back labour force to mitigate labour costs escalation as we continued to pay basic salary to workers during the months where productions were halted due to government directives.

Total factory overheads as a percentage of sales rose from 11.5% in the previous financial year to 12.3% in the current financial year, due mainly to the Covid-19 production halts for both our Vietnam and Malaysia operations.

### Gross Profit

In line with the challenges faced by our manufacturing operations, Group gross profit for the year ended 31 October 2021 were significantly lower at RM92 million compared to RM120 million in the previous financial year. Gross profit margin similarly weakened from 18.2% to 16.5% during the same period. As indicated above, the weakening of gross profit margin was attributable to higher material costs and lower plant utilisation in the current financial year.

**Operating Expenses**

In line with lower shipment of furniture, total selling and distribution costs reduced from RM29 million in the previous financial year to RM26 million in the current financial year. Container and haulage dropped by RM2 million to RM14 million while sales commission reduced by RM1 million to RM2 million during the same period as selling and promotional activities further curtailed amidst movement restrictions. Therefore, total selling and distribution costs as a percentage of sales rose from 4.4% in the previous year to 4.8% in the current financial year.

Total administration expenses as a percentage of sales increased from 4.3% in the previous financial year to 5.5% in the current financial year due mainly to the relatively fixed expenses despite the more than three months production halt during the year.

**Finance Costs**

The Group's finance costs were broadly the same at RM1 million in both financial years in 2020 and 2021.

**Profit Before Tax**

In line with the weaker operating results, the Group recorded a lower profit before tax of RM37 million in the current financial year compared to a profit before tax of RM65 million in the previous financial year. Profit before tax margin dropped to 6.7% in current financial year from 9.9% previously.

In term of geographical segment, our Malaysia operations reported a significant drop in profit before tax from RM35 million in the previous financial year to RM4 million in current the financial year, due mainly to the 2 MCOs imposed production halts which cumulatively lasted for more than 3 months. Nevertheless, we were fortunate that our Vietnam operations reported a higher profit before tax of RM33 million in the current financial year against RM31 million in the previous financial year. The better results from Vietnam attributable to the coordinated increase in production run after the 2021 Chinese New Year holiday and steady increases in average selling prices to reflect escalating raw material and production costs.

**Taxation**

For the financial year ending 31 October 2021, income tax rate for our Malaysia operations was estimated to be 21% against the statutory rate of 24%. The lower tax rate was due mainly to the RM1 million gain from the land disposal which was charged at 17% under Malaysian real property gain tax. Taxation rate for Vietnam subsidiary was estimated at 15% which was on par with the local statutory tax rate. Meanwhile, a RM835,000 reversal of deferred tax was accounted for during the current financial year due to overprovisions in prior years.

**Profit After Tax Attributable to Owners of the Company**

The Group reported a lower profit after tax attributable to owners of the Company of RM32 million in the current financial year compared to RM52 million in the previous financial year. Segmental wise, Malaysia plant's profit after tax reduced from RM27 million in the previous financial year to RM3 million in the current financial year while Vietnam plant's profit after tax increased from RM26 million to RM29 million during the same period.

**Liquidity and Capital Resources**

Given the lower level of profitability, our net cash from operating activities before working capital changes were correspondingly lower at RM47 million in the current financial year compared to RM74 million from the previous financial year. As a preemptive measure, we increased our inventory levels, particular raw materials to ensure that continuous production even during instances of supply chain disruptions. Our stocks level increased substantially from RM93 million as at 31 October 2020 to RM127 million as at 31 October 2021. Given the heighten economic uncertainties and the need for financial liquidity, we focused on sales collection and reduced trade payables. Both trade receivables and payables reduced significantly by RM29 million each to about RM22 million and RM44 million respectively as at 31 October 2021.

Despite challenging times, we continued to invest in our production facilities. Net cash used for purchase of properties, plant and equipment increased from RM7 million in the previous financial year to RM14 million in the current financial year, of which RM8 million was used to construct the new hostel and factory building while another RM4 million was used to replace obsolete machineries and to further improve automation processes.

The Group has been careful in ensuring that it has sufficient liquidity, especially during economic downturns. With a net cash position of about RM182 million as at the end of the last financial year, the Group is comfortable that it has sufficient cash reserved to meet its operational and capital investments. With due consideration to the risks-return profile and liquidity of short-term money market investments, the Group placed approximately RM40 million of its cash reserve in Syariah compliant short-term investments which is expected to have a better yield than conventional fixed deposits or money market placements.

Given the net investment in production machinery and placement of funds in the above mentioned Syariah compliant investment fund, the Group's net cash position moderated from RM182 million as at 31 October 2020 to RM106 million as at 31 October 2021.

**Gearing**

Total Group bank borrowings increased from RM9 million as at 31 October 2020 to RM11 million as at 31 October 2021. The borrowings comprise mainly outstanding trade facilities from the Vietnam operation.

**Dividend Payout**

During the current financial year ended 31 October 2021, the Directors had declared a first interim dividend of 1 sen per share on 25 March 2021 and a second interim dividend of 2 sen per share on 25 October 2021.

On 30 December 2021, the Directors have also recommended a final dividend of 2 sen per share for shareholders' approval at the Company's Annual General Meeting on 21 April 2022. If approved, the final dividend will be paid on 10 May 2022 to depositors registered in the Record of Depositors of the Company at the close of business on 15 April 2022.

The total dividend declared / proposed of 5 sen per share works out to RM13 million or 41.1% of profit after tax attributable to Owners of the Company in the current financial year ended 31 October 2021.

## 7. FUTURE PROSPECTS

A global economic recovery is underway as vaccination increases and lockdowns have or are being lifted in many countries. With relaxation of movement restrictions and resumption of economic and social activities, third quarter of 2021 will likely show some strong GDP growth rates.

In US, the recovery stimulus and the work at home and stay-at-home movements gave rise to stronger demand for home and office furniture following the first movement restrictions in the second quarter of 2020 as witnessed by the sustained orders from our US customers. As the trend of economic recovery continues across the United States, Furniture Today estimates the home furnishings industry will grow by 4% in 2021, reaching nearly USD 120 billion. Furniture Today predicts the furniture industry will enjoy a strong year in 2021 with furniture sales largely driven by the growing trends of remote workers and consumers spending more time at home, as well as shifting consumer attitudes.

While demand remains strong, our operations were adversely affected by the worsening spread of the more contagious Delta variant of the Covid-19 virus. The rapid spread of the Delta variant in the middle of 2021 had resulted in both the Malaysian and Vietnamese governments implementing lockdowns in their respective countries. Both our Malaysia and Vietnam operations were halted for about 3½ months until October 2021. To-date, most of our workers had been fully vaccinated and our factories in Muar had resumed full operations since mid-September 2021.

While Malaysia is progressing well on vaccinating its population, movement restrictions and concerns over the continued high cases and more contagious variants remains. Covid-19 imposed movement restrictions and closure of borders led to shortage of

workers, particularly on our furniture manufacturing industry which rely on foreign labour. This has profound impact on our supply chain, leading to shortage of supply, higher material costs and capacity constraints.

The Covid-19 pandemic has also caused disruption in international trade and global logistics. Trade imbalances and dislocation of shipping containers worldwide have cause shortage of shipping containers and soaring shipment costs. Higher freight costs, uncertainties in shipping schedule and Covid-19 related economic uncertainties have adverse impact on customers' decision in placing orders.

Given the uncertainties and challenges ahead, our priorities are now on balancing the safety and welfare of our staff while mitigating operational costs and constrains to ensure our business viability. We are working closely with all stakeholders in ensuring stability in our supply chain, resumption and continuity of our manufacturing operations and re-scheduling shipment of orders to our customers so that the interests of all stakeholders are safeguarded.

To stay ahead of our competitors, we will continue to adjust our products offerings to cater for these changes in demographics and market trends.

# INFORMATION ON DIRECTORS

## Tun Md Raus Bin Sharif

*Chairman*
*(Independent Non-Executive Director)*

**Nationality**: Malaysian
**Gender** : Male
**Age** : 70

Tun Md Raus Bin Sharif was appointed to the Board of the Company as an Independent Non-Executive Director and Chairman of the Board on 15 September 2020. He is also the Chairman of the Nominating Committee.

Tun Md Raus began his legal career in 1976 as an officer in the Judicial and Legal Service where he held various posts, including Magistrate President of the Sessions Court, Deputy Public Prosecutor, Legal Advisor to the Ministry of International Trade, Ministry of Defence and Ministry of Home Affairs. He had also served as the State Legal Advisor for Malacca and Kelantan. His last posting with the Judicial and Legal Service was as the Treasury Solicitor with the Ministry of Finance.

In 1 November 1994, Tun Md Raus was appointed as a Judicial Commissioner and elevated as a High Court Judge on 12 January 1996. During his tenure as a High Court Judge, he had served in Shah Alam, Muar and Penang as well as in Kuala Lumpur Criminal Division, Civil Division (Family Court), Commercial Division and the Appellate and Special Powers Division.

Tun Md Raus was elevated to the Court of Appeal on 28 July 2006. Thereafter on 14 October 2009, to the Federal Court. On 12 September 2011, he was appointed as the President of the Court of Appeal. Tun Md Raus reached the pinnacle of his judicial career when he assumed the office as the 14th Chief Justice on 1 April 2017.

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

## Mr Tay Kim Huat

*Group Chief Executive Officer*
*(Non-Independent Executive Director)*

**Nationality**: Malaysian
**Gender** : Male
**Age** : 66

Mr Tay Kim Huat was appointed to the Board of the Company as Managing Director on 9 December 1999 and was re-designated as Group Chief Executive Officer on 14 June 2017.

Mr Tay is the co-founder of Poh Huat Furniture Industries (M) Sdn Bhd, the main operating subsidiary of the Group. With more than 40 years of experience in the furniture manufacturing industry, Mr Tay leads the Group in areas of strategic planning, business development, new ventures and investment. He is also actively involved in key operational aspects of the business of the Group, particularly in areas of purchasing and market development. He has been the main driving force behind the continuous introduction of new products and is instrumental in the rapid expansion of the operations of the Group, particularly in the overseas ventures and investments undertaken by the Group.

He presently has business interest in and is a director of several private limited companies.

He is not a director of any other public company. He is the brother of Mr Tay Kim Hau, an Executive Director and shareholder of the Company and Mr Tay Khim Seng, a Non-Executive Director and shareholder of the Company.

## Mr Tay Kim Hau

*Executive Director*
*(Non-Independent Executive Director)*

**Nationality**: Malaysian
**Gender** : Male
**Age** : 74

Mr Tay Kim Hau was appointed to the Board of the Company on 9 December 1999 and is presently an Executive Director.

Upon completion of his secondary education in 1968, Mr Tay joined Nippon Paint (M) Sdn Bhd as a Production Supervisor and has held various positions in the company before resigning from the position of Factory Manager of Nippon Paint (M) Sdn Bhd in 1996. Thereafter, he joined Poh Huat Furniture Industries (M) Sdn Bhd as its General Manager and was subsequently appointed to the Board of the Company in February 1998. Mr Tay retired from his position of General Manager in 2007 but as an Executive Director, and remains involved in the areas of marketing and business development of the Group.

He is not a director of any other public or private company. He is the brother of Mr Tay Kim Huat, the Group Chief Executive Officer and major shareholder of the Company and Mr Tay Khim Seng, a Non-Executive Director and shareholder of the Company.

## Mr Toh Kim Chong

*Director*
*(Non-independent Executive Director)*

**Nationality**: Malaysian
**Gender** : Male
**Age** : 47

Mr Toh Kim Chong was appointed to the Board of the Company as an Executive Director on 29 April 2011.

Mr Toh started his career in 1989 as a furniture apprentice with the carpentry business of Mr Tay Kim Huat. Upon the incorporation of the carpentry business in 1992, Mr Toh was appointed as a Line Supervisor of Poh Huat Furniture Industries (M) Sdn Bhd and was later promoted to the position of Factory Manager of the company in 1997. In 2003, Mr Toh was assigned to lead the Group's expansion to Vietnam and was appointed as Deputy General Manager of Poh Huat Furniture Industries Vietnam Ltd. He was promoted to his present position of General Manager upon the conversion of Poh Huat Furniture Industries Vietnam Ltd into a joint-stock company in 2005. Mr Toh is presently responsible for the day-to-day management of the Group's Vietnam operations and is a member of the Board of Management of Poh Huat Furniture Industries Vietnam JSC.

He is not a director of any other public company. He has no family relationship with any Director and/or major shareholder of the Company.

## Mr Tay Khim Seng

*Director*
*(Non-Independent Non-Executive Director)*

**Nationality**: Malaysian
**Gender** : Male
**Age** : 61

Mr Tay Khim Seng was appointed to the Board of the Company as a Non-Independent Non-Executive Director on 2 May 2001 and is presently a member of the Audit Committee, Remuneration Committee and the Nominating Committee.

Mr Tay completed his education with a Bachelor of Law (Honours) from the University of Malaya in 1985. Mr Tay has been practising in Muar since 1988 and is presently the senior partner of J.A. Nathan & Co. He is the Honorary Legal Advisor of the Muar Furniture Association, the Muar Chinese Chambers of Commerce and several other non-government organisations. He was also the elected State Assemblyman for the constituency of Maharani, Muar, Johor Darul Takzim for the period from 1995 to 1999.

He is not a director of any other public company. He is the brother of Mr Tay Kim Huat, the Group Chief Executive Officer and major shareholder of the Company and Mr Tay Kim Hau, an Executive Director and shareholder of the Company.

## Mr Lim Pei Tiam @ Liam Ahat Kiat

*Director*
*(Non-Independent Non-Executive Director)*

**Nationality**: Malaysian
**Gender** : Male
**Age** : 75

Mr Lim Pei Tiam @ Liam Ahat Kiat was appointed to the Board of the Company as a Non-Independent Non-Executive Director on 24 April 2014.

Mr Lim holds a Diploma from the Chartered Institute of Bankers, London and has 20 years of experience in a large commercial bank in Malaysia. Mr Lim held various positions throughout his career with the bank and is a member of the Chartered Institute of Bankers, London and the Asian Institute of Chartered Bankers, Malaysia.

He is not a director of any other public company but is a director of several private limited companies.

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

## Mr Boo Chin Liong

*Director*
*(Independent Non-Executive Director)*

**Nationality**: Malaysian
**Gender** : Male
**Age** : 60

Mr Boo Chin Liong was appointed to the Board of the Company as an Independent Non-Executive Director on 9 December 1999. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee.

Mr Boo graduated with a Bachelor of Law (Honours) from the University of Malaya in 1985. Mr Boo is an advocate and solicitor and has been in active legal practice since 1986. He is the founding partner of Messrs C.L. Boo & Associates.

He is currently an Independent Non-Executive Director of Prolexus Bhd.

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

## Mr Chua Syer Cin

*Director*
*(Independent Non-Executive Director)*

**Nationality**: Malaysian
**Gender** : Male
**Age** : 49

Mr Chua Syer Cin was appointed to the Board of the Company as an Independent Non-Executive Director on 17 May 2001 and is presently the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nominating Committee.

Upon graduation from the Charles Sturt University, Australia in 1994, Mr Chua joined the accounting practice of Ernst & Young as an Audit Senior. From 1998 to 2000, he was the Audit/Tax Manager of Teo & Associates, an accounting firm in Malacca. In February 2000, he set up his own accounting firm, Messrs SC Chua & Associates, and has since been the sole proprietor of the firm.

He is presently a member of both the Malaysian Institute of Accountants and the CPA Australia.

He is currently an Independent Non-Executive Director of Kia Lim Berhad and is a director of several private limited companies.

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

# PROFILE OF KEY SENIOR MANAGEMENT

## Mr Tay Yuan Sen

**Nationality**: Malaysian
**Gender** : Male
**Age** : 33

Mr Tay Yuan Sen joined Poh Huat Furniture Industries (M) Sdn Bhd as Production Coordinator in July 2009 after completing his Diploma in Business Management from Management Development Institute of Singapore. He was then transferred to our Vietnamese subsidiary, Poh Huat Furniture Industries Vietnam Joint Stock Company where he was involved in product development and manufacturing process from May 2010 to March 2014. He was promoted to Assistant Managing Director in October 2015 and to General Manager of Poh Huat Furniture Industries (M) Sdn Bhd in March 2019, the position he presently holds.

He is the son of Mr Tay Kim Huat and sibling of Ms Tay Li Chin.

## Mr Lee Ing Tiong

**Nationality**: Malaysian
**Gender** : Male
**Age** : 50

Mr Lee Ing Tiong is a fellow member of the Institute of Public Accountants, Australia. He started his career as officer / executive in margin and credit control departments in stockbroking firms before transferred to research and dealing from February 1994 to March 2002. He joined Poh Huat Furniture Industries (M) Sdn Bhd as finance executive in April 2002 and was promoted to finance manager in January 2004. He left the company in March 2006, and joined UDS Capital Berhad (now known as SWS Capital Berhad) as financial controller from April 2006 to January 2011. He re-joined the Poh Huat group of companies as Group Financial Controller in February 2011, the position he presently holds.

He is not a director of any public company. He has no family relationship with any Director and / or major shareholder of the Company.

## Mr Ng Chak Cheng

**Nationality**: Malaysian
**Gender** : Male
**Age** : 60

Mr Ng Chak Cheng joined Poh Huat Furniture Industries (M) Sdn Bhd as Production Engineer in August 1998 and was subsequently promoted to Production Manager in September 2000. He was one of the pioneer team to set up the operations of our Vietnamese subsidiary, Poh Huat Furniture Industries Vietnam Joint Stock Company in year 2002. He was promoted to Vice General Manager in the Vietnamese subsidiary in October 2006 and is currently overall in charge of the manufacturing operations in Vietnam.

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

## Ms Tay Li Chin

**Nationality**: Malaysian
**Gender** : Female
**Age** : 44

Ms Tay Li Chin obtained the Bachelor of Commerce from Griffith University, Australia before joining Poh Huat Furniture Industries (M) Sdn Bhd as Sales Officer in October 2004. She was promoted to Marketing Manager in November 2009, the position she presently hold.

Ms Tay has been assigned to oversee the overall marketing division within the Poh Huat group of companies.

She is the daughter of Mr Tay Kim Huat and sibling of Mr Tay Yuan Sen.

**Conviction of Offence**
Mr Boo Chin Liong, as a board member of Prolexus Berhad, has received an administrative action in relation to the Section 354(1)(a) of the Capital Markets and Services Act 2007 ("CMSA") read together with Sections 369(b)(B) and 367(1) of the CMSA by Securities Commission ("SC") in January 2022. It is related to an announcement made by Prolexus Berhad to Bursa on 6 October 2020. He has submitted an appeal on the above and is pending decision by the SC.

Except for the above and traffic offence, none of other Directors and senior management has been convicted of any offences within the past 5 years.

**Conflict of Interest**
None of the Directors and senior management has any conflict of interest with the Company.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**This Statement is prepared in accordance with Main Market Listing Requirements ("Listing Requirements") and the Malaysian Code on Corporate Governance ("MCCG").**

**This Statement gives the shareholders an overview of the corporate governance practices of the Group during financial year 2021. This Statement is to be read together with the Company's Corporate Governance Report ("CG Report"). This CG Report is available for reference at the Company's website at www.pohhuat.com as well as on the Bursa Malaysia Securities Berhad's ("Bursa Securities") website (www.bursamalaysia.com).**

The Board recognises the importance of good corporate governance in ensuring corporate accountability and that the long-term interests of the Company, shareholders and other stakeholders are protected. The Company corporate governance policies and practices are based on three (3) key principles of good corporate governance as outlined in the MCCG, namely:-

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

**PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS**

***A1. Board Responsibilities***

The Board's role is to provide stewardship and control of the Group's business and affairs on behalf of shareholders with due consideration on the impact of the Group's activities on its stakeholders. The Board has overall responsibility for setting the strategic directions of the Group and ensure the proper conduct of the Company's business in a sustainable manner to achieve the long-term goals and objectives of the Company.

The Company has an established board charter to guide and assist directors in the discharge of their duties and responsibilities. The Board Charter sets out the composition, roles and responsibilities, leadership, delegation, and conduct and procedures of the Board and the management to ensure performance and accountability. In the Board Charter, the Board has clear functions reserved for itself and those delegated to the management. There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its hands. Delegation of authorities have also been put in place to ensure balance between operational efficiency and control over corporate and financial governance. The Board Charter acts as a source reference for the members of the Board and of the management with regard to their role and responsibilities.

The Board is also committed to conduct business in accordance with the highest standards of business ethics and complying with applicable laws, rules and regulations. The Code of Conduct together with the Employees Handbook guide the Directors, management and employees in with regard to policies and ethics standards to be adhered to in the conduct of the daily affairs and business of the Group.

The Board has adopted a Whistle Blowing Policy for the Group where all queries or concerns regarding the Group may be conveyed to the Senior Independent Director at the registered office of the Company.

The Board Charter, Code of Ethics & Conduct and Whistle Blowing Policy are subject to periodical review to ensure consistency with the Board's strategic intent as well as relevant new regulations and standards of corporate governance that may have an impact in discharging the Board's responsibilities. Details of the Board Charter, Code of Ethics & Conduct and Whistle Blowing Policy can be found on the Company's website at www.pohhuat.com.

***A2. Board Composition***

The Board of Directors of the Company currently comprises eight (8) members of whom three (3) are Executive Directors and five (5) are Non-Executive Directors. Out of the five (5) Non-Executive Directors, three (3) are independent. This composition complies the requirement under the Listing Requirements which stipulate that at least two (2) directors or one-third (1/3) of the Board, whichever is higher, must be independent.

The Executive Directors bring together expertise and experience in furniture manufacturing. The strengths of the Executive Directors are complemented by the experience and independent views of the Non-Executive Directors who are experienced in the fields of accountancy, law and investments.

At present, the Board comprises all male members. The Board is of the view that while it is important to promote diversity, the normal selection criteria of a Director based on effective blend of competences, skills, experience and knowledge should remain a priority so as not to compromise on mix of capabilities, experience and qualification in the Board.

At present, 1/3 of the Board members are independent directors. In compliance with the recommendation in the Code, the Board has prescribed that all independent directors provide an annual confirmation of his / her independence to the Board based on the Board's criteria of assessing independence as prescribed by the Listing Requirements.

The Board has in place a policy that it will seek annual shareholders' approval for the retention of independent directors who has served the Board for more than 9 years. To retain an Independent Director after the twelfth (12th) year, the Board will seek annual shareholders' approval through a two-tier voting process at the Company's shareholders' meeting as follows:-

Tier 1: Only the large shareholder(s) of the Company votes; and
Tier 2: Shareholders other than large shareholder(s) votes.

### *A3. Clear Roles and Functions of the Board*

The roles of the Chairman, the Executive Directors and the Non-Executive Directors are clearly separated to ensure that there is a balance of power and authority.

The Chairman is primarily responsible for ensuring the effective conduct of the Board including the efficient organization and conduct of the Board's function and meetings; effective communication with shareholders and relevant stakeholders; and the evaluation of the performance, composition and ongoing development of all members of the Board.

The Executive Directors are responsible for developing corporate strategies and managing a team of executives responsible for all functions undertaken to attain the desired corporate objectives and outcome as set by the Board. In the managing of the day-to-day operations of the Group, the Executive Directors provide the leadership, supervision and monitoring of the efficiency and effectiveness of the conduct of the Groups' business activities.

The Non-Executive Directors provides the independent views in the Board deliberation and decision making processes in the interests of all stakeholders. The Independent Directors are responsible for the oversight of the governance structure and integrity of the financial reporting of the Group. The Non-Executive Directors also oversee the establishment of the Group risk management framework and monitor the Group's status of compliance with the policies, procedures and internal control systems.

### *A4. Company Secretary*

Board and Board Committee members have access to the advice and services of the Company Secretary, management representatives and, if deemed necessary, other independent professionals at the expense of the Company in the discharge of their duties. The Company Secretary, who is qualified, advises the Board on any updates relating to new statutory and regulatory requirements pertaining to the duties and responsibilities of Directors. All proceedings from the meetings are documented by the Company Secretary and signed by the Chairman of the meeting.

### *A5. Supply of Information*

All Board and Board Committee members are provided with the requisite notice, agenda and board papers prior to the convening of each meeting. All information and documents are provided on a timely manner so that members are given sufficient time to prepare and, where necessary, obtain additional information or clarification prior to the meeting to ensure effectiveness of the proceeding of the meeting. The board papers include, amongst others, the following:-

- Minutes of previous meeting;
- Quarterly and annual financial statements and reports;
- Internal audit plan and quarterly internal audit reports;
- Proposal for major investments and financial undertakings;
- Documentation on policies, procedures and control systems; and
- Documents relating to material ad hoc developments or issues impacting the Group.

Board and Board Committee members have access to the advice and services of the Company Secretary, management representatives and, if deemed necessary, other independent professionals at the expense of the Company in the discharge of their duties. The Company Secretary organises and attends all Board and Board Committee meetings. All proceedings from the meetings are documented by the Company Secretary and signed by the Chairman of the meeting.

### *A6. Board Meetings*

During the financial year ended 31 October 2021, four (4) board meetings were held. Details of the attendance of Directors at these board meetings are as follows:-

| Name | Attendance |
|---|---|
| Tun Md Raus Bin Sharif (Chairman) | 4/4 |
| Mr Tay Kim Huat | 4/4 |
| Mr Tay Kim Hau | 4/4 |
| Mr Toh Kim Chong | 4/4 |
| Mr Boo Chin Liong | 4/4 |
| Mr Tay Khim Seng | 4/4 |
| Mr Chua Syer Cin | 4/4 |
| Mr Lim Pei Tiam @ Liam Ahat Kiat | 4/4 |

At these meetings, broad direction, strategies, plans and matters critical to the Group were discussed and appropriate actions undertaken. The implementation of business plans is regularly monitored, reviewed and re-assessed against the changing operating environment to ensure validity and attainment of desired outcomes. The operational and financial performance of the Group together with any material development and issues relating to the business of the Group are discussed and where applicable responded to accordingly.

***A7. Board and Directors' Assessment***

The Nominating Committee is primarily responsible for an effective Board and the assessment of the performance of the members of the Board.

The criteria used, amongst others, for the annual assessment of individual directors include an assessment on their roles, responsibilities, qualification, competency, expertise and participation. For Board and Board Committees, the assessment will be based on their progress in implementing the policy and / or on achieving those objectives set in their respective terms of reference.

In respect of the assessment for the financial year ended 31 October 2021, the Board, Board Committees and individual directors conducted self-assessment based on the following criteria:-

- Assessment of performance of individual board members; Board Committees and the Board as a whole;
- Assessment of experience, competence and time commitment of Board members;
- Assessment on Board size, structure and balance in terms of skill and experience; and
- Evaluation of level of independence of Independent Directors.

The Nominating Committee was satisfied that the Board members and board committees have discharged their duties and responsibilities effectively. The Nominating Committee was also satisfied with the Board composition in terms of structure, size, the balance between Executive, Non-Executive and Independent Directors and diversity in terms of skills, experience knowledge and gender.

***A8. Directors' Training***

As part of its terms of reference, the Nominating Committee recommends relevant training programmes to enhance Board of Directors' skill and knowledge. During the year, all Directors of the Company attended professional and management development courses as follows:-

| Director | Training Programmes | Date |
|---|---|---|
| Tun Md Raus Bin Sharif | SC Update on Corporate Governance | 19-Aug-21 |
| Mr Tay Kim Huat | Corporate Director Transformational Leadership Program | 11-May-21 |
| Mr Tay Kim Hau | Corporate Director Transformational Leadership Program | 11-May-21 |
| Mr Toh Kim Chong | Corporate Director Transformational Leadership Program | 11-May-21 |
| | Sustainability Reporting Workshops 2021 for Practitioners | 28-Jun-21 |
| Mr Tay Khim Seng | Corporate Director Transformational Leadership Program | 12-May-21 |
| Mr Lim Pei Tiam @ Liam Ahat Kiat | Macro and Market Outlook: Nearing An Inflection Point | 27-Jul-21 |
| Mr Boo Chin Liong | SC Update on Corporate Governance | 19-Aug-21 |
| | Covid Creates Unique Governance Issues | 21-Oct-21 |
| Mr Chua Syer Cin | Transfer Pricing Issues surrounding Intra-Group Financing Arrangements | 16-Mar-21 |
| | Audit documentation and Preparation of Audit Working Papers | 22-Apr-21 |
| | The Auditor's Responsibilities Relating to Fraud in an Audit Of Financial Statements | 5-May-21 |
| | Latest Tax Implications and Audit Issues on Cross Border Transactions | 24-May-21 |
| | Latest Updates on Practical Tax Issues | 10-Jun-21 |
| | Half Yearly Tax Updates | 15-Jun-21 |

### *A9. Remuneration*

The Remuneration Committee is primarily responsible for matters relating to the remuneration of the Board, in order to motivate and retain directors and ensure that the Company is able to attract the best talents in the market in order to maximise shareholders' value. The Remuneration Committee operates under its own Terms of Reference the details of which can be found on the Company's website at www.pohhuat.com.

In compliance with the Listing Requirements and the principles and recommendations under the MCCG, the details of the remuneration paid to each of the Directors of the Company and the subsidiaries for the financial year ended 31 October 2021, are as follows: -

| Received from the Company | Director Fees (RM) | Salaries and other emoluments (RM) | Defined contribution plan (RM) | Benefits-in-kind and others (RM) | Total (RM) |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| Mr Tay Kim Huat | 134,068 | 0 | 0 | 0 | 134,068 |
| Mr Tay Kim Hau | 123,750 | 0 | 0 | 17,400 | 141,150 |
| Mr Toh Kim Chong | 61,875 | 0 | 0 | 0 | 61,875 |
| **Non Executive Directors** | | | | | |
| Tun Md Raus Bin Sharif | 110,000 | 0 | 0 | 0 | 110,000 |
| Mr Boo Chin Liong | 61,875 | 0 | 0 | 0 | 61,875 |
| Mr Tay Khim Seng | 116,875 | 0 | 0 | 5,300 | 122,175 |
| Mr Chua Syer Cin | 61,875 | 0 | 0 | 0 | 61,875 |
| Mr Lim Pei Tiam @ Liam Ahat Kiat | 0 | 0 | 0 | 0 | 0 |
| **Total** | **670,318** | **0** | **0** | **22,700** | **693,018** |

| Received from the subsidiaries of the Company | Director Fees (RM) | Salaries and other emoluments (RM) | Defined contribution plan (RM) | Benefits-in-kind and others (RM) | Total (RM) |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| Mr Tay Kim Huat | 0 | 2,592,881 | 67,195 | 28,000 | 2,688,076 |
| Mr Tay Kim Hau | 0 | 0 | 0 | 0 | 0 |
| Mr Toh Kim Chong | 0 | 1,448,573 | 13,322 | 0 | 1,461,895 |
| **Non Executive Directors** | | | | | |
| Tun Md Raus Bin Sharif | 0 | 0 | 0 | 0 | 0 |
| Mr Boo Chin Liong | 0 | 0 | 0 | 0 | 0 |
| Mr Tay Khim Seng | 0 | 0 | 0 | 0 | 0 |
| Mr Chua Syer Cin | 0 | 0 | 0 | 0 | 0 |
| Mr Lim Pei Tiam @ Liam Ahat Kiat | 0 | 0 | 0 | 0 | 0 |
| **Total** | **0** | **4,041,454** | **80,517** | **28,000** | **4,149,971** |
| **Grand Total** | **670,318** | **4,041,454** | **80,517** | **50,700** | **4,842,989** |

While MCCG has prescribed for disclosure of the detailed remuneration packages of its top five (5) Senior Management staff on a named basis, the Board has considered and is of the view that the transparency and accountability aspects of corporate governance applicable for the top five (5) Senior Management staff are adequately served by the disclosure of the remuneration packages of these individuals on a no-name basis in successive bands of RM50,000.

Three (3) of the top senior management members of the Group are Executive Directors and their detailed remuneration on named basis have been disclosed. The remuneration of the remaining four (4) senior management members in successive bands of RM50,000 on a no-name basis are as follows:-

| Remuneration Band | No |
|---|---|
| 150,001 ~ 200,000 | 1 |
| 250,001 ~ 300,000 | 1 |
| 400,001 ~ 450,000 | 1 |
| 650,001 ~ 700,000 | 1 |

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

### *B1. Audit Committee*

The Audit Committee was established by the Board of Directors in year 2000 with its terms of reference approved by the Board of Directors. The composition of the Audit Committee, including its roles and responsibilities as well as a summary of its activities carried out during the financial year ended 31 October 2021 are set out in the Audit Committee Report on page 27 to 28 of this Annual Report.

The Audit Committee comprises of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. It is chaired by Mr. Chua Syer Cin, who is a Chartered Accountant with more than 20 years of experience in accounting and tax related fields and has been the proprietor of his own accounting firm since 2000. The remaining two (2) members of the committee have legal qualification and considerable commercial exposure and experience. This will enable them to understand matters discussed during the Audit Committee meetings in particular on accounts related and financial reporting issues.

While the Company has no intention to appoint a former audit partner of the Company or its subsidiaries to serve on its Board, the Audit Committee nonetheless has adopted a policy that requires a former key audit partner to observe a cooling-off period of at least years (3) years before being appointed as a member of the Audit Committee and such policy was incorporated in the terms of reference of the Audit Committee.

### *B2. Suitability and Independence of External Auditors*

The Company, through the Audit Committee, has an appropriate and transparent relationship with the external auditors. The external auditors had provided a confirmation of their independence to the Audit Committee that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The Audit Committee members met with the external auditors twice during the financial year under review. The Audit Committee had enquired about the assistance and cooperation given by employees to the external auditors and were satisfied with the management cooperation given to them.

The Audit Committee members have also satisfied that the external auditors have and will be able to carry out their responsibilities in an unbiased and professional manner and thus recommended their re-appointment for the financial year ending 31 October 2022 for the shareholders' approval at the forthcoming Annual General Meeting.

***B3. Risk Management and Internal Control Framework***

The Board recognises the importance of a sound risk management framework and an effective internal control system in improving risk management, enhancing controls and ensuring compliance with applicable laws and regulations. Although the Board retains responsibility for establishing and assessing the effectiveness of the Company's systems for management of material business risks, the Board has delegated the responsibility to assess the effectiveness and efficiency of the Group's internal control and risk management framework to the Risk Management Committee.

The Group has adopted a formal Risk Management Framework which describes the manner in which the Company identifies, assesses, monitors and manages significant risks faced by the Group. This evaluation covers the financial, operational and compliance controls. The Statement on Risk Management and Internal Control which provides an overview of the Group's Risk Management and Internal Control Framework is set out on page 29 to page 32 of this Annual report.

**PRINCIPLE C – Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.**

***C1. Compliance with Statutory and Financial Reporting Standards***

In presenting the annual reports and audited financial statements and announcing quarterly results, the Board aims to present an accurate, balanced assessment of the Group's financial position and prospects.

The Directors are required by the Companies Act 2016 to prepare financial statements for each financial year which have been made out in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards in Malaysia and which 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 their financial performance and cash flows of the Group and of the Company for the financial year.

A statement by the Board of its responsibilities for preparing the financial statements is set out on page 42 of this Annual Report.

The Board is assisted by the Audit Committee in the discharge of its duties on financial reporting and ensuring that the Group maintains a proper financial reporting process and a high quality financial reporting. A full Audit Committee Report detailing its composition and a summary of activities during the financial year under review is set out on pages 27 to 28 of the Annual Report.

***C2. Corporate Communication and Disclosures***

The Company acknowledges the importance of timely and equal dissemination of all material business, corporate and financial developments affecting the Group to all stakeholders.

The timely release of quarterly financial results of the Group and the issue of the Company's Annual Reports provide regular information on the state of affairs of the Group. These, together with other announcements to the Bursa Securities, circulars to shareholders and, where appropriate, ad hoc press statements and interviews are the principal channels for dissemination of information to its investors, stakeholders and the public generally.

The Board will ensure that it adheres to and complies with the disclosure requirement of Listing Requirements as well as the Corporate Disclosure Guide issued by Bursa Securities. In ensuring the accuracy and quality of the information disseminated, the Company designated key management persons with appropriate level of competency and authority to prepare and release of material disclosures.

The Group has adopted a "Whistle Blowing Policy" and designated the Senior Independent Director to facilitate open communication with shareholders and all stakeholders. The details of the policy and contact person are disclosed herein and made available on the Company's website at www.pohhuat.com

The Group also maintains a website at www.pohhuat.com. where shareholders as well as members of the public can access announcements, press releases and other information on the Company and on the business activities of the Group. Alternatively, they may obtain the Company's latest announcements via the website of Bursa Securities at www.bursamalaysia.com.

### *C3. Shareholders Participation at General Meetings*

General meetings of the Company represent the main venue for communication between the shareholders and the Company. Shareholders are encouraged to attend and participate at these meetings.

The Company dispatches its notice of General Meeting to shareholders at least twenty eight (28) days before the said meeting. The notice of General Meeting provides information to shareholders with regard to details of the agendas to be presented at the General Meeting, shareholders' entitlement to attend the General Meeting and shareholders' rights and procedures relating to the appointment of proxies. The Constitution further entitles a member to vote in person, by corporate representative, by proxy or by attorney.

At the Company's Annual General Meetings, members of the Board, the Group Financial Controller, other management representatives and the external auditors and where applicable, other advisers of the Company are present to answer queries. The Chairman provides an account of the performance of the Group during the year under review prior to the tabling of the financial statements for approval by the shareholders.

The shareholders are invited to raise questions or matters relating to the financial statements or the affairs of the Group before putting the resolution to a vote. Questions and views or recommendations from shareholders were responded to by relevant Directors. Where applicable, the Directors will also present to the shareholders any written question raised by and responses given to the Minority Shareholders Watchdog Group or any shareholder who has written to the Company prior to the general meeting.

The proceedings of the Annual General Meetings and minutes of the meeting were recorded. The results of shareholders' voting on the resolutions tabled at the Annual General Meetings were announced on Bursa Malaysia website.

# AUDIT COMMITTEE REPORT

The Audit Committee was established by the Board of Directors in year 2000 with its terms of reference approved by the Board of Directors. The Board has recently reviewed and updated the Terms of Reference of the Committee in line with the provisions of the Listing Requirements and the MCCG. The terms of reference of the Audit Committee is made available on the Company's website at www.pohhuat.com.

***Membership and Meeting Attendance***

The current members of the Committee are:-

1. Mr Chua Syer Cin (Chairman)
   Independent, Non-executive Director

2. Mr Boo Chin Liong
   Independent, Non-executive Director

3. Mr Tay Khim Seng
   Non-independent, Non-executive Director

***Meetings and Attendance***

Four (4) Audit Committee meetings were held during the financial year ended 31 October 2021. Details of the attendance of members at Audit Committee Meetings are as follows:-

| Name | Attendance |
|---|---|
| Mr Chua Syer Cin (Chairman) | 4/4 |
| Mr Boo Chin Liong | 4/4 |
| Mr Tay Khim Seng | 4/4 |

***Activities of the Audit Committee***

The activities of the Audit Committee during the financial year included the following:-

1. Reviewed and recommended to the Board the re-appointment of external and internal auditors and the payment of fees to these auditors;
2. Reviewed with the external auditors their scope of work and audit plans prior to the commencement of the audit activities;
3. Reviewed and discussed the Group audited financial statements for the year ended 31 October 2021 with the external auditors' including the audit notes and findings, and updates on new developments pertaining to accounting standards issued by the Malaysian Accounting Standards Board;
4. Reviewed and discussed with the internal auditors on the Group's three (3) years internal audit plans and the overall assessment of the system of internal controls of the Group;
5. Reviewed the quarterly findings of and discussed with the internal auditors their recommendations to strengthen the internal controls and monitored the implementation of such approved recommendations;
6. Reviewed the unaudited quarterly financial results of the Group and made recommendation to the Board;
7. Reviewed major investment and corporate proposals undertaken by the Group during the financial year; and
8. Reviewed related party transactions entered into by the Group in its ordinary course of business.

The Audit Committee Charter could be found on the Company's website at website at www.pohhuat.com

***External Audit***

The Audit Committee members met with the external auditors twice during the current financial year under review. The Audit Committee members had enquired about the assistance and cooperation given by employees to the external auditors and were satisfied with the management cooperation given to them.

The Audit Committee members have also satisfied that the external auditors have and will be able to carry out their responsibilities in an unbiased and professional manner and thus recommended their re-appointment for the financial year ending 31 October 2022.

***Internal Audit Function***

The Company outsourced its internal audit function to an independent professional firm which operates independently from the operating units. The principal role of the Internal Auditors are to undertake independent regular and systematic reviews of the systems of internal control within the Group so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. It is the responsibility of the Internal Auditors to provide the Audit Committee with independent and objective reports on the state of internal control of the various operating units within the Group.

The Internal Auditors, who report directly to the Audit Committee, conduct the internal audit activities as prescribed in the internal audit plan and assessment on the adequacy, efficiency and effectiveness of the Group's internal control, risk management system and management reporting system.

The Internal Auditors evaluated the adequacy and effectiveness of key controls and risk management within the Group's operating units in respect of the Group's governance, operations and information systems regarding the:-

- maintenance of proper accounting records;
- reliability of financial information used within the business or for publication;
- safeguarding of assets against unauthorized use or disposition;
- efficiency and effectiveness of the running of the businesses and operations; and
- compliance with laws and regulations.

Risk assessment, identification and mitigation of key risk factors are carried out in accordance with the policies and procedures of the risk management framework.

During the financial year ended 31 October 2021, the Internal Auditors made one (1) audit visit and had presented the Internal Audit Reports to the Audit Committee pursuant to their internal audit review as approved by the Audit Committee.

The Internal Auditors had reviewed the adequacy and compliance of the Covid-19 specific Standard Operating Procedures ("SOPs") to manage the health and safety issues relating to the Covid-19 pandemic in Malaysia. The Administration Department has been charged with monitoring, responding and updating of Covid-19 related SOPs.

The Group has actively implemented and complied with the Covid-19 directives issued by the Malaysian government to provide a safe environment for the employees to work in.

There were no material weaknesses noted by the Internal Auditors with regard to compliance with Covid-19 specific SOPs established by the Health and Safety Committee for our Malaysian operations. Recommendations for improvement in internal controls were discussed with the respective heads of department for follow up action.

The Chairman of the Audit Committee had given a briefing to the Board on the Internal Audit Report presented by the Internal Auditors at the relevant Company board meeting.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26 (b) of the Listing Requirements, the Board of Directors is pleased to provide the following Statement on Risk Management and Internal Control of the Group, which had been prepared in accordance with the "Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers".

***Board's Responsibility***

The Board recognises that effective risk management framework is an integral part of good business management. It is an ongoing process to identify, evaluate, monitor, manage and mitigate the risks that may affect the Group's ability to achieve its business objectives and strategies.

Although the Board retains responsibility for establishing and assessing the effectiveness of the Group's systems for management of material business risks, Board has delegated the responsibility to assess the effectiveness and efficiency of the Group's internal control and risk management framework to the Audit Committee and the Risk Management Committee ("RMC").

The Group has in place a formal Risk Management Framework which describes the manner in which member companies of the Group identify, assesses, monitors and manages risk. The Group believes that the risk management framework will benefit the Group in terms of:-

- Effective strategic planning;
- Better cost control and utilisation of resources;
- Increased knowledge and understanding of exposure to risk;
- Systematic and well-informed methods of decision making; and
- Enhancing shareholder value by minimising losses and maximising opportunities.

The Board wish to state that such a system is designed to manage the Group's risks within an acceptable level, rather than to eliminate the risk of failure to achieve the business objectives of the Group. Therefore, it should be noted that such a system of risk management and internal control can only provide reasonable but not absolute assurance against material misstatement, financial losses or fraud.

**1. Risk Management Policy Statement**

The Group strives to:-

- establish clear objectives, identify and evaluate the significant risks to the achievement of those objectives, set boundaries for risk taking and apply fit-for-purpose risk responses including risk mitigation measures where appropriate;
- incorporate risk responses into a system of internal control which is designed to address opportunities; protect people, assets and the environment; facilitate effective and efficient operations; and help to ensure reliable reporting and compliance with applicable laws and regulations;
- monitor the effectiveness of the system of risk and internal control management;
- follow relevant Group's guidelines and standards which relate to particular types of risk;
- highlight any changes in significant risk faced by the Group or emergence of new business risk for deliberation and decision making; and
- provide an annual assurance regarding the extent of its compliance with this group policy.

**2. Implementation of Policy**

This policy is implemented within the companies in the Group by:-

- establishing, improving and maintaining across the group a formal risk management and internal control process;
- identifying functions and related risks in key operating units which may impact upon the group;
- regularly monitoring and assessing the performance and effectiveness of the risk management and internal control process;
- constant communication between Executive Directors and Management (Heads of Department) through management of daily operations and regular scheduled management meetings and reports;
- ensuring the risk management and internal control process is overseen by the Audit Committee of the Board; and
- requiring the Executive Director to certify to the Board that the Company's risk management and internal control system is operating efficiently and effectively in all material respects.

### 3. Risk Management Process

The Group has put in place the Risk Management Process that will enable the identification, assessment, monitoring and management of material risk throughout the group. It consists of eight interrelated components as follow:-

- Internal Environment - which involves setting the foundation for how risk and control are viewed and addressed by the top management and employees of the Group;
- Objectives Setting - which involves ensuring that management has a process in place to set objectives and that the chosen objectives align with the Company's mission and vision;
- Event Identification - which includes identifying internal and external factors that influence how potential events may affect strategy implementation and achievement of objectives;
- Risk Assessment - which requires an analysis of identified risks in order to form a basis for determining how they should be managed;
- Risk Response - which requires management to select an approach or set of actions to mitigate risks where appropriate taking into account the Company's risk profile;
- Control Activities - which includes the establishment and execution of policies and procedures to help ensure that the risk responses management selected are effectively carried out;
- Information and Communication - which requires relevant information to be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities; and
- Monitoring - which requires that the Risk Management Processes be monitored, and modifications made as necessary, to ensure the system can react dynamically and change as conditions warrant.

### 4. Management of Risk Management Process

The Board of Directors has formed a RMC to oversee the management of Risk Management process. This establishment of the RMC ensures that adequate time, expertise and resources are committed into the management of the Risk Management Processes.

Executive Directors and senior management are responsible for day-to-day implementing the Risk Management Process in a manner which is appropriate for the Company. This process is reviewed and monitored across the group by management in conjunction with the Company's internal auditors.

Responsibilities of the RMC include:-

- providing a centralised co-ordinating point for the promotion and facilitation of risk management;
- promoting risk management competence and helping Heads of Department to align risk definition and responses; and
- reporting to the Executive Directors on the progress and effectiveness of risk management.

The Executive Directors and Heads of Department are expected to:-

- provide resources, operate and monitor the system of internal control relating to risk management;
- ensure that a risk based approach to internal control is communicated to staff, embedded in business processes and responsive to evolving risks;
- assign accountability for managing risks within agreed boundaries; and
- report the results of balanced assessments regarding the effectiveness of the risk based internal control system, including identified weaknesses or incidents, to top management.

### 5. Risk Profile

The yearly assessment of the Business Risk Exposure in accordance within the Risk Management Process has resulted in the identification of a number of industry risks which may impact the Group's business as a furniture manufacturer with overseas operations. These risks include but are not limited to:-

- adverse changes in the global economy or in the country in which the Group operates in and sell to;
- intense competition in global furniture trade and increased price pressure on products;
- depleting woods resources and increasing in raw material prices;
- shortage of labour and competition for managerial and technical skills / capabilities in manufacturing processes;
- tightening in regulation and law in countries where the Group operates and sell to;
- health, safety, environment and security risk;
- exposure to foreign exchange fluctuation; and
- exposure to receivable and credit risks

These risks may change over time as the external environment changes and as the Company expands its operations. The Risk Management Process requires regular reviews of the Company's existing risks and the identification of any new and emerging risks facing the Company, including financial and non-financial matters. It also requires the management (including mitigation where appropriate) of these risks.

## 6. Internal Control and Internal Audit Function

The Internal Audit function is considered an integral part of the risk management framework and its primary mission is to provide assurance on the adequacy and effectiveness of the risk, control and governance framework of the Group. The purpose, authority and responsibility of the internal audit function as well as the nature of the assurance provided by the function are articulated in the internal audit charter.

### Internal Control System

The Group has an established internal control structure to ensure effective control over the Group's business operations and to safeguard the value and security of the Group's assets.

The Internal Auditors evaluated the adequacy and effectiveness of key controls within the Group's operating units in responding to the risk within the Group's governance, operations and information systems regarding the:-

- maintenance of proper accounting records;
- reliability of financial information used within the business or for publication;
- safeguarding of assets against unauthorised use or disposition;
- efficiency and effectiveness of the running of the businesses and operations; and
- compliance with laws and regulations.

The Group's internal control system and monitoring procedures include:-

- clearly defined systems and procedures for key operational and financial departments, including maintenance of good operational and financial records and controls and the production of timely and accurate financial and management information and reports;
- monitoring and control of key financial risks through clearly laid down authorization levels and proper segregation of accounting duties;
- detailed reporting of trading results, balance sheets and cash flows, with regular review by the management, Audit Committee and Board of Directors;
- regular independent internal audit activities to monitor compliance with operational procedures and assess the integrity of operational and financial information provided; and
- regular information provided to the management, covering operational performance, key business indicators and financial and cash flow reports.

All the internal audit activities were outsourced to a firm of independent licensed auditors and the total costs incurred in managing the internal audit functions for the financial year ended 31 October 2021 was RM12,000.

The principal role of the Internal Auditors is to undertake independent, regular and systematic reviews of the systems of internal control within the Group's operating units to determine whether the operating procedures and internal controls established by the Group are adequate and complied with, in accordance with the internal audit plan approved by the Audit Committee. The Internal Auditors report directly to the Audit Committee who reviews and approves the Internal Audit Plan and to ensure that the function is adequately resourced with competent and proficient internal auditors.

The Internal Auditors document their key findings and discuss with head of operating units on the outcome of the internal audit review and recommendation for improvement in the internal controls. The Internal Auditors report to the Audit Committee, the outcome and improvements recommended in each of the internal audit review assignment with independent and objective reports and present them in the Audit Committee Meeting. Follow up reviews were carried out in the subsequent internal audit review assignment to determine the status of implementation of improvements agreed by management. All Board members received copies of management and audit reports and are involved in the decision and actions that are required to maintain the level of risk at an acceptable level.

The Internal Auditors conducted various internal audit engagements in accordance with the risk-based audit plan that covers a rolling period of three (3) years. The Internal Audit Department highlighted some areas for improvement in the internal control system and Management has taken appropriate measures to address them accordingly. The internal control enhancements highlighted were mainly operational in nature and have negligible impact on the operational results of the Group.

The Board has received assurance from the Executive Directors that the Group's risk management and internal control system is operating adequately and effectively in all material respect.

***Review of the Statement by External Auditors***

As required by Paragraph 15.23 of the Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control to the scope set out in the Audit and Assurance Practice Guide ("AAPG") 3 (Revised), Guidance for Auditors on Engagement to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the financial year ended 31 October 2021.

AAPG 3 (Revised) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this statement is not prepared, in all material respect, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is factually inaccurate.

# SUSTAINABILITY STATEMENT

**Reporting Scope and Boundaries**

The Board is pleased to present this Sustainability Statement ("Statement") for the financial year ended 31 October 2021 ("FY2021") which sets out what the Board considers as material sustainability risks and opportunities (collectively known as "Material Sustainability Matters") to the operations of the Group and how these Material Sustainability Matters ("MSMs") are managed.

The scope of this Statement is primarily based on revenue contribution from operations according to geographical locations, namely operations in Malaysia and Vietnam.

This Statement is prepared in accordance with the Listing Requirements of Bursa Securities, the Sustainability Reporting Guide – 2nd Edition, including its accompanying Toolkits, issued by Bursa Securities. This Statement considers the economic, environmental, and social ("EES") implications the Group is exposed to, considering the views and concerns of its stakeholders, in ensuring its business is carried out in a sustainable and responsible manner.

**Sustainability Governance Structure**

**Board of Directors ("Board")**

↑

**Risk Management Committee ("RMC")**

↑

**Executive Directors and Senior Management**

↑

**Management**

While the Board is primarily responsible for the Group's sustainability practices and performance, it is assisted by the RMC in managing sustainability-related matters.

The RMC, a Board Committee which comprises a majority of Independent Directors, undertakes the role to oversee the incorporation of sustainability considerations in the Group's business and management of EES risks and opportunities, in addition to its oversight responsibilities over the Group's risk management framework and processes.

The RMC's responsibilities pertaining to the Group's sustainability framework and processes include the following:-

a) establishment of the Group's sustainability framework;
b) reviewing the adequacy of sustainability initiatives and processes;
c) ensuring the effectiveness of the process in identifying, assessing, managing and reporting MSMs, including reviewing key sustainability performance of the Group; and
d) monitoring and overseeing all key sustainable strategies and initiatives of the Group.

In carrying out its responsibilities on the Group's sustainability, the RMC is assisted by the Executive Directors and Senior Management, who report to the RMC at least on an annual basis, on the assessment of the Group's sustainability framework and processes, and MSMs identified from time to time, including how these matters are managed. The Executive Directors and Senior Management lead the development of strategic sustainability management initiatives for the review and approval of the RMC and the Board, as applicable, before implementation.

In managing the Group's sustainability matters, the Executive Directors and Senior Management assign relevant responsibilities and performance targets to appropriate management personnel and monitor management progress regularly.

From time to time, Senior Management briefs the Board on current and industry-specific development including on matters pertaining to environmental and social issues. During the financial year under review, key topics briefed to the Board include the following:-

- Effective Covid-19 preventive measures;
- Covid-19 impact on supply chain and logistics;
- Covid-19 impact on the global furniture market; and
- Climate change impact and mitigation in the timber and related manufacturing industry.

**Stakeholder Engagement**

Apart from ensuring robust internal processes for the management and reporting of MSMs, the Board also ensures processes are in place to engage with stakeholders to understand their respective views and concerns and address them accordingly. This includes ensuring the Group's sustainability strategies, priorities, targets, and performance are communicated to the Group's internal and external stakeholders, such as employees, customers, regulators and authorities, and suppliers.

Each stakeholder group is engaged via different communication channels and methods, summarised below.

| Key Stakeholder Groups | Engagement Methods | Frequency | Issues of Interest |
|---|---|---|---|
| **Customers** | Customer surveys and interview | Ongoing | • Product and Service Quality and Timely Delivery<br>• Product Labelling<br>• Customer Service |
| | Marketing and promotional programmes and events | Ongoing | |
| | Feedback and grievance surveys | Annually | |
| | Customer audit | Periodic | |
| **Employees** | Trainings | Ongoing | • Occupational Health and Safety<br>• Fair Employment and Welfare |
| | Annual performance appraisal | Annually | |
| | Satisfaction and engagement surveys | Annually | |
| **Government agencies, authorities and regulators** | Official meetings and site visits | Ongoing | • Occupational Health and Safety<br>• Emissions and Waste Management |
| | Annual seminars | Annually | |
| **Suppliers** | Regular meetings or site visits | Annually | • Product and Service Quality and Timely Delivery<br>• Product Labelling<br>• Emissions and Waste Management |
| | Supplier briefings and trainings | Annually | |
| | Supplier assessment system | Ongoing | |

**Material Sustainability Matters**

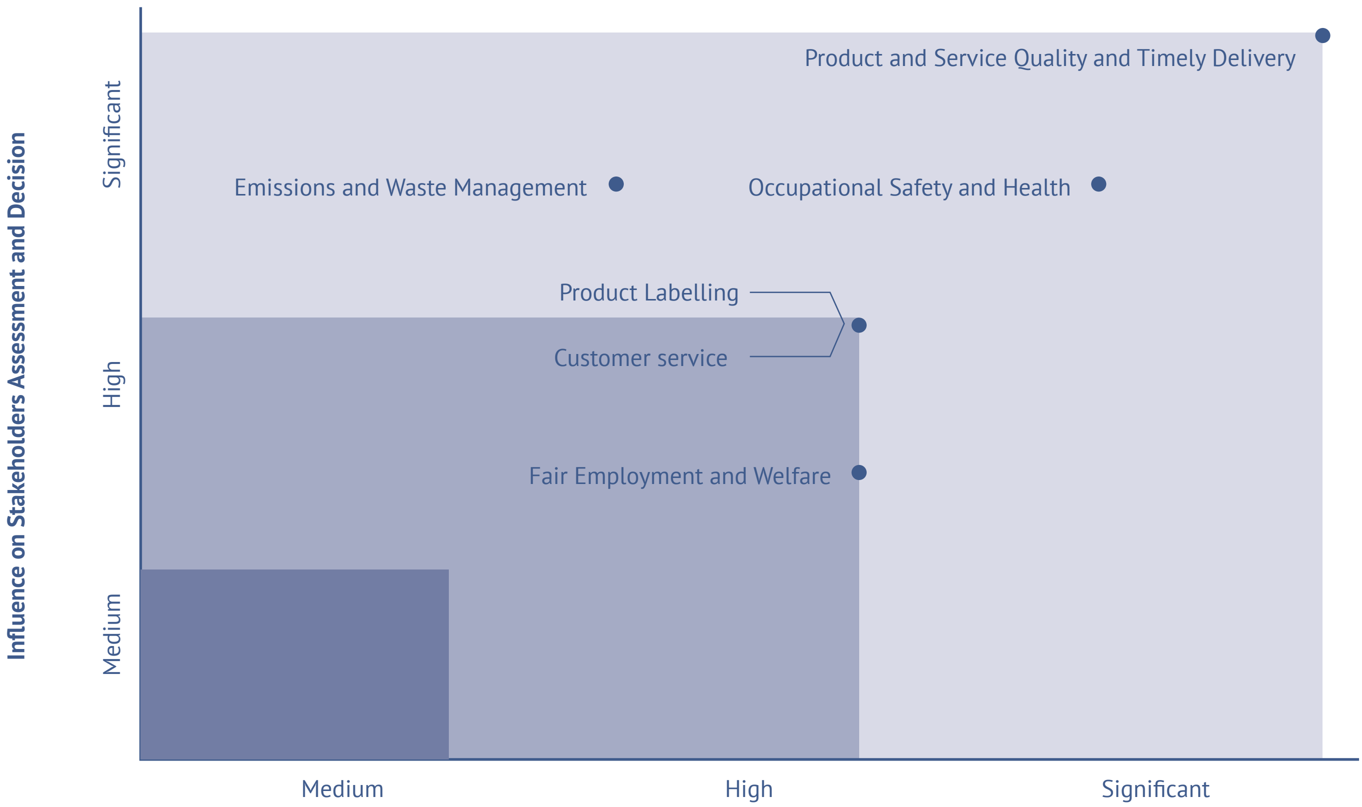
During the financial year under review, the Group has reviewed and reassessed its EES risks and opportunities. The Materiality Assessment process, led by an Executive Director of the Group, is undertaken by Senior Management, i.e. the relevant heads of the Group's key business segments and departments. The Materiality Assessment process is also participated by personnel or functions who have clear understanding of the Group's stakeholders to ensure their views and concerns are considered.

Through the Materiality Assessment process, the MSMs of the Group were determined based on:-

- how the matter reflects the Group's significant EES impact; and
- how the matter influences the assessments and decisions of stakeholders.

The MSMs of the Group are identified as follows:-

1. Product Quality and Timely Delivery
2. Product Labelling
3. Customer Service
4. Occupational Safety and Health
5. Emissions and Waste Management
6. Fair Employment and Welfare




**Poh Huat Group's Materiality Matrix**

Creating stakeholder value through the production of quality products and services remains the Group's key focus area towards building a sustainable business. The Group focuses its resources and efforts in its value generation processes and procedures, from the sourcing of quality raw materials, safe and environmentally friendly manufacturing process, to customer-centric product and service delivery. This year, through our Materiality Assessment, we have identified a new MSM, namely Fair Employment and Welfare.

**Product Quality and Timely Delivery**

First and foremost, the Group's products are a direct representation of the Group's value creation, and the Group has always strived towards meeting the expectations of its customers.

The Group's design process for in-house office products is guided by its design philosophy that aims to create pleasant, productive office environment with well-designed office suites that integrate new office automation technology into the classic office environment. The Group's designs are regularly updated with new features and functionalities to accommodate new requirements of its customers.

The Group works closely with its customers, by employing a service differentiation strategy, to help customers focus on what matters the most to them, such as product features and design, material and construction specifications, costing and pricing targets, and production scheduling and quality control requirements. The Group's Research and Development team, in collaboration with customers' designers, considers and advises on design aspects such as the use of materials, functionalities and aesthetics.

The Group's Malaysia operations are carried out and continually enhanced in accordance with the principles and requirements of ISO 9001:2015 Quality Management Systems. Audits and training on ISO 9001:2015-related matters are conducted from time to time to ensure their consistent practice and adherence throughout the manufacturing process, assuring product quality standards with in-process quality control measures and final quality inspections. The Group's Vietnam operations are also guided by similar practices and processes in ensuring and maintaining product quality standards, which enable the operations to comply with regular audits performed by the Group's international customers.

The quality control ("QC") function of each operating subsidiary is responsible for the final quality inspection for each shipment before they are cleared for delivery to the customers. The QC function is guided by a set of stringent criteria on product quality, failing which, products are required to be reworked or scrapped. On a monthly basis, the QC personnel submits product quality summary reports to Management for Management's assessment on the production quality.

To ensure the timely delivery of products to customers, the Group regularly conducts manufacturing planning and scheduling, which includes an inventory planning and management process. Manufacturing and logistics statuses are also regularly updated to customers to ensure customers' expectations are well-managed.

During the financial year under review, operations in Malaysia had temporary suspended due to the COVID-19 pandemic while the operations in Vietnam had temporary halted in order to comply with Directives No.16, which directs the closing of all non-essential businesses in 16 southern states of Vietnam, introduced by the Government of Vietnam. This have resulted in the delay of the shipment of orders to our customers that are based in the United States ("US"). Nevertheless, the Group was able to mitigate the delay for some shipment or orders as there were ready inventories which can be shipped to meet some of these orders. As the Group has operations in Malaysia and Vietnam, it was also able to distribute the workload between the two operating sites, where necessary.

**Product Traceability**

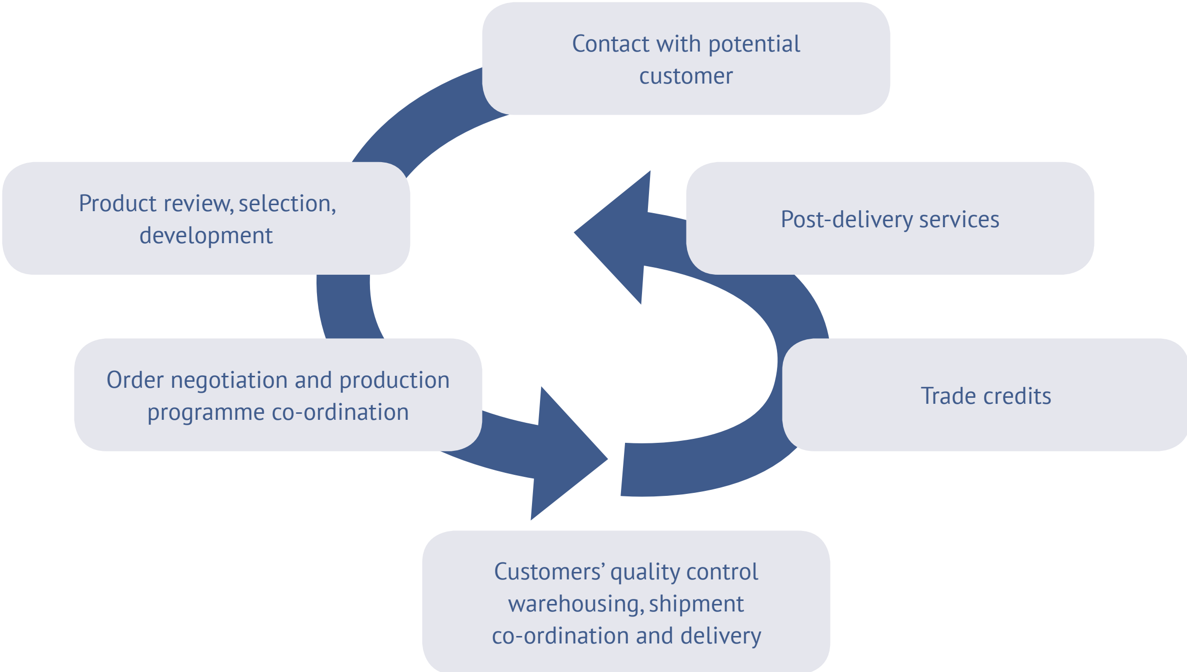
As a major wood-based furniture manufacturer, the Group is committed to the use of environmentally friendly, sustainable materials in its products, including the use of low formaldehyde emission wood-based materials. This commitment is shared by our customers, a majority of which are from developed markets such as North America and Europe which require high standards in relation to product emission and material sourcing and traceability.

In compliant with the labelling requirements for composite wood products sold in the United States, the Group has in place the necessary measures across its sourcing and manufacturing process to ensure products exported to the US are Toxic Substances Control Act Title IV ("TSCA") compliant. The Group's capability in this regard has enabled it to maintain its market share and customer relationships in this market.

Furthermore, the Group adheres to requirements of the Programme for the Endorsement of Forest Certification ("PEFC") Chain of Custody ("COC") Certification and a majority of its products are certified as PEFC COC compliant. PEFC is one of the world's largest forest certification systems which promotes sustainable forest management taking into account EES aspects in the supply chain of forest-based materials. The PEFC COC process traces forest-based materials along the supply chain, providing assurance to end-users regarding responsible sourcing of materials from sustainably managed forests. The certification has enabled the Group's presence in international markets, particularly in developed markets.

**Customer Service**

The Group aims to establish long-term partnerships with its customers who are committed to building sustainable business relationships. The Group's customer-relationship engagement cycle are as follows:-




The Group's sales managers are trained and equipped with knowledge pertaining to the Group's business operations and serves as the main contact person for ensuring the customers' requirements are well-communicated and delivered across the various stages. This entails collaborative discussions during the sales stage, regular updates on the manufacturing process and logistics arrangements, as well as timely delivery of goods. The Group's customer base ranges across different continents, including North America, India, United Kingdom, Middle East and South-East Asia.

The Group's customers' service engagement includes obtaining customer feedback via customer surveys, which cover aspects ranging from quality, reliability, delivery, service, price to responsiveness. Taking customers' feedback as part of the key considerations, the Group assesses its strength and weaknesses and aims to maintain the performance of areas it did well, as well as enhancing areas where it could further improve, in order to provide better quality products and fulfilment to the Group's customers. The Group's most recent customers' survey was conducted in the financial year ended 31 October 2021.

During the financial year under review, COVID-19 pandemic continued to affect global supply chain and operations. The Group continued to ensure our representatives maintain close contact with our customers in meeting their needs, including updating every party on the latest production progress and expected delivery schedules. When planning for operations and logistics, we also consider risk management in case specific country or location that is hit by a surge in COVID-19 cases and affects operations or delivery.

**Occupational Safety and Health**

Working in a manufacturing environment exposes the Group's employees and workers to hazards such as sharp tools and edges, crush points and moving parts. Bearing employees' and workers' health and safety in mind, the Group puts great emphasis on establishing safe work practices for its employees and workers.

The Group has established Safety and Health Policy ("Policy") for the respective key business operations of the Group in Malaysia and Vietnam. This Policy set out the Group's commitment towards the establishment and maintenance of an Occupational Safety and Health Management System which includes hazard identification, risk assessment and risk control processes, prevention of occupational diseases, incidents and accidents, and continual improvement. The Policy is established in accordance with the Occupational Safety and Health Act 1994 and was last reviewed in January 2022.

The safety practice and performance of each key business operations, i.e. manufacturing operations in Malaysia and Vietnam, are governed and monitored by the respective Safety and Health Committees. These committees consist of supervisors or managers as well as personnel with qualified and competent safety and health experience and knowledge of the respective operating units.

The Safety and Health Committees convene at least on a quarterly basis. The responsibilities of the Safety and Health Committees include, amongst others, the following:-

- ensuring the maintenance and effective execution of the Safety and Health Management System;
- monitoring and reviewing accidents and incidents occurred during the review period;
- overseeing any audits or inspection matters relating to occupational safety and health;
- identifying any necessary improvement to the operation's safety and health policies or procedures; and
- identifying and ensuring the carrying out of necessary training to employees and workers.

The layout and workflow in production areas are organised in an orderly manner to ensure workers' safety while managing efficient production rate. The Group provides Personal Protection Equipment ("PPE") for all workers to safeguard them from occupational hazards, such as those arising from operating machinery and lifting heavy items.

Every year, the Group conducts occupational safety and health training for its workers, including guidance on proper equipment use and ensuring workplace safety. For the financial year under review, training provided to employees and workers is summarised as follows:-

- chemical, electricity, and boiler safety training in Vietnam;
- PPE and risk analysis training in Malaysia; and
- briefing on COVID-19 prevention measures.

Newly recruited employees and workers are also required to undergo an induction programme that provides a briefing to the new recruit on the Group's various policies and procedures, including amongst others, the Group's safety and health policies and procedures.

The Group implement best practices in safety and health across its operations, with the aim of achieving a low rate of lost-work-time injuries. The Group has also established a "Zero Serious Accident" target to ensure everyone work together towards this target. For the financial year under review, the Group has recorded zero fatality and zero serious accidents from its business operations.

For the financial year under review, the Group's accident records are as follows:-

| | Malaysia | | | Vietnam | | |
|---|---|---|---|---|---|---|
| | FY2019 | FY2020 | FY2021 | FY2019 | FY2020 | FY2021 |
| **Fatality** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Serious Injury Cases** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Minor Injury Cases** | 12 | 5 | 0 | 7 | 5 | 6 |

The Group has a process to review the occurrence of every recorded accident and incident to enable a continual improvement process for the Group's safety controls and procedures. The root causes for each injury cases are enquired into and reported for further actions to be undertaken, which may include further improvement in safety controls, enhanced monitoring, and disciplinary actions, where misconduct has been determined to be the cause of the accident.

**COVID-19**

During the financial year under review, the Group continued to undertake social distancing and prevention measures in compliance with local guidelines. These include applying Covid-19 specific Standards Operating Procedure ("SOP") such as daily temperature checks and hand sanitisation practices, daily sterilisation of the factory environment, limiting outstation visitors, and registration of visitors / suppliers. The Group has taken measures to reduce operating hours and workforce in all manufacturing bases in Malaysia and Vietnam.

In order to ensure continued compliance with the social distancing and prevention measures, regular compliance checks are also conducted. The Group will continue to practice such prevention measures and assess if additional measures are required depending on the seriousness of the Covid-19 spread in the local state or district. During the financial year under review, one of the Group's Malaysian operations, Poh Huat Furniture Industries Sdn Bhd ("PHFI"), had voluntarily underwent a Covid -19 full screening for all foreign and local employees.

**Emissions and Waste Management**

The Group also places great emphasis on the management of environmental impact arising from the Group's business activities, especially its manufacturing operations.

One of the key environmental-related challenges arising from furniture manufacturing processes is dust emission. Dust is generated from cutting, planning, and sanding and it could seriously affect the health and safety of workers, as well as impacting adversely the surrounding air quality. Hence, the Group ensures it has installed the necessary dust collector systems to maintain a safe and clean working environment. The Group ensures regular maintenance of the dust collectors and other key equipment and machinery to ensure they work effectively. The Group also regularly tests the air quality surrounding its operations to ensure dust emission and noise exposure do not exceed the regulated levels.

The Group's Malaysian manufacturing operations are guided by its Environment Policy which sets out its commitment to adhere to and comply with relevant laws and regulations, to carry out and maintain corporate responsibility, and to undertake necessary measures to prevent environmental pollution, amongst others. An Environmental Monitoring Committee has also been established to oversee the environmental practices as well as compliance with relevant laws and regulations.

The Group's Vietnamese manufacturing operations have obtained and maintained its regulatory body certification which sets the standards for the site's environmental management efforts and procedures. In addition, regular audits conducted by the Group's international customers also cover aspects of environmental management.

In compliance with environmental laws and regulations, the Group ensures scheduled wastes are disposed of by licensed contractors approved by the environmental authorities, i.e. Department of Environment in the case of Malaysian operations and the Department of Natural Resources and Environment for Vietnamese operations.

These environmental management practices remained to be adhered to during periods of the various stages of movement restriction orders imposed throughout the financial year under review.

During the financial year under review, there were no fines imposed on the Group by authorities in relation to environmental pollution-related matters.

**Fair Employment and Welfare**

A healthy, diverse and engaged workforce forms the foundation of any successful organisation. The Group committed to provide a working environment that is free from any form of discrimination, including on the basis of race, creed, religion, gender, nationality, age, or disability, to all its employees. This commitment has been reflected in the Group's Code of Ethics and Conduct ("Code") and Whistle Blowing Policy. Besides, the Group also ensures all its employees are treated fairly in terms of recruitment, hiring, compensation, transfers, promotions, demotions, discipline, terminations, access to benefits and trainings and all other aspects of employment. The following table is our workforce by gender and age group.

| | Malaysia | | Vietnam | |
|---|---|---|---|---|
| | 31 October 2020 | 31 October 2021 | 31 October 2020 | 31 October 2021 |
| **Gender** | | | | |
| Male | 1,144 (93%) | 1,001 (92%) | 2,040 (51%) | 1,431 (48%) |
| Female | 81 (7%) | 88 (8%) | 1,943 (49%) | 1,523 (52%) |
| **Age** | | | | |
| < 30 years old | 357 (29%) | 305 (28%) | 1,254 (31%) | 702 (24%) |
| 30 to 50 years old | 733 (60%) | 663 (61%) | 2,349 (59%) | 1,870 (63%) |
| > 50 years old | 135 (11%) | 121 (11%) | 380 (10%) | 382 (13%) |
| **Total** | **1,225** | **1,089** | **3,983** | **2,954** |

Employees are able to make a report or whistleblow if they face any workplace discrimination through the Group's Whistle Blowing Policy which allows for reporting of any violation of the Group's Code. The whistleblowing mechanism provides for objective reporting and handling process. During the financial year under review, there were no issues noted pertaining to discrimination of any form.

**Conclusion**

The Group remains committed to carrying out its corporate responsibilities in preserving and creating shared values for its stakeholders even in challenging times. Increasingly, sustainability integration in the Group's operations allows a more holistic view of the Group's value creation in the long-term. To this end, the Board will continue to undertake assessment and implement initiatives to enhance the Group's sustainability and operational effectiveness.

# ADDITIONAL COMPLIANCE INFORMATION

**Utilisation of Proceeds**
No proceeds were raised by the Company from any corporate exercise during the financial year.

**Non-Audit Fees Payable to External Auditors**
Non-audit fees payable to the Company's external auditors were RM3,000 during the financial year.

**Audit Fees Payable to External Auditors**
Total audit fees payable to the Company and its subsidiaries' external auditors were RM42,000 and RM136,656 respectively during the financial year. Total audit fees payable on a group basis was RM178,656.

**Material Contracts Involving Directors' / Substantial Shareholders' Interests**
The Company has not entered into any material contract with any Directors or substantial shareholders of the Company nor any persons connected to a Directors or major shareholders of the Company.

**Recurrent Related Party Transactions**
Details of the recurrent related party transactions undertaken by the Group during the financial year are disclosed in Note 29 of the Financial Statements herein.

# DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for the preparation of financial statements for each financial year. They are responsible for ensuring that these financial statements give a true and fair view of the state of affairs of the Group and of the Company and their financial performance and cash flows for the financial year then ended.

The financial statements are prepared on a going concern basis, in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016. It is the duty of the Directors to review the appropriateness of the basis before adopting the financial statements and lay them before the Annual General Meeting together with their Report and the Auditors' Report thereon.

The Directors are also responsible for ensuring that proper accounting and other records are kept to sufficiently explain the transactions and financial position of the Group and of the Company and to enable true and fair financial statements to be prepared.

In preparing the financial statements, the Directors are required to exercise judgement in making certain estimates to be incorporated in the financial statements. The Directors are to ensure that the estimates made are reasonable and relevant to the financial statements.



# FINANCIAL STATEMENTS

# DIRECTORS' REPORT

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

## PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 9 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

| | The Group<br>RM | The Company<br>RM |
|---|---|---|
| Profit after tax for the financial year | 37,289,841 | 8,266,861 |

## DIVIDENDS

Dividends paid or declared by the Company since 31 October 2020 are as follows:

A final dividend of 2 sen per ordinary share amounting to RM 5,299,446 in respect of the financial year ended 31 October 2020 was approved by the shareholders at the Annual General Meeting held on 29 April 2021 and paid on 10 May 2021.

A first interim dividend of 1 sen per ordinary share amounting to RM 2,649,723 in respect of the financial year ended 31 October 2021 was paid on 4 June 2021.

A second interim dividend of 2 sen per ordinary share amounting to RM 5,299,446 in respect of the financial year ended 31 October 2021 was paid on 20 December 2021.

At the forthcoming Annual General Meeting, a final dividend of 2 sen per ordinary share in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for as a liability in the financial year ending 31 October 2022.

## RESERVES AND PROVISIONS

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

## ISSUES OF SHARES AND DEBENTURES

During the financial year:

(a) there were no changes in the issued and paid-up share capital of the Company; and

(b) there were no issues of debentures by the Company.

## TREASURY SHARES

As at 31 October 2021, the Company held as treasury shares a total of 13,327,600 out of its 278,299,908 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of RM 2,836,481. The details on the treasury shares are disclosed in Note 16 to the financial statements.

## OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

## 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 impairment losses on receivables, and satisfied themselves that there are no known bad debts and that no allowance for impairment losses on receivables is required.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

## CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements 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:

(a) 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

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent 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 their obligations when they fall due.

### 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 which 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 during 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 other than as disclosed in Note 23 to the financial statements.

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 financial year in which this report is made.

### DIRECTORS

The names of directors of the Company who served during the financial year and up to the date of this report are as follows:

Tun Md Raus Bin Sharif
Tay Kim Huat
Tay Kim Hau
Toh Kim Chong
Tay Khim Seng
Boo Chin Liong
Chua Syer Cin
Lim Pei Tiam @ Liam Ahat Kiat

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:

Christina Thio Swee Geok

# DIRECTORS' REPORT (CONT'D)

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares of the Company and its related corporations during the financial year are as follows:

| | | Number of Ordinary Shares | | | |
|---|---|---|---|---|---|
| **The Company** | | **At 01.11.2020** | **Bought** | **Sold** | **At 31.10.2021** |
| Tay Kim Huat | - Direct interest | 56,599,344 | 53,500 | - | **56,652,844** |
| | - Indirect interest [1] | 13,317,340 | - | - | **13,317,340** |
| Tay Kim Hau | - Direct interest | 250,000 | - | - | **250,000** |
| Boo Chin Liong | - Direct interest | 48,749 | - | - | **48,749** |
| Tay Khim Seng | - Direct interest | 3,277,560 | - | 160,900 | **3,116,660** |
| Toh Kim Chong | - Direct interest | 8,486,388 | - | - | **8,486,388** |
| Lim Pei Tiam @ Liam Ahat Kiat | - Direct interest | 26,870,000 | - | 680,000 | **26,190,000** |
| | - Indirect interest [2] | 3,374,000 | - | - | **3,374,000** |

*Notes:*

*(1) Indirect interest by virtue of the shareholdings of his spouse and children.*
*(2) Indirect interest by virtue of the shareholdings of his children.*

By virtue of his shareholding in the Company, Mr. Tay Kim Huat is deemed to have interests in shares in all the subsidiaries during the financial year to the extent of the Company's interests, in accordance with Section 8 of the Companies Act 2016.

The other directors holding office at the end of the financial year had no interest in shares of the Company or its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements, or the fixed salary of a full-time employee of the Company or related corporations) 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 be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 29 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Group and of the Company during the financial year are disclosed in Note 24 to the financial statements.

## INDEMNITY AND INSURANCE COST

During the financial year, there was no indemnity given to or professional indemnity insurance effected for directors, officers or auditors of the Group and of the Company.

## SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 9 to the financial statements.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 33 to the financial statements.

## AUDITORS

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration are disclosed in Note 23 to the financial statements.

Signed in accordance with a resolution of the directors dated 18 February 2022

**Tay Kim Huat**

**Tay Kim Hau**

# STATEMENT BY DIRECTORS
## Pursuant To Section 251(2) Of The Companies Act 2016

We, Tay Kim Huat and Tay Kim Hau, being two of the directors of Poh Huat Resources Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 54 to 107 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 financial position of the Group and of the Company as of 31 October 2021 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 18 February 2022

**Tay Kim Huat**

**Tay Kim Hau**

# STATUTORY DECLARATION
## Pursuant To Section 251(1)(b) Of The Companies Act 2016

I, Tay Kim Huat, being the director primarily responsible for the financial management of Poh Huat Resources Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 54 to 107 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned
Tay Kim Huat at Muar in the State of Johor Darul Takzim
on this 18 February 2022

**Tay Kim Huat**

Before me

Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

To The Members Of Poh Huat Resources Holdings Berhad
(Incorporated in Malaysia)
Registration No. : 199701027671 (443169 - X)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinion**

We have audited the financial statements of Poh Huat Resources Holdings Berhad, which comprise the statements of financial position as at 31 October 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 54 to 107.

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

**Basis for Opinion**

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

*Independence and Other Ethical Responsibilities*

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

**Key Audit Matters**

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

We have determined the matters described below to be the key audit matter to be communicated in our report.

| **Carrying value of inventories**<br>Refer to Note 12 in the financial statements | |
|---|---|
| **Key audit matter** | **How our audit addressed the key audit matter** |
| The Group held inventories with carrying amount of RM 126,942,090 as at 31 October 2021.<br><br>The carrying value of inventories is stated at the lower of cost and net realisable value.<br><br>The Group determines the amount of impairment for slow moving or obsolete inventories based upon the ageing of the slow moving inventories. | Our procedures included, among others:<br><br>• Comparing the net realisable value to the cost of inventories at the end of the reporting period to assess the reasonableness of inventories write-down.<br><br>• Performing ageing test on the inventories and reviewing the impairment for slow moving inventories, where applicable. |

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 of 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.

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

- 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 a 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, related safeguards.

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.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 9 to the financial statements.

**OTHER MATTERS**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**Crowe Malaysia PLT**
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

**Ng Kim Hian**
02506/04/2023 J
Chartered Accountant

Muar, Johor Darul Takzim

Date: 18 February 2022

# STATEMENTS OF FINANCIAL POSITION
As At 31 October 2021

| | Note | The Group 2021 RM | The Group 2020 RM | The Company 2021 RM | The Company 2020 RM |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **NON-CURRENT ASSETS** | | | | | |
| Property, plant and equipment | 5 | **135,294,225** | 130,726,565 | **-** | - |
| Right-of-use assets | 6 | **29,433,862** | 25,499,622 | **-** | - |
| Land held for property development | 7 | **20,912,187** | 20,912,187 | **-** | - |
| Investment properties | 8 | **40,440,971** | 39,233,383 | **-** | - |
| Investment in subsidiaries | 9 | **-** | - | **159,600,071** | 159,600,071 |
| Long-term receivables | 10 | **-** | - | **3,296,826** | 3,203,815 |
| Deferred tax assets | 11 | **470,547** | 43,237 | **-** | - |
| | | **226,551,792** | 216,414,994 | **162,896,897** | 162,803,886 |
| **CURRENT ASSETS** | | | | | |
| Inventories | 12 | **126,942,090** | 92,861,604 | **-** | - |
| Trade and other receivables | 10 | **43,757,123** | 67,955,570 | **11,000** | 1,000 |
| Short-term investment | 13 | **40,000,000** | - | **-** | - |
| Dividend receivable | | **-** | - | **9,000,000** | - |
| Current tax assets | | **2,818,805** | 4,027 | **-** | - |
| Deposits, bank and cash balances | 14 | **117,420,300** | 190,917,000 | **2,286,681** | 21,657,870 |
| | | **330,938,318** | 351,738,201 | **11,297,681** | 21,658,870 |
| **TOTAL ASSETS** | | **557,490,110** | 568,153,195 | **174,194,578** | 184,462,756 |

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

# STATEMENTS OF FINANCIAL POSITION (CONT'D)
As At 31 October 2021

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | Note | 2021<br>RM | 2020<br>RM | 2021<br>RM | 2020<br>RM |
| **EQUITY AND LIABILITIES** | | | | | |
| **EQUITY** | | | | | |
| Share capital | 15 | **164,912,803** | 164,912,803 | **164,912,803** | 164,912,803 |
| Treasury shares | 16 | **(2,836,481)** | (2,836,481) | **(2,836,481)** | (2,836,481) |
| Reserves | 17 | **288,741,218** | 264,699,992 | **6,702,337** | 11,684,091 |
| **TOTAL EQUITY** | | **450,817,540** | 426,776,314 | **168,778,659** | 173,760,413 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Lease liabilities | 18 | **16,682,596** | 12,959,594 | **-** | - |
| Deferred tax liabilities | 11 | **5,819,000** | 6,234,000 | **-** | - |
| | | **22,501,596** | 19,193,594 | **-** | - |
| **CURRENT LIABILITIES** | | | | | |
| Trade and other payables | 19 | **65,163,093** | 97,838,290 | **116,473** | 103,451 |
| Bank borrowings | 20 | **11,033,428** | 8,503,048 | **-** | - |
| Lease liabilities | 18 | **974,550** | 485,536 | **-** | - |
| Dividend payable | | **5,299,446** | 10,598,892 | **5,299,446** | 10,598,892 |
| Current tax liabilities | | **1,700,457** | 4,757,521 | **-** | - |
| | | **84,170,974** | 122,183,287 | **5,415,919** | 10,702,343 |
| **TOTAL LIABILITIES** | | **106,672,570** | 141,376,881 | **5,415,919** | 10,702,343 |
| **TOTAL EQUITY AND LIABILITIES** | | **557,490,110** | 568,153,195 | **174,194,578** | 184,462,756 |

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

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Year Ended 31 October 2021

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | Note | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| REVENUE | 21 | **554,738,940** | 659,505,443 | **9,000,000** | - |
| COST OF SALES | | **(463,237,692)** | (539,696,787) | **-** | - |
| GROSS PROFIT | | **91,501,248** | 119,808,656 | **9,000,000** | - |
| OTHER INCOME | | **7,049,433** | 6,916,936 | **185,521** | 180,162 |
| SELLING AND MARKETING EXPENSES | | **(26,363,636)** | (28,886,555) | **-** | - |
| ADMINISTRATIVE EXPENSES | | **(30,548,046)** | (28,094,892) | **(916,619)** | (945,778) |
| OTHER EXPENSES | | **(3,188,667)** | (3,092,334) | **-** | - |
| FINANCE COSTS | 22 | **(1,073,140)** | (1,161,521) | **(2,041)** | (2,848) |
| PROFIT / (LOSS) BEFORE TAX | 23 | **37,377,192** | 65,490,290 | **8,266,861** | (768,464) |
| INCOME TAX EXPENSE | 25 | **(5,159,662)** | (13,580,741) | **-** | - |
| PROFIT / (LOSS) AFTER TAX | | **32,217,530** | 51,909,549 | **8,266,861** | (768,464) |
| | | | | | |
| OTHER COMPREHENSIVE INCOME / (EXPENSE) | | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Foreign currency translation differences | | **5,072,311** | (1,095,704) | **-** | - |
| TOTAL COMPREHENSIVE INCOME / (EXPENSE) FOR THE FINANCIAL YEAR | | **37,289,841** | 50,813,845 | **8,266,861** | (768,464) |
| | | | | | |
| **PROFIT / (LOSS) AFTER TAX ATTRIBUTABLE TO:** | | | | | |
| Owners of the Company | | **32,217,530** | 51,909,549 | **8,266,861** | (768,464) |
| | | | | | |
| **TOTAL COMPREHENSIVE INCOME / (EXPENSE) ATTRIBUTABLE TO:** | | | | | |
| Owners of the Company | | **37,289,841** | 50,813,845 | **8,266,861** | (768,464) |
| | | | | | |
| **EARNINGS PER ORDINARY SHARE (SEN)** | 26 | | | | |
| Basic | | **12.16** | 22.14 | | |
| Diluted | | **12.16** | 22.14 | | |

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

# STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 October 2021

| | Note | Share capital RM | Treasury shares RM | Non-distributable Foreign exchange translation reserve RM | Distributable Retained profits RM | Total equity RM |
|---|---|---|---|---|---|---|
| **The Group** | | | | | | |
| Balance at 1 November 2019 | | 128,718,591 | (2,836,481) | (9,071,582) | 245,340,935 | 362,151,463 |
| Profit after tax for the financial year | | - | - | - | 51,909,549 | 51,909,549 |
| Other comprehensive income for the financial year: | | | | | | |
| - Foreign currency translation differences | | - | - | (1,095,704) | - | (1,095,704) |
| Total comprehensive income for the financial year | | - | - | (1,095,704) | 51,909,549 | 50,813,845 |
| Contributions by and distributions to owners of the Company: | | | | | | |
| - Exercise of warrants | | 36,194,212 | - | - | - | 36,194,212 |
| - Dividends | 27 | - | - | - | (22,383,206) | (22,383,206) |
| Total transactions with owners | | 36,194,212 | - | - | (22,383,206) | 13,811,006 |
| Balance at 31 October 2020 | | 164,912,803 | (2,836,481) | (10,167,286) | 274,867,278 | 426,776,314 |
| | | | | | | |
| **The Group** | | | | | | |
| Balance at 1 November 2020 | | 164,912,803 | (2,836,481) | (10,167,286) | 274,867,278 | 426,776,314 |
| Profit after tax for the financial year | | - | - | - | 32,217,530 | 32,217,530 |
| Other comprehensive income for the financial year: | | | | | | |
| - Foreign currency translation differences | | - | - | 5,072,311 | - | 5,072,311 |
| Total comprehensive income for the financial year | | - | - | 5,072,311 | 32,217,530 | 37,289,841 |
| Contributions by and distributions to owners of the Company: | | | | | | |
| - Dividends | 27 | - | - | - | (13,248,615) | (13,248,615) |
| Balance at 31 October 2021 | | 164,912,803 | (2,836,481) | (5,094,975) | 293,836,193 | 450,817,540 |

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

# STATEMENTS OF CHANGES IN EQUITY (CONT'D)
For The Financial Year Ended 31 October 2021

| | Note | Share capital RM | Treasury shares RM | Distributable Retained profits RM | Total equity RM |
|---|---|---|---|---|---|
| **The Company** | | | | | |
| Balance at 1 November 2019 | | 128,718,591 | (2,836,481) | 34,835,761 | 160,717,871 |
| Loss after tax / Total comprehensive expense for the financial year | | - | - | (768,464) | (768,464) |
| Contributions by and distributions to owners of the Company: | | | | | |
| - Exercise of warrants | | 36,194,212 | - | - | 36,194,212 |
| - Dividends | 27 | - | - | (22,383,206) | (22,383,206) |
| Total transactions with owners | | 36,194,212 | - | (22,383,206) | 13,811,006 |
| Balance at 31 October 2020 / 1 November 2020 | | 164,912,803 | (2,836,481) | 11,684,091 | 173,760,413 |
| Profit after tax / Total comprehensive expense for the financial year | | - | - | 8,266,861 | 8,266,861 |
| Contributions by and distributions to owners of the Company: | | | | | |
| - Dividends | 27 | - | - | (13,248,615) | (13,248,615) |
| Balance at 31 October 2021 | | 164,912,803 | (2,836,481) | 6,702,337 | 168,778,659 |

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

# STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 October 2021

| | Note | The Group 2021 RM | The Group 2020 RM | The Company 2021 RM | The Company 2020 RM |
|---|---|---|---|---|---|
| **CASH FLOWS (FOR) / FROM OPERATING ACTIVITIES** | | | | | |
| Profit / (Loss) before tax | | **37,377,192** | 65,490,290 | **8,266,861** | (768,464) |
| Adjustments for: | | | | | |
| Depreciation of property, plant and equipment | | **10,160,408** | 9,897,089 | **-** | - |
| Depreciation of right-of-use assets | | **1,293,537** | 1,168,274 | **-** | - |
| Depreciation of investment properties | | **648,558** | 611,970 | **-** | - |
| Dividend income | | **(1,334,562)** | (1,563,926) | **(9,000,000)** | - |
| Inventories value written down | | **-** | 209,000 | **-** | - |
| Gain on disposal of property, plant and equipment | | **(1,054,272)** | (986,756) | **-** | - |
| Property, plant and equipment written off | | **515,215** | 403,808 | **-** | - |
| Unrealised gain on foreign exchange | | **(465,465)** | (1,551,303) | **(137,983)** | (138,915) |
| Interest expense on lease liabilities | | **323,206** | 257,333 | **-** | - |
| Other interest expense | | **455,419** | 533,213 | **-** | - |
| Interest income | | **(960,644)** | (721,560) | **(46,843)** | (16,884) |
| Operating profit / (loss) before working capital changes | | **46,958,592** | 73,747,432 | **(917,965)** | (924,263) |
| Inventories | | **(32,671,028)** | (18,803,141) | **-** | - |
| Trade and other receivables | | **24,722,202** | (3,613,556) | **34,972** | 392,068 |
| Trade and other payables | | **(33,010,512)** | 8,336,154 | **13,022** | 15,451 |
| **CASH FROM / (FOR) OPERATIONS** | | **5,999,254** | 59,666,889 | **(869,971)** | (516,744) |
| Interest paid | | **(778,625)** | (790,546) | **-** | - |
| Interest received | | **960,644** | 721,560 | **46,843** | 16,884 |
| Tax paid | | **(11,896,288)** | (12,806,087) | **-** | - |
| **NET CASH (FOR) / FROM OPERATING ACTIVITIES** | | **(5,715,015)** | 46,791,816 | **(823,128)** | (499,860) |

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

# STATEMENTS OF CASH FLOWS (CONT'D)
For The Financial Year Ended 31 October 2021

| | Note | The Group 2021 RM | The Group 2020 RM | The Company 2021 RM | The Company 2020 RM |
|---|---|---|---|---|---|
| **CASH FLOWS FOR INVESTING ACTIVITIES** | | | | | |
| Additions of right-of-use assets | 6(b) | **(617,649)** | - | **-** | - |
| Dividends received | | **1,334,562** | 1,563,926 | **-** | - |
| Increase in pledged fixed deposits with licensed bank | | **(417,760)** | (330,196) | **-** | - |
| Placement of fixed deposits with tenure more than 3 months | | **(5,460,000)** | - | **-** | - |
| Proceeds from disposal of property, plant and equipment | | **1,962,317** | 2,693,787 | **-** | - |
| Additions to investment properties | | **-** | (60,077) | **-** | - |
| Purchase of property, plant and equipment | 5(b) | **(14,237,431)** | (6,796,292) | **-** | - |
| Purchase of short-term investment | | **(40,000,000)** | - | **-** | - |
| **NET CASH FOR INVESTING ACTIVITIES** | | **(57,435,961)** | (2,928,852) | **-** | - |
| | | | | | |
| **CASH FLOWS (FOR) / FROM FINANCING ACTIVITIES** | | | | | |
| Issue of shares from exercise of warrants | | **-** | 36,194,212 | **-** | 36,194,212 |
| Net movements in trade bills | | **2,262,748** | (4,006,077) | **-** | - |
| Repayment of lease liabilities | | **(903,998)** | (650,309) | **-** | - |
| Dividends paid | | **(18,548,061)** | (18,647,657) | **(18,548,061)** | (18,647,657) |
| **NET CASH (FOR) / FROM FINANCING ACTIVITIES** | | **(17,189,311)** | 12,890,169 | **(18,548,061)** | 17,546,555 |
| **NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS** | | **(80,340,287)** | 56,753,133 | **(19,371,189)** | 17,046,695 |
| **EFFECTS OF FOREIGN EXCHANGE TRANSLATION** | | **965,827** | 755,090 | **-** | - |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR** | | **185,747,703** | 128,239,480 | **21,657,870** | 4,611,175 |
| **CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR** | 28(c) | **106,373,243** | 185,747,703 | **2,286,681** | 21,657,870 |

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

# NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 October 2021

## 1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:

| | | |
|---|---|---|
| Registered office | : | No. 2 (1st Floor), Jalan Marin,<br>Taman Marin, Jalan Haji Abdullah,<br>Sungai Abong,<br>84000 Muar,<br>Johor Darul Takzim. |
| Principal place of business | : | PLO 1, Jalan Raja,<br>Kawasan Perindustrian Bukit Pasir,<br>Mukim Sungai Raya,<br>84300 Bukit Pasir, Muar,<br>Johor Darul Takzim. |

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 18 February 2022.

## 2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 9. There have been no significant changes in the nature of these activities during the financial year.

## 3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

3.1 During the current financial year, the Group has adopted the following new accounting standards and / or interpretations (including the consequential amendments, if any):

**MFRSs and / or IC Interpretations (Including the Consequential Amendments)**

Amendments to MFRS 3: Definition of a Business

Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform

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

Amendments to MFRS 101 and MFRS 108: Definition of Material

Amendments to References to the Conceptual Framework in MFRS Standards

The adoption of the above accounting standards and / or interpretations (including the consequential amendments, if any), did not have any material impact on the Group's financial statements.

## 3. BASIS OF PREPARATION (CONT'D)

3.2 The Group has not applied in advance the following accounting standards and / or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:

| MFRSs and / or IC Interpretations (Including the Consequential Amendments) | Effective Date |
|---|---|
| MFRS 17 Insurance Contracts | 1 January 2023 |
| Amendments to MFRS 3: Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2 | 1 January 2021 |
| Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |
| Amendments to MFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021 | 1 April 2021 |
| Amendments to MFRS 17: Insurance Contracts | 1 January 2023 |
| Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9- Comparative Information | 1 January 2023 |
| Amendments to MFRS 101: Classification of Liabilities as Current or Non-current | 1 January 2023 |
| Amendments to MFRS 101: Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to MFRS 108: Definition of Accounting Estimates | 1 January 2023 |
| Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |
| Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use | 1 January 2022 |
| Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022 |
| Annual Improvements to MFRS Standards 2018 – 2020 | 1 January 2022 |

The adoption of the above accounting standards and / or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Critical accounting estimates and judgements

***Key sources of estimation uncertainty***

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:

**(a) Depreciation of property, plant and equipment**

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.1 Critical accounting estimates and judgements (cont'd)

***Key sources of estimation uncertainty (cont'd)***

**(b) Impairment of property, plant and equipment, right-of-use assets and investment properties**

The Group determines whether an item of its property, plant and equipment, right-of-use assets and investment properties are impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates.

**(c) Write-down of inventories**

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

**(d) Impairment of trade receivables**

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables.

**(e) Income taxes**

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group 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 expense and deferred tax balances in the period in which such determination is made.

***Critical judgements made in applying accounting policies***

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:

**(a) Classification between investment properties and owner-occupied properties**

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.1 Critical accounting estimates and judgements (cont'd)

***Critical judgements made in applying accounting policies (cont'd)***

**(b) Lease terms**

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

### 4.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

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

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

**(a) Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

**(b) Non-controlling interests**

Non-controlling interests are presented within equity in the consolidated statements of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.2 Basis of consolidation (cont'd)

#### (c) Changes in ownership interests in subsidiaries without change of control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

#### (d) Loss of control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value of the initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### 4.3 Investment in subsidiaries

Investment in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investment in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

### 4.4 Property, plant and equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.4 Property, plant and equipment (cont'd)

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:

| | |
|---|---|
| Warehouse and factory buildings | 2.00% |
| Plant and machinery | 10.00% - 20.00% |
| Vehicles, hostel, furniture, fittings and equipment | 10.00% - 33.33% |

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. Any changes are accounted for as a change in estimate.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

### 4.5 Land held for property development

Land held for property development is stated at cost less impairment losses, if any. Such land is classified as non-current assets when no significant development work has been carried out or where development activities are not expected to be completed within the normal operating cycle.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commission, conversion fees and other relevant levies.

Land held for property development is reclassified property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

### 4.6 Investment properties

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

Investment properties which are owned are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The right-of-use assets held under a lease contract that meets the definition of investment property is measured initially similarly as other right-of-use assets.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.6 Investment properties (cont'd)

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on a straight-line method over the estimated useful lives of the investment properties. The estimated useful lives of the investment properties are 50 years.

Freehold land is not depreciated.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

### 4.7 Leases

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset 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 property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.8 Impairment

#### (a) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income and trade receivables, as well as on financial guarantee contracts.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

#### (b) Impairment of non-financial assets

The carrying values of assets, other than those to which MFRS 136 does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out or weighted average cost basis, where applicable, and comprises the purchase price, production costs and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

### 4.10 Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to / deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

#### (a) Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

*Debt instruments*

(i) Amortised cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.10 Financial instruments (cont'd)

**(a) Financial assets (cont'd)**

*Debt instruments (cont'd)*

(ii) Fair value through other comprehensive income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair value through profit or loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The fair value changes do not include interest or dividend income.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

*Equity instruments*

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

**(b) Financial liabilities**

(i) Financial liabilities at fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value (excluding interest expense) of these financial liabilities are recognised in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.10 Financial instruments (cont'd)

**(b) Financial liabilities (cont'd)**

(ii) Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

**(c) Equity instruments**

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

(i) Ordinary shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(ii) Treasury shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Where treasury shares are reissued by resale, the difference between the sales consideration received and the carrying amount of the treasury shares is recognised in equity.

Where treasury shares are cancelled, their costs are transferred to retained profits.

**(d) 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 when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.10 Financial instruments (cont'd)

#### (d) Derecognition (cont'd)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. 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.

#### (e) 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 specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

### 4.11 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction 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. However, this basis does not apply to leasing transactions.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:

Level 1 : Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

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

Level 3 : Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

### 4.12 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit of loss using the effective interest method.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.13 Income taxes

#### (a) Current tax

Current tax assets and liabilities are the expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

#### (b) Deferred tax

Deferred tax is recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

### 4.14 Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

### 4.15 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.16 Revenue from contracts with customers

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product to customer. An asset is transferred when (or as) the customer obtains control of that asset.

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

**Sale of furniture and other related products**

Revenue from sale of furniture and other related products are recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

### 4.17 Revenue from other sources and other operating income

**(a) Dividend income**

Dividend income from investment is recognised when the right to receive dividend payment is established.

**(b) Interest income**

Interest income is recognised on an accrual basis using the effective interest method.

**(c) Rental income**

Rental income from investment properties is accounted for on a straight-line method over the lease term.

### 4.18 Employee benefits

**(a) Short-term benefits**

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

**(b) Defined contribution plans**

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.19 Functional and foreign currencies

**(a) Functional and presentation currency**

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

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

**(b) Foreign currency transactions and balances**

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

**(c) Foreign operations**

Assets and liabilities of foreign operations are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period except for those business combinations that occurred before the date of transition, 1 November 2011 which are treated as assets and liabilities of the Company and are not retranslated.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or partial disposal involving loss of control over a subsidiary that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.

In the consolidated financial statements, when the settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

### 4.20 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. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

## 5. PROPERTY, PLANT AND EQUIPMENT

| The Group | Freehold land RM | Warehouse and factory buildings RM | Plant and machinery RM | Vehicles, hostel, furniture, fittings and equipment RM | Capital work-in-progress RM | Total RM |
|---|---|---|---|---|---|---|
| **At cost** | | | | | | |
| At 1 November 2020 | 12,681,988 | 100,813,666 | 101,748,663 | 13,658,945 | - | 228,903,262 |
| Additions | 33,655 | 813,120 | 3,797,510 | 1,649,400 | 7,907,882 | 14,201,567 |
| Disposals | (897,110) | - | (1,471,573) | (237,078) | - | (2,605,761) |
| Write off | - | (759,857) | (3,682,401) | (50,850) | - | (4,493,108) |
| Transfer from right-of-use assets (Note 6) | - | - | - | 1,383,797 | - | 1,383,797 |
| Foreign exchange differences | - | 900,377 | 1,098,414 | 149,971 | - | 2,148,762 |
| At 31 October 2021 | 11,818,533 | 101,767,306 | 101,490,613 | 16,554,185 | 7,907,882 | 239,538,519 |
| **Less : Accumulated depreciation** | | | | | | |
| At 1 November 2020 | - | 27,972,302 | 59,676,322 | 10,528,073 | - | 98,176,697 |
| Charge for the financial year | - | 1,998,879 | 7,049,182 | 1,112,347 | - | 10,160,408 |
| Disposals | - | - | (1,471,573) | (226,143) | - | (1,697,716) |
| Write off | - | (267,944) | (3,659,099) | (50,850) | - | (3,977,893) |
| Transfer from right-of-use assets (Note 6) | - | - | - | 607,163 | - | 607,163 |
| Foreign exchange differences | - | 225,514 | 648,568 | 101,553 | - | 975,635 |
| At 31 October 2021 | - | 29,928,751 | 62,243,400 | 12,072,143 | - | 104,244,294 |
| **Carrying amount** | | | | | | |
| At 31 October 2021 | 11,818,533 | 71,838,555 | 39,247,213 | 4,482,042 | 7,907,882 | 135,294,225 |

## 5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| The Group | Freehold land RM | Warehouse and factory buildings RM | Plant and machinery RM | Vehicles, hostel, furniture, fittings and equipment RM | Total RM |
|---|---|---|---|---|---|
| **At cost** | | | | | |
| At 1 November 2019 | 20,375,665 | 122,895,766 | 98,313,913 | 13,536,569 | 255,121,913 |
| Additions | 58,086 | 450,961 | 6,966,824 | 290,377 | 7,766,248 |
| Disposals | (975,877) | (704,435) | (1,226,269) | (61,500) | (2,968,081) |
| Write off | - | (98,067) | (1,938,618) | (62,421) | (2,099,106) |
| Transfer to investment properties | (6,732,494) | (21,299,034) | - | - | (28,031,528) |
| Foreign exchange differences | (43,392) | (431,525) | (367,187) | (44,080) | (886,184) |
| At 31 October 2020 | 12,681,988 | 100,813,666 | 101,748,663 | 13,658,945 | 228,903,262 |
| **Less : Accumulated depreciation** | | | | | |
| At 1 November 2019 | - | 26,932,706 | 55,879,802 | 9,572,604 | 92,385,112 |
| Charge for the financial year | - | 1,994,454 | 6,791,273 | 1,111,362 | 9,897,089 |
| Disposals | - | (17,611) | (1,181,939) | (61,500) | (1,261,050) |
| Write off | - | (32,884) | (1,603,496) | (58,918) | (1,695,298) |
| Transfer to investment properties | - | (822,381) | - | - | (822,381) |
| Foreign exchange differences | - | (81,982) | (209,318) | (35,475) | (326,775) |
| At 31 October 2020 | - | 27,972,302 | 59,676,322 | 10,528,073 | 98,176,697 |
| **Carrying amount** | | | | | |
| At 31 October 2020 | 12,681,988 | 72,841,364 | 42,072,341 | 3,130,872 | 130,726,565 |

(a) The following property, plant and equipment have been pledged to licensed banks as security for banking facilities granted to the Group (Note 20(a)):

| | The Group 2021 RM | The Group 2020 RM |
|---|---|---|
| **Carrying amount** | | |
| Factory buildings | **560,131** | 569,066 |
| Plant and machinery | **199,884** | 210,289 |
| | **760,015** | 779,355 |

## 5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) The cash disbursed for the purchase of property, plant and equipment is as follows:

| | The Group 2021 RM | 2020 RM |
|---|---|---|
| Cost of property, plant and equipment purchased | **14,201,567** | 7,766,248 |
| Unpaid balances included under sundry payables (Note 19(b)) | **(1,010,259)** | (1,046,123) |
| Cash disbursed in respect of purchase in previous financial year | **1,046,123** | 76,167 |
| Cash disbursed for purchase of property, plant and equipment | **14,237,431** | 6,796,292 |

(c) There have been no property, plant and equipment in the Company throughout the current and previous financial years.

## 6. RIGHT-OF-USE ASSETS

| The Group | Leasehold land RM | Freehold land RM | Motor vehicles RM | Total RM |
|---|---|---|---|---|
| **Carrying amount** | | | | |
| At 1 November 2020 | 24,683,315 | - | 816,307 | 25,499,622 |
| Additions | - | 4,013,318 | 1,737,649 | 5,750,967 |
| Depreciation charges | (875,063) | (150,500) | (267,974) | (1,293,537) |
| Transfer upon exercise of purchase option (Note 5) | - | - | (776,634) | (776,634) |
| Foreign exchange differences | 253,444 | - | - | 253,444 |
| At 31 October 2021 | 24,061,696 | 3,862,818 | 1,509,348 | 29,433,862 |

| The Group | Leasehold land RM | Motor vehicles RM | Total RM |
|---|---|---|---|
| **Carrying amount** | | | |
| At 1 November 2019 | 25,648,445 | 1,102,884 | 26,751,329 |
| Depreciation charges | (881,697) | (286,577) | (1,168,274) |
| Foreign exchange differences | (83,433) | - | (83,433) |
| At 31 October 2020 | 24,683,315 | 816,307 | 25,499,622 |

(a) The Group leases certain pieces of leasehold land, freehold land and motor vehicles of which the leasing activities are summaries below:

(i) Leasehold land — The Group has entered into 9 (2020 : 9) non-cancellable operating lease agreements for the use of land. The leases are for periods of 50-60 (2020 : 50-60) years with no renewal or purchase option included in the agreements.

(ii) Freehold land — The Group has leased 2 (2020 : Nil) pieces of land that runs for 20 years (2020 : Nil) with an option to renew the lease after that date.

(iii) Motor vehicles — The Group has leased its motor vehicles under hire purchase arrangements. The leases are secured by the leased assets. The Group has an option to purchase the asset at the expiry of the lease period at an insignificant amount.

## 6. RIGHT-OF-USE ASSETS (CONT'D)

(b) The cash disbursed for the addition of right-of-use assets are as follows:

| | The Group | |
|---|---|---|
| | 2021<br>RM | 2020<br>RM |
| Cost of right-of-use assets acquired | **5,750,967** | - |
| Additions of new lease liabilities | **(5,133,318)** | - |
| **Cash disbursed for the addition of right-of-use assets** | **617,649** | - |

## 7. LAND HELD FOR PROPERTY DEVELOPMENT

This represents freehold land and share in freehold land of the Group held for future property development stated at cost.

## 8. INVESTMENT PROPERTIES

| | The Group | |
|---|---|---|
| | 2021<br>RM | 2020<br>RM |
| **At cost** | | |
| At 1 November | **41,305,535** | 12,710,995 |
| Additions | **-** | 60,077 |
| Transfer from property, plant and equipment | **-** | 28,031,528 |
| Foreign exchange difference | **1,944,355** | 502,935 |
| At 31 October | **43,249,890** | 41,305,535 |
| **Less : Accumulated depreciation** | | |
| At 1 November | **2,072,152** | 615,404 |
| Charge for the financial year | **648,558** | 611,970 |
| Transfer from property, plant and equipment | **-** | 822,381 |
| Foreign exchange difference | **88,209** | 22,397 |
| At 31 October | **2,808,919** | 2,072,152 |
| **Carrying amount** | **40,440,971** | 39,233,383 |
| Included in the above are: | | |
| Freehold land | **10,741,174** | 10,274,187 |
| Warehouse and factory building | **29,699,797** | 28,959,196 |
| | **40,440,971** | 39,233,383 |

## 8. INVESTMENT PROPERTIES (CONT'D)

(a) The investment properties of the Group are leased to customers under operating leases with rentals payable monthly. The leases contain initial non-cancellable periods ranging from 1 to 5 (2020 : 1 to 5) years. Certain leases are with lease payments indexed to the customer price index.

The Group requires 2 to 6 (2020 : 2 to 6) months of advanced rental payments from the customers.

As at the reporting date, the future minimum rentals receivable under the non-cancellable operating leases are as follows:

| | The Group | |
|---|---|---|
| | **2021** | **2020** |
| | **RM** | **RM** |
| Within 1 year | **2,325,713** | 1,861,996 |
| Between 1 and 2 years | **1,895,353** | 1,700,860 |
| Between 2 and 3 years | **1,809,281** | 1,693,860 |
| Between 3 and 4 years | **1,758,026** | 1,693,860 |
| Between 4 and 5 years | **-** | 1,645,875 |
| | **7,788,373** | 8,596,451 |

(b) The fair value of the investment properties amounting to approximately RM 55.2 million (2020 : RM 49.2 million) based on directors' best estimate.

(c) Rental income and direct operating expenses arising from investment properties during the financial year are as follows:

| | The Group | |
|---|---|---|
| | **2021** | **2020** |
| | **RM** | **RM** |
| Rental income | **2,167,344** | 1,094,356 |
| Direct operating expenses: | | |
| - generating rental income | **528,762** | 573,996 |

## 9. INVESTMENT IN SUBSIDIARIES

| | The Company | |
|---|---|---|
| | **2021** | **2020** |
| | **RM** | **RM** |
| Unquoted shares, at cost | **165,919,142** | 165,919,142 |
| Accumulated impairment losses | **(6,319,071)** | (6,319,071) |
| | **159,600,071** | 159,600,071 |

## 9. INVESTMENT IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:

| Name of subsidiary | Principal place of business / Country of incorporation | Percentage of issued share capital held by parent 2021 | Percentage of issued share capital held by parent 2020 | Principal activities |
|---|---|---|---|---|
| **Subsidiaries of the Company** | | | | |
| Poh Huat Furniture Industries (M) Sdn. Bhd. | Malaysia | **100.00%** | 100.00% | Manufacturing and sale of furniture and investment holding. |
| PHW Properties Sdn. Bhd. | Malaysia | **100.00%** | 100.00% | Property developer. |
| Poh Huat International Sdn. Bhd. | Malaysia | **100.00%** | 100.00% | Investment holding. |
| # Poh Huat Furniture Industries Vietnam Joint Stock Company | Vietnam | **72.98% (Direct)** **^ 27.02%(Indirect)** | 72.98% (Direct) ^ 27.02% (Indirect) | Manufacturing and processing wooden household furniture. |
| * Poh Huat International (BVI) Limited | British Virgin Islands | **100.00%** | 100.00% | Investment holding. |
| # Poh Huat (Australia) Pty Ltd | Australia | **100.00%** | 100.00% | Investment in warehouses for the purposes of leasing to tenants. |
| **Subsidiary of Poh Huat Furniture Industries (M) Sdn. Bhd.** | | | | |
| * Contempro Furniture (Qingdao) Co. Ltd. | People's Republic of China | **100.00%** | 100.00% | Dormant. |

* Not required to be audited under the laws of the country of incorporation.

\# These subsidiaries were audited by other firms of chartered accountants.

^ The indirect equity interests of 27.01% and 0.01% are held through the subsidiaries of the Company, namely Poh Huat International (BVI) Limited and Poh Huat Furniture Industries (M) Sdn. Bhd. respectively.

## 10. TRADE AND OTHER RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| **Non-current** | | | | |
| **Long-term receivable** | | | | |
| Amount owing by a subsidiary | - | - | **6,742,672** | 6,505,442 |
| Allowance for impairment losses | - | - | **(3,445,846)** | (3,301,627) |
| | - | - | **3,296,826** | 3,203,815 |
| **Current** | | | | |
| **Trade receivables** | | | | |
| Advances to suppliers | **2,130,150** | 2,860,458 | - | - |
| Other trade receivables | **20,300,603** | 48,829,199 | - | - |
| | **22,430,753** | 51,689,657 | - | - |
| **Other receivables** | | | | |
| Amount owing by a subsidiary | - | - | **10,000** | - |
| Deposits | **339,045** | 1,600,765 | **1,000** | 1,000 |
| Prepayments | **632,501** | 545,113 | - | - |
| Goods and services tax recoverable | - | 1,318 | - | - |
| Value added tax | **16,123,780** | 10,890,670 | - | - |
| Sundry receivables | **4,231,044** | 3,228,047 | - | - |
| | **21,326,370** | 16,265,913 | **11,000** | 1,000 |
| | **43,757,123** | 67,955,570 | **11,000** | 1,000 |
| **Allowance for impairment losses** | | | | |
| At 1 November | - | - | **3,301,627** | 2,977,912 |
| Foreign exchange differences | - | - | **144,219** | 323,715 |
| At 31 October | - | - | **3,445,846** | 3,301,627 |

(a) The Group's normal trade terms range from cash term to 120 days (2020 : cash term to 120 days).

(b) The amounts owing by subsidiaries are unsecured, interest free, repayable on demand and to be settled in cash.

## 11. DEFERRED TAX ASSETS / (LIABILITIES)

| | The Group 2021 RM | The Group 2020 RM |
|---|---|---|
| At 1 November | **(6,190,763)** | (6,196,743) |
| Recognised in profit or loss (Note 25) | **835,258** | 6,263 |
| Foreign exchange differences | **7,052** | (283) |
| At 31 October | **(5,348,453)** | (6,190,763) |
| | | |
| Presented after appropriate offsetting as follows: | | |
| Deferred tax assets | **470,547** | 43,237 |
| Deferred tax liabilities | **(5,819,000)** | (6,234,000) |
| | **(5,348,453)** | (6,190,763) |

(a) The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

### (i) Deferred tax liabilities

| | Property, plant and equipment RM | Investment properties RM | Others RM | Total RM |
|---|---|---|---|---|
| **The Group** | | | | |
| At 1 November 2019 / 2020 | (5,945,000) | (249,000) | **(40,000)** | (6,234,000) |
| Recognised in profit or loss | 316,000 | 59,000 | **40,000** | 415,000 |
| At 31 October 2021 | (5,629,000) | (190,000) | - | (5,819,000) |

### (ii) Deferred tax assets

| | Others RM | Total RM |
|---|---|---|
| **The Group** | | |
| At 1 November 2019 | **37,257** | 37,257 |
| Recognised in profit or loss | **6,263** | 6,263 |
| Foreign exchange differences | **(283)** | (283) |
| At 31 October 2020 / 1 November 2020 | **43,237** | 43,237 |
| Recognised in profit or loss | **420,258** | 420,258 |
| Foreign exchange differences | **7,052** | 7,052 |
| At 31 October 2021 | **470,547** | 470,547 |

## 11. DEFERRED TAX ASSETS / (LIABILITIES) (CONT'D)

(b) At the end of the reporting period, the amounts of deferred tax assets not recognised (stated at gross) due to uncertainty of their realisation are as follows:

| | Others<br>RM | Total<br>RM |
|---|---|---|
| Malaysian subsidiary: | | |
| Unused tax losses | **12,030,000** | 12,030,000 |
| Unabsorbed capital allowances | **4,535,000** | 4,535,000 |
| Unabsorbed reinvestment allowances | **7,800,000** | 7,800,000 |
| Unutilised increased export allowances | **12,053,000** | 12,053,000 |
| | **36,418,000** | 36,418,000 |

The unused tax losses and unabsorbed reinvestment allowances are allowed to be utilised for 10 and 7 (2020 : 7 and 7) consecutive years of assessment ("YA") respectively, while the unabsorbed capital allowances and unutilised increased export allowances are allowed to be carried forward indefinitely.

The Group's unused tax losses of RM 12,030,000 (2020 : RM 12,030,000) can be carried forward up to YA 2028 (2020 : YA 2025) while unabsorbed reinvestment allowances of RM 7,800,000 (2020 : RM 7,800,000) can be carried forward up to YA 2025 (2020 : YA 2025).

## 12. INVENTORIES

| | The Group | |
|---|---|---|
| | 2021<br>RM | 2020<br>RM |
| Raw materials | **69,051,622** | 39,746,679 |
| Work-in-progress | **29,990,330** | 26,773,809 |
| Goods-in-transit | **1,239,728** | 334,279 |
| Finished goods | **26,660,410** | 26,006,837 |
| | **126,942,090** | 92,861,604 |
| | | |
| **Recognised in profit or loss** | | |
| Inventories recognised as cost of sales | **463,237,692** | 539,696,787 |
| Amount written down to net realisable value | **-** | 209,000 |

The inventories of a foreign subsidiary amounting to approximately USD 6.1 million (2020 : USD 6.1 million) have been pledged to the licensed banks as security for its banking facilities (Note 20(a)).

## 13. SHORT-TERM INVESTMENT

| | The Group | |
|---|---|---|
| | 2021<br>RM | 2020<br>RM |
| **Unit trust fund, at fair value** | | |
| - Phillip Wholesale Islamic Income Fund | **40,000,000** | - |

## 14. DEPOSITS, BANK AND CASH BALANCES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021<br>RM | 2020<br>RM | 2021<br>RM | 2020<br>RM |
| Cash and bank balances | **81,570,986** | 181,263,792 | **2,286,681** | 21,657,870 |
| Fixed deposits with licensed banks | **35,849,314** | 9,653,208 | **-** | - |
| | **117,420,300** | 190,917,000 | **2,286,681** | 21,657,870 |

(a) The fixed deposits with licensed banks of the Group at the end of the reporting period bear effective interest rate at 1.4% - 6.3% (2020 : 1.4% - 6.3%) per annum. The fixed deposits have maturity periods ranging from 1 to 12 months (2020 : 3 to 12 months).

(b) Included in the fixed deposits with licensed banks of the Group at the end of the reporting period is an amount of RM 5,587,057 (2020 : RM 5,169,297) which has been pledged to a licensed bank as security for banking facilities granted to the Group (Note 20(a)).

## 15. SHARE CAPITAL

| | The Group and The Company | | | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | Number of shares | | RM | RM |
| **Issued and fully paid-up** | | | | |
| Ordinary shares | | | | |
| At 1 November | **278,299,908** | 242,105,696 | **164,912,803** | 128,718,591 |
| Exercise of warrants | **-** | 36,194,212 | **-** | 36,194,212 |
| At 31 October | **278,299,908** | 278,299,908 | **164,912,803** | 164,912,803 |

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

## 16. TREASURY SHARES

Of the total 278,299,908 (2020 : 278,299,908) issued and fully paid-up ordinary shares at the end of the reporting period, 13,327,600 (2020 : 13,327,600) ordinary shares are held as treasury shares by the Company. None of the treasury shares were resold or cancelled during the financial year.

## 17. RESERVES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| **Non-distributable** | | | | |
| Foreign exchange translation reserve | **(5,094,975)** | (10,167,286) | **-** | - |
| **Distributable** | | | | |
| Retained profits | **293,836,193** | 274,867,278 | **6,702,337** | 11,684,091 |
| | **288,741,218** | 264,699,992 | **6,702,337** | 11,684,091 |

**Foreign exchange translation reserve**

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the Group's presentation currency.

## 18. LEASE LIABILITIES

| | The Group | |
|---|---|---|
| | 2021 RM | 2020 RM |
| At 1 November | **13,445,130** | 14,161,371 |
| Additions | **5,133,318** | - |
| Interest expense recognised in profit or loss | **323,206** | 257,333 |
| Repayment of principal | **(903,998)** | (650,309) |
| Repayment of interest expense | **(323,206)** | (257,333) |
| Foreign exchange differences | **(17,304)** | (65,932) |
| At 31 October | **17,657,146** | 13,445,130 |
| **Analysed by:** | | |
| Current liabilities | **974,550** | 485,536 |
| Non-current liabilities | **16,682,596** | 12,959,594 |
| | **17,657,146** | 13,445,130 |

Certain lease liabilities of the Group are secured by the Group's motor vehicles under the hire purchase arrangements (Note 6(a)(iii)) and guaranteed by the Company.

## 19. TRADE AND OTHER PAYABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| **Trade payables** | | | | |
| Advance from customers | **1,545,282** | 1,584,369 | **-** | - |
| Other trade payables | **42,074,368** | 70,777,032 | **-** | - |
| | **43,619,650** | 72,361,401 | **-** | - |
| **Other payables** | | | | |
| Accruals | **16,727,285** | 18,279,415 | **102,938** | 102,938 |
| Deposit payables | **72,232** | 119,232 | **-** | - |
| Goods and services tax payable | **13,913** | - | **-** | - |
| Sales and service tax payable | **225,531** | 182,838 | **-** | - |
| Sundry payables | **4,504,482** | 6,895,404 | **13,535** | 513 |
| | **21,543,443** | 25,476,889 | **116,473** | 103,451 |
| | **65,163,093** | 97,838,290 | **116,473** | 103,451 |

(a) The normal credit terms granted to the Group range from 15 to 120 days (2020 : 15 to 120 days).

(b) Included in sundry payables of the Group is an amount of RM 1,010,259 (2020 : RM 1,046,123) payable for the purchase of property, plant and equipment (Note 5(b)).

## 20. BANK BORROWINGS

| | The Group | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Secured - Trade bills | **9,260,390** | 8,503,048 |
| Unsecured - Trade bills | **1,773,038** | - |
| | **11,033,428** | 8,503,048 |

(a) The secured bank borrowings of the Group are secured by the followings:

(i) Certain property, plant and equipment of the Group (Note 5(a)).

(ii) Certain inventories of the Group (Note 12).

(iii) Certain fixed deposits with a licensed bank of the Group (Note 14(b)).

(iv) Corporate guarantee provided by the Company.

(b) The conditions of the unsecured bank borrowings of the Group is corporate guarantee provided by the Company.

## 20. BANK BORROWINGS (CONT'D)

(c) The effective interest rates (% per annum) at the end of the reporting period for bank borrowings are as follows:

| | The Group | |
|---|---|---|
| | 2021 | 2020 |
| | % | % |
| Trade bills | **2.2** | 1.8 - 2.2 |

## 21. REVENUE

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Revenue from contracts with customers recognised at a point in time | | | | |
| - Sale of furniture and other related products | **554,738,940** | 659,505,443 | - | - |
| Revenue from other sources | | | | |
| - Dividend income | **-** | - | **9,000,000** | - |
| | **554,738,940** | 659,505,443 | **9,000,000** | - |

## 22. FINANCE COSTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Interest expense on financial liabilities that are not at fair value through profit or loss | | | | |
| - Trade bills | **455,419** | 533,213 | - | - |
| Interest expense on lease liabilities | **323,206** | 257,333 | **-** | - |
| | **778,625** | 790,546 | **-** | - |
| Bank commission and charges | **294,515** | 370,975 | **2,041** | 2,848 |
| | **1,073,140** | 1,161,521 | **2,041** | 2,848 |

## 23. PROFIT / (LOSS) BEFORE TAX

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| **This is arrived at after charging:** | | | | |
| Auditors' remuneration | | | | |
| - audit fee | **178,656** | 180,104 | **42,000** | 42,000 |
| - non-audit fee: | | | | |
| - auditors of the Company | **3,000** | 3,000 | **3,000** | 3,000 |
| Depreciation of property, plant and equipment | **10,160,408** | 9,897,089 | **-** | - |
| Depreciation of right-of-use assets | **1,293,537** | 1,168,274 | **-** | - |
| Depreciation of investment properties | **648,558** | 611,970 | **-** | - |
| Inventories value written down | **-** | 209,000 | **-** | - |
| Loss on disposal of short-term investments | **-** | 29,386 | **-** | - |
| Property, plant and equipment written off | **515,215** | 403,808 | **-** | - |
| Realised loss on foreign exchange | **2,358,516** | 2,114,263 | **-** | - |
| Staff costs (including key management personnel as disclosed in Note 24): | | | | |
| - short-term employee benefits | **117,882,505** | 130,587,376 | **670,318** | 608,917 |
| - defined contribution plans | **1,540,385** | 1,486,885 | **-** | - |
| - others | **13,227,120** | 12,280,724 | **-** | - |
| **And crediting:** | | | | |
| Dividend income | **(1,334,562)** | (1,563,926) | **-** | - |
| Gain on disposal of short-term investments | **(65,223)** | - | **-** | - |
| Gain on disposal of property, plant and equipment | **(1,054,272)** | (986,756) | **-** | - |
| Realised gain on foreign exchange | **-** | - | **(695)** | (24,363) |
| Total interest income on financial assets that are not at fair value through profit or loss | **(960,644)** | (721,560) | **(46,843)** | (16,884) |
| Unrealised gain on foreign exchange | **(465,465)** | (1,551,303) | **(137,983)** | (138,915) |

## 24. DIRECTORS' REMUNERATION

The aggregate amounts of emoluments received and receivable by the directors of the Group and of the Company during the financial year are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| **Executive directors of the Company** | | | | |
| Fee | **319,693** | 305,162 | **319,693** | 305,162 |
| Salaries, bonuses and other benefits | **4,041,454** | 3,277,786 | **-** | - |
| Defined contribution plans | **80,517** | 79,420 | **-** | - |
| | **4,441,664** | 3,662,368 | **319,693** | 305,162 |
| Estimated monetary value of benefits-in-kind | **45,400** | 36,325 | **17,400** | 8,325 |
| | **4,487,064** | 3,698,693 | **337,093** | 313,487 |
| **Non-executive directors of the Company** | | | | |
| Fee | **350,625** | 303,755 | **350,625** | 303,755 |
| Estimated monetary value of benefits-in-kind | **5,300** | 1,325 | **5,300** | 1,325 |
| | **355,925** | 305,080 | **355,925** | 305,080 |
| **Executive directors of the subsidiaries** | | | | |
| Fee | **37,321** | 34,445 | **-** | - |
| **Total directors' remuneration** | **4,880,310** | 4,038,218 | **693,018** | 618,567 |
| **Analysis excluding monetary value of benefits-in-kind:** | | | | |
| Total executive directors' remuneration | **4,478,985** | 3,696,813 | **319,693** | 305,162 |
| Total non-executive directors' remuneration | **350,625** | 303,755 | **350,625** | 303,755 |
| | **4,829,610** | 4,000,568 | **670,318** | 608,917 |

## 25. INCOME TAX EXPENSE

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Current tax expense | | | | |
| - Malaysian tax | **687,855** | 8,119,000 | **-** | - |
| - Foreign tax | **5,135,900** | 5,352,535 | **-** | - |
| - (Over) / Under provision in previous financial year | **(1,627)** | 55,995 | **-** | - |
| | **5,822,128** | 13,527,530 | **-** | - |
| Real property gains tax | **172,792** | 59,474 | **-** | - |
| Deferred tax (Note 11) | | | | |
| - Reversal of temporary differences | **(420,258)** | (6,263) | **-** | - |
| - Over provision in prior years | **(415,000)** | - | **-** | - |
| | **(835,258)** | (6,263) | **-** | - |
| | **5,159,662** | 13,580,741 | **-** | - |

A reconciliation of income tax expense applicable to the profit / (loss) before tax at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Profit / (Loss) before tax | **37,377,192** | 65,490,290 | **8,266,861** | (768,464) |
| Tax at Malaysian statutory tax rate | **8,971,000** | 15,718,000 | **1,984,000** | (184,000) |
| Effects of differential in tax rates of subsidiaries | **(2,996,000)** | (2,827,000) | **-** | - |
| Tax effect of non-taxable income | **(943,000)** | (571,000) | **(2,160,000)** | - |
| Tax effect of non-deductible expense | **392,497** | 1,166,272 | **176,000** | 184,000 |
| Tax effect of double deduction relief | **(21,000)** | (21,000) | **-** | - |
| Real property gains tax arising from disposal of freehold land | **172,792** | 59,474 | **-** | - |
| (Over) / Under provision of current tax in previous financial year | **(1,627)** | 55,995 | **-** | - |
| Over provision of deferred tax in prior years | **(415,000)** | - | **-** | - |
| | **5,159,662** | 13,580,741 | **-** | - |

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2020 : 24%) of the estimated assessable profit for the financial year. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

## 26. EARNINGS PER ORDINARY SHARE

| | The Group | |
|---|---|---|
| | **2021** | **2020** |
| | **RM** | **RM** |
| Profit after tax attributable to owners of the Company | **32,217,530** | 51,909,549 |

| | **2021** | **2020** |
|---|---|---|
| | **Units** | **Units** |
| Weighted average number of ordinary shares in issue: | | |
| Ordinary shares at 1 November | **264,972,308** | 228,778,096 |
| Effect of exercise of warrants | **-** | 5,722,114 |
| Weighted average number of ordinary shares at 31 October | **264,972,308** | 234,500,210 |
| | | |
| Basic earnings per ordinary share (Sen) | **12.16** | 22.14 |

(a) During the current financial year, the Group has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

(b) There is no dilutive effect to the earnings per share for the current financial year as the Warrants have expired on 21 October 2020.

## 27. DIVIDENDS

| | The Group and The Company | |
|---|---|---|
| | **2021** | **2020** |
| | **RM** | **RM** |
| **In respect of the financial year ended 31 October 2019** | | |
| Third interim dividend of 2 sen per ordinary share | **-** | 4,621,640 |
| **In respect of the financial year ended 31 October 2020** | | |
| First interim dividend of 1 sen per ordinary share | **-** | 2,311,789 |
| Second interim dividend of 2 sen per ordinary share | **-** | 4,850,885 |
| Third interim dividend of 2 sen per ordinary share | **-** | 5,299,446 |
| Fourth interim dividend of 2 sen per ordinary share | **-** | 5,299,446 |
| Final dividend of 2 sen per ordinary share | **5,299,446** | - |
| **In respect of the financial year ended 31 October 2021** | | |
| First interim dividend of 1 sen per ordinary share | **2,649,723** | - |
| Second interim dividend of 2 sen per ordinary share | **5,299,446** | - |
| | **13,248,615** | 22,383,206 |

At the forthcoming Annual General Meeting, a final dividend of 2 sen per ordinary share in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for as a liability in the financial year ending 31 October 2022.

## 28. CASH FLOW INFORMATION

(a) The reconciliations of liabilities arising from financing activities are as follows:

| The Group | Trade bills RM | Lease liabilities RM | Total RM |
|---|---|---|---|
| **2021** | | | |
| At 1 November | **8,503,048** | **13,445,130** | **21,948,178** |
| Changes in financing cash flows | | | |
| Proceeds from drawdown | **52,761,586** | **-** | **52,761,586** |
| Repayment of principal | **(50,498,838)** | **(903,998)** | **(51,402,836)** |
| Repayment of interests | **(455,419)** | **(323,206)** | **(778,625)** |
| | **1,807,329** | **(1,227,204)** | **580,125** |
| Non-cash changes | | | |
| Acquisition of new leases | **-** | **5,133,318** | **5,133,318** |
| Foreign exchange adjustments | **267,632** | **(17,304)** | **250,328** |
| Interest expense recognised in profit or loss | **455,419** | **323,206** | **778,625** |
| | **723,051** | **5,439,220** | **6,162,271** |
| At 31 October | **11,033,428** | **17,657,146** | **28,690,574** |
| **2020** | | | |
| At 1 November | 12,483,973 | 14,161,371 | 26,645,344 |
| Changes in financing cash flows | | | |
| Proceeds from drawdown | 76,616,844 | - | 76,616,844 |
| Repayment of principal | (80,622,921) | (650,309) | (81,273,230) |
| Repayment of interests | (533,213) | (257,333) | (790,546) |
| | (4,539,290) | (907,642) | (5,446,932) |
| Non-cash changes | | | |
| Foreign exchange adjustments | 25,152 | (65,932) | (40,780) |
| Interest expense recognised in profit or loss | 533,213 | 257,333 | 790,546 |
| | 558,365 | 191,401 | 749,766 |
| At 31 October | 8,503,048 | 13,445,130 | 21,948,178 |

## 28. CASH FLOW INFORMATION (CONT'D)

(b) The total cash outflows for leases as a lessee are as follows:

| | The Group | |
|---|---|---|
| | **2021** | **2020** |
| | **RM** | **RM** |
| Payment of short-term leases | **144,000** | 141,000 |
| Interest paid on lease liabilities | **323,206** | 257,333 |
| Payment of lease liabilities | **903,998** | 650,309 |
| | **1,371,204** | 1,048,642 |

(c) The cash and cash equivalents comprise the following:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **RM** | **RM** | **RM** | **RM** |
| Deposits, bank and cash balances | **117,420,300** | 190,917,000 | **2,286,681** | 21,657,870 |
| Less : Fixed deposits pledged to a licensed bank | **(5,587,057)** | (5,169,297) | **-** | - |
| Fixed deposits with tenure of more than 3 months | **(5,460,000)** | - | **-** | - |
| | **106,373,243** | 185,747,703 | **2,286,681** | 21,657,870 |

## 29. RELATED PARTY DISCLOSURES

### (a) Identities of related parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly 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 party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

## 29. RELATED PARTY DISCLOSURES (CONT'D)

### (b) Significant related party transactions and balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021<br>RM | 2020<br>RM | 2021<br>RM | 2020<br>RM |
| **Subsidiaries** | | | | |
| - Advance to | **-** | - | **10,000** | - |
| - Dividend income | **-** | - | **(9,000,000)** | - |
| **Director** | | | | |
| - Rental | **144,000** | 141,000 | **-** | - |
| - Lease payment | **200,000** | - | **-** | - |
| **A firm in which a director of the Company is senior partner** | | | | |
| - Legal fee | **14,136** | 44,176 | **-** | - |

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed in the respective notes to the financial statements.

### (c) Key management personnel compensation

The key management personnel of the Group and of the Company include executive directors and non-executive directors. Details of the compensation for these key management personnel are disclosed in Note 24.

## 30. CAPITAL COMMITMENT

| | The Group | |
|---|---|---|
| | 2021<br>RM | 2020<br>RM |
| Purchase of property, plant and equipment | **2,329,000** | 300,000 |

## 31. OPERATING SEGMENTS

### (a) Business segments

Information about operating segments has not been reported separately as the Group's profit or loss, assets and liabilities are predominantly confined to a single operating segment, namely furniture industry. The property development division has not commenced development activity and its assets are less than 10% of the total assets of all operating segments.

## 31. OPERATING SEGMENTS (CONT'D)

### (b) Geographical information

In presenting information about geographical areas, segment revenue is based on the geographical location in which the operations are located whereas segment assets are based on the geographical location of assets.

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Australia | **-** | - | **28,839,981** | 27,463,815 |
| Vietnam | **348,911,901** | 365,312,242 | **85,956,672** | 86,467,471 |
| Malaysia | **205,827,039** | 294,193,201 | **111,755,139** | 102,483,708 |
| | **554,738,940** | 659,505,443 | **226,551,792** | 216,414,994 |

### (c) Major customers

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

| | The Group | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Customer A | **80,753,564** | 111,290,833 |
| Customer B | **79,782,183** | 86,484,506 |
| Customer C | **102,492,765** | 96,598,536 |
| | **263,028,512** | 294,373,875 |

## 32. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### 32.1 Financial risk management policies

The Group's policies in respect of the major areas of treasury activity are as follows:

#### (a) Market risk

##### (i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily Australian Dollar ("AUD"), Chinese Renminbi ("RMB"), Singapore Dollar ("SGD"), United States Dollar ("USD") and Vietnam Dong ("VND"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

## 32. FINANCIAL INSTRUMENTS (CONT'D)

### 32.1 Financial risk management policies (cont'd)

#### (a) Market risk (cont'd)

##### (i) Foreign currency risk (cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:

***Foreign currency exposure***

| | AUD RM | RMB RM | SGD RM | USD RM | VND RM | RM RM | Others RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **The Group** | | | | | | | | |
| **2021** | | | | | | | | |
| Financial assets | | | | | | | | |
| Trade and other receivables (N1) | 37,561 | 953,427 | 314,506 | 17,522,050 | 3,213,056 | 2,491,047 | - | 24,531,647 |
| Short-term investment | - | - | - | - | - | 40,000,000 | - | 40,000,000 |
| Deposits, bank and cash balances | 3,159,371 | 4,783,759 | 547 | 12,990,394 | 50,976,082 | 45,501,867 | 8,280 | 117,420,300 |
| | 3,196,932 | 5,737,186 | 315,053 | 30,512,444 | 54,189,138 | 87,992,914 | 8,280 | 181,951,947 |
| Financial liabilities | | | | | | | | |
| Trade and other payables (N2) | (24,968) | (78,162) | - | (6,863,180) | (25,334,526) | (30,924,920) | (80,379) | (63,306,135) |
| Bank borrowings | - | - | - | (11,033,428) | - | - | - | (11,033,428) |
| Dividend payable | - | - | - | - | - | (5,299,446) | - | (5,299,446) |
| | (24,968) | (78,162) | - | (17,896,608) | (25,334,526) | (36,224,366) | (80,379) | (79,639,009) |
| Net financial assets / (liabilities) | 3,171,964 | 5,659,024 | 315,053 | 12,615,836 | 28,854,612 | 51,768,548 | (72,099) | 102,312,938 |
| Less : Net financial (assets) / liabilities denominated in the respective entities' functional currencies | (3,171,167) | (5,731,361) | - | - | (28,853,630) | (51,768,548) | - | (89,524,706) |
| **Currency exposure** | 797 | (72,337) | 315,053 | 12,615,836 | 982 | - | (72,099) | 12,788,232 |

## 32. FINANCIAL INSTRUMENTS (CONT'D)

### 32.1 Financial risk management policies (cont'd)

**(a) Market risk (cont'd)**

**(i) Foreign currency risk (cont'd)**

***Foreign currency exposure (cont'd)***

| | AUD RM | RMB RM | SGD RM | USD RM | VND RM | RM RM | Others RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **The Group** | | | | | | | | |
| **2020** | | | | | | | | |
| Financial assets | | | | | | | | |
| Trade and other receivables (N1) | - | 968,887 | 1,088,114 | 44,201,649 | 2,259,030 | 3,539,566 | - | 52,057,246 |
| Deposits, bank and cash balances | 2,156,842 | 4,525,669 | 479 | 47,240,441 | 18,664,922 | 118,296,653 | 31,994 | 190,917,000 |
| | 2,156,842 | 5,494,556 | 1,088,593 | 91,442,090 | 20,923,952 | 121,836,219 | 31,994 | 242,974,246 |
| Financial liabilities | | | | | | | | |
| Trade and other payables (N2) | (21,914) | (66,855) | - | (8,438,971) | (47,959,577) | (39,350,482) | (114,052) | (95,951,851) |
| Bank borrowings | - | - | - | (8,503,048) | - | - | - | (8,503,048) |
| Dividend payable | - | - | - | - | - | (10,598,892) | - | (10,598,892) |
| | (21,914) | (66,855) | - | (16,942,019) | (47,959,577) | (49,949,374) | (114,052) | (115,053,791) |
| Net financial assets / (liabilities) | 2,134,928 | 5,427,701 | 1,088,593 | 74,500,071 | (27,035,625) | 71,886,845 | (82,058) | 127,920,455 |
| Less : Net financial (assets) / liabilities denominated in the respective entities' functional currencies | (2,134,130) | (5,488,929) | - | - | 27,036,607 | (71,886,845) | - | (52,473,297) |
| **Currency exposure** | 798 | (61,228) | 1,088,593 | 74,500,071 | 982 | - | (82,058) | 75,447,158 |

N1 - Excluding deposits, prepayments and certain receivables
N2 - Excluding deposit and certain payables

## 32. FINANCIAL INSTRUMENTS (CONT'D)

### 32.1 Financial risk management policies (cont'd)

#### (a) Market risk (cont'd)

##### (i) Foreign currency risk (cont'd)

***Foreign currency exposure (cont'd)***

The Company does not have any balances denominated in foreign currencies and hence, is not exposed to foreign currency risk.

***Foreign currency risk sensitivity analysis***

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:

| | The Group | |
|---|---|---|
| | **2021** | **2020** |
| | **RM** | **RM** |
| **Effects on profit after tax / equity** | | |
| AUD / RM | | |
| - strengthened by 5% | **30** | 30 |
| - weakened by 5% | **(30)** | (30) |
| RMB / RM | | |
| - strengthened by 5% | **(2,749)** | (2,327) |
| - weakened by 5% | **2,749** | 2,327 |
| SGD / RM | | |
| - strengthened by 5% | **11,972** | 41,367 |
| - weakened by 5% | **(11,972)** | (41,367) |
| USD / RM | | |
| - strengthened by 5% | **479,402** | 2,831,003 |
| - weakened by 5% | **(479,402)** | (2,831,003) |
| VND / RM | | |
| - strengthened by 5% | **37** | 37 |
| - weakened by 5% | **(37)** | (37) |

##### (ii) Interest rate risk

The Group's fixed deposits with licensed banks and borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined MFRS 7 since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

## 32. FINANCIAL INSTRUMENTS (CONT'D)

### 32.1 Financial risk management policies (cont'd)

#### (a) Market risk (cont'd)

##### (iii) Equity price risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

#### (b) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from advances to subsidiaries and corporate guarantee given to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

##### (i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by one (2020 : four) customers which constituted approximately 29% (2020 : 59%) of its trade receivables at the end of the reporting period.

In addition, the Group also determines the concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables at the end of the reporting period is as follows:

| | The Group | |
|---|---|---|
| | **2021** | **2020** |
| | **RM** | **RM** |
| Africa | **264** | - |
| Asia (excluding Malaysia) | **666,856** | 1,581,645 |
| North America | **16,374,675** | 42,869,428 |
| Europe | **10,887** | 219,905 |
| Malaysia | **3,247,921** | 4,158,221 |
| | **20,300,603** | 48,829,199 |

##### (ii) Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiaries as disclosed under the 'Maturity Analysis' of item (c) below, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition were not material.

## 32. FINANCIAL INSTRUMENTS (CONT'D)

### 32.1 Financial risk management policies (cont'd)

#### (b) Credit risk (cont'd)

##### (iii) Assessment of impairment losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

*Trade receivables*

The Group applies the simplified approach to measuring expected credit losses using a lifetime expected credit loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

For certain large customers or customers with a high risk of default, the Group assesses the risk of loss of each customer individually based on their financial information, past trends of payments and external credit rating, where applicable.

Also, the Group considers any trade receivables having financial difficulty or in default with significant balances outstanding for more than 120 days are deemed credit impaired and assesses for their risk of loss individually.

The expected loss rates are based on the payment profiles of sales over a period of 1 year and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

The information about the exposure to credit risk for trade receivables is summarised below:

| | The Group | |
|---|---|---|
| | 2021<br>RM | 2020<br>RM |
| Current (not past due) | **19,720,827** | 43,396,446 |
| 1 to 30 days past due | **369,735** | 5,429,160 |
| 31 to 60 days past due | **194,427** | 3,593 |
| 61 to 180 days past due | **15,614** | - |
| | **20,300,603** | 48,829,199 |

*Other receivables*

The Group considers a receivable is credit impaired when the receivable is in significant financial difficulty. Receivables that are credit impaired are assessed individually.

At the end of reporting period, there was no indication that the other receivables are not recoverable.

## 32. FINANCIAL INSTRUMENTS (CONT'D)

### 32.1 Financial risk management policies (cont'd)

#### (b) Credit risk (cont'd)

##### (iii) Assessment of impairment losses (cont'd)

*Fixed deposits with licensed banks, cash and bank balances*

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

*Amount owing by subsidiaries (Non-trade balances)*

The Company applies the 3-stage general approach to measuring expected credit losses for all inter-company balances. Generally, the Company considers advances to subsidiaries have low credit risks. 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 subsidiaries' advances when they are payable, the Company considers the advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's advance to be credit impaired when the subsidiary is unlikely to repay its advance in full or the subsidiary is continuously loss making or the subsidiary is having a deficit in its total equity.

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

The information about the exposure to credit risk and the loss allowances calculated for the amount owing by subsidiaries are summarised below:

| | Gross amount RM | Individual allowance RM | Carrying amount RM |
|---|---|---|---|
| **The Company** | | | |
| **2021** | | | |
| Non-current | **6,742,672** | **(3,445,846)** | **3,296,826** |
| Current | **10,000** | **-** | **10,000** |
| **2020** | | | |
| Non-current | 6,505,442 | (3,301,627) | 3,203,815 |

The movements in the loss allowances are disclosed in Note 10.

*Financial guarantee contracts*

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

## 32. FINANCIAL INSTRUMENTS (CONT'D)

### 32.1 Financial risk management policies (cont'd)

#### (c) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

***Maturity analysis***

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

| | Effective interest rate % | Carrying amount RM | Contractual undiscounted cash flows RM | Within 1 year RM | 1-5 years RM | Over 5 years RM |
|---|---|---|---|---|---|---|
| **The Group** | | | | | | |
| **2021** | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Trade and other payables (N1) | **-** | **63,306,135** | **63,306,135** | **63,306,135** | **-** | **-** |
| Bank borrowings | | | | | | |
| - Trade bills | **2.2** | **11,033,428** | **11,033,428** | **11,033,428** | **-** | **-** |
| Lease liabilities | **1.8 - 4.6** | **17,657,146** | **21,710,425** | **1,312,323** | **4,151,328** | **16,246,774** |
| Dividend payable | **-** | **5,299,446** | **5,299,446** | **5,299,446** | **-** | **-** |
| | | **97,296,155** | **101,349,434** | **80,951,332** | **4,151,328** | **16,246,774** |
| **The Group** | | | | | | |
| **2020** | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Trade and other payables (N1) | - | 95,951,851 | 95,951,851 | 95,951,851 | - | - |
| Bank borrowings | | | | | | |
| - Trade bills | 1.8 - 2.2 | 8,503,048 | 8,503,048 | 8,503,048 | - | - |
| Lease liabilities | 1.8 - 5.1 | 13,445,130 | 16,607,855 | 724,677 | 2,299,796 | 13,583,382 |
| Dividend payable | - | 10,598,892 | 10,598,892 | 10,598,892 | - | - |
| | | 128,498,921 | 131,661,646 | 115,778,468 | 2,299,796 | 13,583,382 |

## 32. FINANCIAL INSTRUMENTS (CONT'D)

### 32.1 Financial risk management policies (cont'd)

#### (c) Liquidity risk (cont'd)

*Maturity analysis (cont'd)*

| | Carrying amount RM | Contractual undiscounted cash flows RM | Within 1 year RM |
|---|---|---|---|
| **The Company** | | | |
| **2021** | | | |
| Non-derivative financial liabilities | | | |
| Other payables | **116,473** | **116,473** | **116,473** |
| Dividend payable | **5,299,446** | **5,299,446** | **5,299,446** |
| Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries * | **-** | **11,927,236** | **11,927,236** |
| | **5,415,919** | **17,343,155** | **17,343,155** |
| **2020** | | | |
| Non-derivative financial liabilities | | | |
| Other payables | 103,451 | 103,451 | 103,451 |
| Dividend payable | 10,598,892 | 10,598,892 | 10,598,892 |
| Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries * | - | 8,622,762 | 8,622,762 |
| | 10,702,343 | 19,325,105 | 19,325,105 |

N1 - Excluding deposit and certain payables

* The contractual undiscounted cash flows represent the outstanding credit facilities of the subsidiaries at the end of the reporting period. The financial guarantees have not been recognised in the financial statements since their fair value on initial recognition were not material.

## 32. FINANCIAL INSTRUMENTS (CONT'D)

### 32.2 Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debts divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interests. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:

| | The Group | |
|---|---|---|
| | **2021**<br>**RM** | **2020**<br>**RM** |
| Bank borrowings | **11,033,428** | 8,503,048 |
| Lease liabilities | **17,657,146** | 13,445,130 |
| | **28,690,574** | 21,948,178 |
| Less : Fixed deposits with licensed banks | **(35,849,314)** | (9,653,208) |
| Less : Cash and bank balances | **(81,570,986)** | (181,263,792) |
| Excess funds | **(88,729,726)** | (168,968,822) |
| Total equity | **450,817,540** | 426,776,314 |
| Debt-to-equity ratio | **Not applicable** * | Not applicable * |

* The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total external borrowings.

There was no change in the Group's approach to capital management during the financial year.

## 32. FINANCIAL INSTRUMENTS (CONT'D)

### 32.3 Classification of financial instruments

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| **Financial assets** | | | | |
| Fair value through profit and loss | | | | |
| Short-term investment | **40,000,000** | - | **-** | - |
| | | | | |
| Amortised cost | | | | |
| Trade and other receivables (N1) | **24,531,647** | 52,057,246 | **10,000** | - |
| Dividend receivable | **-** | - | **9,000,000** | - |
| Deposits, bank and cash balances | **117,420,300** | 190,917,000 | **2,286,681** | 21,657,870 |
| | **141,951,947** | 242,974,246 | **11,296,681** | 21,657,870 |
| | | | | |
| **Financial liabilities** | | | | |
| Amortised cost | | | | |
| Trade and other payables (N2) | **63,306,135** | 95,951,851 | **116,473** | 103,451 |
| Bank borrowings | **11,033,428** | 8,503,048 | **-** | - |
| Dividend payable | **5,299,446** | 10,598,892 | **5,299,446** | 10,598,892 |
| | **79,639,009** | 115,053,791 | **5,415,919** | 10,702,343 |

N1 - Excluding deposits, prepayments and certain receivables
N2 - Excluding deposit and certain payables

### 32.4 Gains or losses arising from financial instruments

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| **Financial assets** | | | | |
| Fair value through profit or loss | | | | |
| Net gains recognised in profit or loss | **1,399,785** | 1,563,926 | **-** | - |
| | | | | |
| Amortised cost | | | | |
| Net gains recognised in profit or loss | **1,459,140** | 2,364,951 | **184,826** | 155,799 |
| | | | | |
| **Financial liabilities** | | | | |
| Amortised cost | | | | |
| Net losses recognised in profit or loss | **(488,450)** | (872,331) | **-** | - |

## 32. FINANCIAL INSTRUMENTS (CONT'D)

### 32.5 Fair value information

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

As at 31 October 2021, the fair value profile of unit trust of the Group amounting to RM 40,000,000 is determined by reference to statements provided by respective financial institutions with which the investments were entered into, and the fair value is within level 2 of the value hierarchy. There were no transfers between level 1 and level 2 during the financial year.

## 33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Poh Huat Furniture Industries (M) Sdn. Bhd. ("PHFI"), a wholly-owned subsidiary of the Company had on 21 January 2021 voluntarily undergone a Covid-19 full screening (PCR test) for all its employees.

The Group had temporarily suspended its operations in Malaysia from 25 January 2021 to 3 February 2021 after 38.7% of the employees were tested positive for Covid-19.

(b) During the financial year, the Malaysian Government implemented various types and phases of movement control order throughout the country where restrictions were either relaxed and / or tightened for certain states, districts and / or location based on the number of daily and active Covid-19 cases in the respective areas.

Following the further imposition of full movement control order ("FMCO") in Malaysia since 1 June 2021, all economic sectors are not allowed to operate except the essential services and economic sectors identified by the National Security Council.

During the implementation of the FMCO, the operations of the Group in Malaysia was temporarily interrupted and resulted minimal revenue. The Group has resumed its operations in Malaysia on 11 September 2021 after all its employees have observed a 14-day waiting period after the full inoculation.

In July 2021, the Vietnam Government imposed a total lockdown in most of districts in and around Ho Chi Minh. During the implementation of the total lockdown, the operations of Poh Huat Furniture Industries Vietnam Joint Stock Company ("PHFIV"), a subsidiary of the Company, which operating in Vietnam was temporarily interrupted and resulted minimal revenue. PHFVI has resumed its operations in Vietnam in mid of October 2021.

Overall, the Covid-19 global pandemic has not resulted in any material impairment to the Group's assets (including inventories and receivables) as of 31 October 2021 or affected the Group's ability to continue its business as a going concern. Same for the cessation of business operations, the Covid-19 global pandemic did not have any material impact on the Group's operations and financial performance for the financial year ended 31 October 2021.

Going forward, the Group will continuously monitor the development of Covid-19 pandemic, and the disruption to its business activities caused by the prolonged effect of such pandemic and / or restrictions in the market which the Group operates and / or any subsequent measures imposed by the governments and evaluate their impact on the financial position, cash flows and operating results of the Group.

# LIST OF MATERIAL LANDED PROPERTIES

As At 31 October 2021

| Address/Location | Description | Land Area (hectare) | Use | Tenure/Age of Building | Net Book Value as at 31.10.2021 RM'000 | Date of Revaluation or Acquisition |
|---|---|---|---|---|---|---|
| Lot 25, Tam Phuoc Commune, Long Thanh District, Dong Nai Province, Vietnam. | 1 plot of industrial land with an office building, 1 hostel, 6 factory buildings ancillary structures | 12.39 | Office with furniture manufacturing facilities and accommodation | 50 years lease expiring in 2046/ 17 years | 30,633 | 29.8.02 (Date of Acquisition) |
| No. 17, Road 26, Song Than Industrial, Zone II, Di An District, Binh Duong Province, Vietnam. | 1 plot of industrial land with an office building, 1 hostel, 3 factory buildings and ancillary structures | 6.76 | Office with furniture manufacturing and accommodation | 50 years lease expiring in 2045/ 20 years | 25,597 | 1.3.02 (Date of Acquisition) |
| No. 17, Whitfield Boulevard, Cranbourne West, Victoria 3977, Australia. | 1 plot of commercial land with a warehouse cum office-showroom | 0.52 | Warehouse cum office-showroom | freehold/ 4 years | 15,626 | 3.9.18 (Date of Acquisition) |
| No. 61, Assembly Drive, Dandenong South, Victoria 3175, Australia. | 1 plot of commercial land with a warehouse cum office-showroom | 0.53 | Warehouse cum office-showroom | freehold/ 5 years | 13,032 | 10.11.16 (Date of Acquisition) |
| PTD Nos. 1470 & 1535, Bukit Pasir Industrial Area, Mukim of Sungai Terap, District of Muar, Johor Darul Takzim. | 2 plots of industrial land with an office building, a warehouse cum factory building and ancillary structures | 2.21 | Office with furniture manufacturing and warehousing facilities | 60 years leasehold expiring in 2060/ 16 years | 11,850 | 21.10.03 (Date of Acquisition) |
| No. 5, Jalan Cipta Serenia 1, Bandar Serenia, 43900 Sepang, Selangor. | 1 plot of commercial land with 3 storey detached factory | 0.48 | Factory cum office-showroom | freehold/ 3 years | 8,827 | 11.07.19 (Date of Acquisition) |

# LIST OF MATERIAL LANDED PROPERTIES (CONT'D)
As At 31 October 2021

| Address/Location | Description | Land Area (hectare) | Use | Tenure/Age of Building | Net Book Value as at 31.10.2021 RM'000 | Date of Revaluation or Acquisition |
|---|---|---|---|---|---|---|
| GM No. 3000, Lot 3081<br>GM No. 2548, Lot 1980<br>HSM No. 7207,<br>Ptd 12933<br>GM No. 3001, Lot 3082<br>GM No. 2479, Lot 1981<br>Mukim Jalan Bakri,<br>District of Muar,<br>Johor Darul Takzim. | 1 plot of agriculture land | 2.35 | Vacant land | freehold/<br>n.a | 8,769 | 22.07.13<br>(Date of Acquisition) |
| PTD No. 1473,<br>Bukit Pasir Industrial Area,<br>Mukim of Sungai Terap,<br>District of Muar,<br>Johor Darul Takzim. | 1 plot of industrial land with an office building, 1 block of factory building and ancillary structures | 1.62 | Office with furniture manufacturing facilities | 60 years leasehold expiring in 2056/<br>21 years | 6,974 | 12.9.00<br>(Date of Acquisition) |
| GM No. 1712, Lot 831<br>GM No. 1968, Lot 832<br>GM No. 1850, Lot 827<br>Mukim of Sungai Terap,<br>District of Muar,<br>Johor Darul Takzim. | 1 plot of agriculture land | 1.95 | Vacant land | freehold/<br>n.a | 6,169 | 26.12.13<br>(Date of Acquisition) |
| GRN No. 100856,<br>Lot 3209<br>Bandar Maharani<br>District of Muar<br>Johor Darul Takzim. | 1 plot of agriculture land | 0.93 | Vacant land | freehold/<br>n.a | 5,975 | 28.04.14<br>(Date of Acquisition) |

# ANALYSIS OF SHAREHOLDINGS
As At 24 January 2022

***Principal Statistics***

| | |
|---|---|
| Issued and Paid-up Share Capital | - RM164,912,803 |
| Class of Shares | - Ordinary shares |
| No. of Shares in Issued | - 264,972,308 shares |
| Voting Right | - One vote per ordinary share at any shareholders' meeting |
| Number of Shareholders | - 6,411 shareholders |

*Note : All information on shareholdings disclosed hereunder excludes 13,327,600 treasury shares held by the Company*

**Distribution of Shareholdings**

| Category | No of Shareholders | % | Shareholdings | % |
|---|---|---|---|---|
| Less than 100 | 141 | 2.20% | 7,071 | 0.00% |
| 100 to 1,000 | 1,024 | 15.97% | 607,050 | 0.23% |
| 1,001 to 10,000 | 3,789 | 59.10% | 18,260,214 | 6.89% |
| 10,001 to 100,000 | 1,285 | 20.04% | 37,147,212 | 14.02% |
| 100,001 to less than 5% of issued shares | 169 | 2.64% | 110,207,517 | 41.59% |
| 5% and above of issued shares | 3 | 0.05% | 98,743,244 | 37.27% |
| **TOTAL** | **6,411** | **100.00%** | **264,972,308** | **100.00%** |

***Substantial Shareholders***
***(Based on the Register of Substantial Shareholders)***

| | No. of Shares Held | | % of Issued Share Capital | |
|---|---|---|---|---|
| Name of Shareholders | Direct | Deemed | Direct | Deemed |
| Tay Kim Huat | 56,652,844 | 13,317,340[(a)] | 21.38 | 5.03 |
| Lim Pei Tiam @ Liam Ahat Kiat | 26,190,000 | 3,374,000[(b)] | 9.88 | 1.27 |
| Pangolin Asia Fund | 15,900,400 | - | 6.00 | - |

***Notes:-***

*(a) Deemed interested by virtue of the shareholdings of his spouse and children.*
*(b) Deemed interested by virtue of the shareholdings of his children.*

# ANALYSIS OF SHAREHOLDINGS (CONT'D)
As At 24 January 2022

***Directors' Shareholdings***
***(Based on the Register of Directors' Shareholdings)***

| | No. of Shares Held | | % of Issued Share Capital | |
|---|---|---|---|---|
| **Name of Shareholders** | **Direct** | **Deemed** | **Direct** | **Deemed** |
| Tay Kim Huat | 56,652,844 | 13,317,340[a] | 21.38 | 5.03 |
| Lim Pei Tiam @ Liam Ahat Kiat | 26,190,000 | 3,374,000[b] | 9.88 | 1.27 |
| Toh Kim Chong | 8,486,388 | - | 3.20 | - |
| Tay Khim Seng | 3,116,660 | - | 1.18 | - |
| Tay Kim Hau | 250,000 | - | 0.09 | - |
| Boo Chin Liong | 48,749 | - | 0.02 | - |
| Tun Md Raus Bin Sharif | - | - | - | - |
| Chua Syer Cin | - | - | - | - |

***Notes:-***

*(a) Deemed interested by virtue of the shareholdings of his spouse and children.*

*(b) Deemed interested by virtue of the shareholdings of his children*

**List Of Top Thirty (30) Largest Shareholders**
As at 24 January 2022

| No. | Names | Shareholding | % |
|---|---|---|---|
| 1 | TAY KIM HUAT | 56,652,844 | 21.38 |
| 2 | LIM PEI TIAM @ LIAM AHAT KIAT | 26,190,000 | 9.88 |
| 3 | DB (MALAYSIA) NOMINEE (ASING) SDN BHD<br>DEUTSCHE BANK AG SINGAPORE FOR PANGOLIN ASIA FUND | 15,900,400 | 6.00 |
| 4 | TOH KIM CHONG | 8,486,388 | 3.20 |
| 5 | GOI MUI KHIM | 8,031,000 | 3.03 |
| 6 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EMPLOYEES PROVIDENT FUND BOARD | 6,370,400 | 2.40 |
| 7 | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD<br>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING<br>INVESTMENTS SMALL-CAP FUND | 5,379,400 | 2.03 |
| 8 | SIM SHEAU YUN | 5,010,930 | 1.89 |
| 9 | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD<br>EXEMPT AN FOR KUMPULAN SENTIASA CEMERLANG SDN BHD<br>(TSTAC/CLNT) | 3,815,000 | 1.44 |
| 10 | TAY YUAN SEN | 3,202,135 | 1.21 |
| 11 | HLB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR WONG YEE HUI | 3,124,500 | 1.18 |
| 12 | TAY LI PING | 2,640,625 | 1.00 |

# ANALYSIS OF SHAREHOLDINGS (CONT'D)
As At 24 January 2022

| No. | Names | Shareholding | % |
|---|---|---|---|
| 13 | YEO GEK CHENG | 2,592,535 | 0.98 |
| 14 | TAY LEE THING | 2,440,585 | 0.92 |
| 15 | TAY LI CHIN | 2,440,460 | 0.92 |
| 16 | UOB KAY HIAN NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR UOB KAY HIAN PTE LTD ( A/C CLIENTS ) | 2,311,000 | 0.87 |
| 17 | LU CHIN POH | 2,042,400 | 0.77 |
| 18 | RONIE TAN CHOO SENG | 2,000,000 | 0.75 |
| 19 | KENANGA NOMINEES (TEMPATAN) SDN BHD<br>RAKUTEN TRADE SDN BHD FOR LIM CHIN SOON | 1,980,000 | 0.75 |
| 20 | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD<br>DEUTSCHE BANK AG SINGAPORE FOR KSC (S) PTE LTD (LEE HAU HIAN) | 1,745,000 | 0.66 |
| 21 | TAY KHIM SENG | 1,736,660 | 0.66 |
| 22 | RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB) | 1,700,000 | 0.64 |
| 23 | LIM PAY KAON | 1,620,000 | 0.61 |
| 24 | SU MING KEAT | 1,490,000 | 0.56 |
| 25 | CHIA GIN FOOK | 1,306,000 | 0.49 |
| 26 | LIM SHU CHIAH | 927,000 | 0.35 |
| 27 | UOBM NOMINEES (TEMPATAN) SDN BHD<br>UOB ASSET MANAGEMENT (MALAYSIA) BERHAD FOR GIBRALTAR<br>BSN AGGRESSIVE FUND | 860,000 | 0.32 |
| 28 | HLB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR LIM PAY KAON | 850,000 | 0.32 |
| 29 | AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD<br>PLEDGED SECURITIES ACCOUNT FOR CHU CHEE LEONG (CHU0198C) | 841,200 | 0.32 |
| 30 | LIM SIAN MIN | 780,000 | 0.29 |
| | **TOTAL** | **174,466,462** | **65.84** |

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Twenty-Fourth (24th) Annual General Meeting of the Company will be held at Function Room 3, Holiday Inn Melaka in Jalan Syed Abdul Aziz, 75000 Melaka on Thursday, 21 April 2022 at 11.00 a.m. for the transaction of the following businesses:-

**AS ORDINARY BUSINESS**

1. To receive the Audited Financial Statements for the financial year ended 31 October 2021 together with the Reports of the Directors and the Auditors thereon.
2. To approve the payment of Directors' fees and allowances up to RM1.2 million from 1 November 2021 until the date of next Annual General Meeting of the Company. **(Ordinary Resolution 1)**
3. To declare a final dividend of 2 sen per share in respect of the financial year ended 31 October 2021. **(Ordinary Resolution 2)**
4. To re-elect the following Directors who retire in accordance with Clause 90 of the Company's Constitution:-

   Mr Tay Kim Huat **(Ordinary Resolution 3)**
   Mr Tay Kim Hau **(Ordinary Resolution 4)**
   Mr Boo Chin Liong **(Ordinary Resolution 5)**
5. To re-appoint Crowe Malaysia PLT as Auditors of the Company and to authorise the Directors to determine their remuneration. **(Ordinary Resolution 6)**

**AS SPECIAL BUSINESS**

To consider and, if thought fit, to pass the following resolutions with or without any modification:-

6. **Share Buy-Back Mandate** **(Ordinary Resolution 7)**

   "THAT subject always to the Companies Act 2016 ("the Act"), the Constitution of the Company, the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, regulations and guidelines, the Directors of the Company be hereby given full authority, to allocate an amount not exceeding the total available retained profits of the Company based on its latest audited financial statements available up to the date of the transaction for the purpose of and to purchase such amount of ordinary shares in the Company ("Shares") as may be determined by the Directors from time to time through the Bursa Securities as the Directors may deem fit and in the best interest of the Company provided that the aggregate number of Shares to be purchased and/or held as treasury shares pursuant to this resolution does not exceed ten percentum (10%) of the total number of issued shares of the Company (excluding treasury shares) at any point in time;

   THAT upon the purchase by the Company of its own Shares, the Directors of the Company be hereby authorised to retain such Shares so purchased as treasury shares and cancel the remainder.

   THAT the Directors of the Company be hereby authorised to distribute the treasury shares as dividends to the shareholders of the Company and/or resell the treasury shares on Bursa Securities in accordance with the relevant rules of Bursa Securities or subsequently cancel the treasury shares or any combination thereof;

   AND THAT such approval and authorisation shall be effective immediately upon the passing of this resolution and continue to be in force until:-

   a. the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
   b. the expiration of the period within which the next Annual General Meeting is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
   c. revoked or varied by resolution passed by the shareholders in a general meeting.

   whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities;

   FURTHER THAT the Directors of the Company be hereby authorised to do all such acts and things (including, without limitation executing all such documents as may be required) as they may consider expedient or necessary to give effect to this mandate."

7. **Continuing in Office as Independent Non-Executive Directors**

   (i) THAT authority be hereby given to Mr Boo Chin Liong, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company. **(Ordinary Resolution 8)**

   (ii) THAT authority be hereby given to Mr Chua Syer Cin, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company. **(Ordinary Resolution 9)**

8. To transact any other ordinary business of which due notice shall have been given.

# NOTICE OF ENTITLEMENT DATE AND DIVIDEND PAYMENT

**NOTICE IS ALSO HEREBY GIVEN THAT** the proposed final dividend of 2 sen per share in respect of the financial year ended 31 October 2021, if approved, will be paid on 10 May 2022 to depositors registered in the Record of Depositors of the Company at the close of business on 15 April 2022.

A depositor shall qualify for entitlement only in respect of:-

a) Shares transferred into the Depositor's Securities Account before 4.30pm on 15 April 2022 in respect of ordinary transfers; or

b) Shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

BY ORDER OF THE BOARD

Pang Kah Man
SSM PC No : 202008000183
MIA No : 18831
Company Secretary

Muar, Johor Darul Takzim
25 February 2022

***Notes:-***

1. *A member shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead pursuant to Section 334 of the Act. There shall be no restriction as to the qualification of the proxy.*
2. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, must be deposited at the Registered Office of the Company at No. 2 (1st Floor), Jalan Marin, Taman Marin, Jalan Haji Abdullah, 84000 Muar, Johor Darul Takzim not less than twenty-four (24) hours before the time appointed for holding this meeting or any adjournment thereof as Paragraph 8.29A(1) of the Listing Requirements of Bursa Securities requires all resolutions set out in the Notice of 24th Annual General Meeting to vote by way of poll.*
3. *In the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the Meeting as his/their proxy, provided always that the rest of the form of proxy, other than the particulars of the proxy, have been duly completed by the member(s).*
4. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.*
5. *If the appointer is a corporation, the instrument must be executed under its Common Seal or under the hand of an attorney so authorised.*
6. *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 Exempted Authorised Nominee may appoint in respect of each Omnibus Account it holds.*
7. *Only depositors whose names appear in the Register of Depositors as at 15 April 2022 shall be entitled to attend in person or appoint proxies to attend and/or vote on their behalf at the 24th Annual General Meeting.*

***Explanatory Notes to the Agenda***

8. ***Item No. 1 of the Agenda***
***Audited Financial Statements***

*This Agenda item is meant for discussion only as provision of Section 340(1)(a) of the the Act does not require a formal approval of the shareholders and hence, is not put forward for voting.*

9. ***Item No. 2 of the Agenda***
***Approval of Directors' fees and allowances for the financial year ending 31 October 2022***

*The proposed Ordinary Resolution 1 is to facilitate payment of Directors' fees and allowances from 1 November 2021 until the date of next Annual General Meeting ("the said period").*

*The Directors' fees and allowances proposed for the said period are calculated based on the number of scheduled Board and Committee Meetings and assuming that all Directors will hold office until the conclusion of the next Annual General Meeting.*
*In the event the Directors' fees proposed are insufficient (e.g. due to more meetings), approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.*

10. ***Item No. 6 of the Agenda***
***Share Buy-Back Mandate***

*The proposed Ordinary Resolution 7, if passed, will empower the Directors of the Company to purchase Shares in the Company up to an amount not exceeding ten percentum (10%) of the total issued shares of the Company (excluding treasury shares) as they consider would be in the interest of the Company. Further details on the Share Buy-Back Mandate are provided in the Circular to Shareholders dated 25 February 2022.*

11. ***Item No. 7 of the Agenda***
***Continuing in Office as Independent Non-Executive Directors***

*The proposed Ordinary Resolutions 8 & 9 relate to the approval by shareholders for the named directors to continue in office as Independent Non-Executive Directors. The Board has assessed the independence of each of the directors who has served as Independent Non-Executive Directors of the Company for a cumulative term of more than twelve (12) years. The Board is satisfied that each of these directors has met the independence guidelines as set out in Chapter 1 of the Listing Requirements. The length of their service does not interfere with their ability and exercise of independent judgement as Independent Directors.*

*Therefore, the Board has recommended that the approval of the shareholders be sought through a two-tier voting process for the continuing of office of Mr Boo Chin Liong and Mr Chua Syer Cin as Independent Non-Executive Directors of the Company.*

12. ***Personal data privacy***

*By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Company's 24th Annual General Meeting and/or any adjournment thereof, a member of the Company:-*

*(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the 24th Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 24th Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"),*

*(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and*

*(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.*

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

**Details of Individuals Standing for Election as Directors**

(Pursuant to Paragraph 8.27(2) of the Listing Requirements of Bursa Securities)

No individual is seeking election as a Director at the 24th Annual General Meeting of the Company.

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# PROXY FORM

TAT OFFICE SYSTEM®

**POH HUAT RESOURCES HOLDINGS BERHAD**
[199701027671 (443169-X)]

I/We ______________________________________________
(full name in block letters)

NRIC No./Passport No./Company No ______________________________

of ______________________________________________
(full address)

being member of **POH HUAT RESOURCES HOLDINGS ("Company")**, hereby appoint the following person(s) as my/our proxy:-

| Name of proxy & NRIC No. / Passport No. | Contact No. | Email address | No. of ordinary shares represented by proxy | Percentage of shareholding |
|---|---|---|---|---|
| 1. | | | | |
| 2. | | | | |
| | | | TOTAL | 100% |

or failing him/them, the Chairman of the Meeting to vote on my/our behalf at the 24th Annual General Meeting of the Company to be held at Function Room 3, Holiday Inn Melaka in Jalan Syed Abdul Aziz, 75000 Melaka on Thursday, 21 April 2022 at 11.00 a.m. and at every adjournment thereof, and to vote as indicated below:-

| No. | Ordinary Resolutions | For | Against |
|---|---|---|---|
| 1 | Payment of Directors' fees and allowances from 1 November 2021 until the date of next Annual General Meeting. | | |
| 2 | Declaration of a final dividend of 2 sen per share for the financial year ended 31 October 2021. | | |
| 3 | Re-election of Mr Tay Kim Huat as Director | | |
| 4 | Re-election of Mr Tay Kim Hau as Director | | |
| 5 | Re-election of Mr Boo Chin Liong as Director | | |
| 6 | Re-appointment of Crowe Malaysia PLT as Auditors | | |
| 7 | Share Buy-Back Mandate | | |
| 8 | Retention of Mr Boo Chin Liong as Independent Director | | |
| 9 | Retention of Mr Chua Syer Cin as Independent Director | | |

Please indicate with [√] or [X] on how you wish your votes to be cast. Unless otherwise instructed, the proxy(ies) may vote as he/they may think fit. If no specific direction as to voting is given, the proxy(ies) will vote or abstain at his/their discretion.

| | |
|---|---|
| CDS Account No. | |
| Number of Shares held | |
| Member's contact number | |

______________________________
Signature of Shareholder(s) or Common Seal

Dated this ________ day of ______________________ 2022

Notes:-

1. *A member shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead pursuant to Section 334 of the Companies Act 2016 ("the Act"). There shall be no restriction as to the qualification of the proxy.*

2. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, must be deposited at the Registered Office of the Company at No. 2 (1st Floor), Jalan Marin, Taman Marin, Jalan Haji Abdullah, 84000 Muar, Johor Darul Takzim not less than twenty-four (24) hours before the time appointed for holding this meeting or any adjournment thereof as Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad requires all resolutions set out in the Notice of 24th Annual General Meeting to vote by way of poll.*

3. *In the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the Meeting as his/their proxy, provided always that the rest of the form of proxy, other than the particulars of the proxy, have been duly completed by the member(s).*

4. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.*

5. *If the appointer is a corporation, the instrument must be executed under its Common Seal or under the hand of an attorney so authorised.*

6. *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 Exempted Authorised Nominee may appoint in respect of each Omnibus Account it holds.*

7. *Only depositors whose names appear in the Register of Depositors as at 15 April 2022 shall be entitled to attend in person or appoint proxies to attend and/or vote on their behalf at the 24th Annual General Meeting.*

8. *By submitting the duly executed proxy form, the member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purpose of the 24th Annual General Meeting and any adjournment thereof.*

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STAMP/SETEM

Registered Office / Pejabat Berdaftar
**POH HUAT RESOURCES HOLDINGS BERHAD**
[199701027671 (443169-X)]

No. 2 (1st Floor), Jalan Marin,
Taman Marin, Jalan Haji Abdullah, Sungai Abong,
84000 Muar,
Johor Darul Takzim.

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**POH HUAT RESOURCES HOLDINGS BERHAD**
199701027671 (443169-X)

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