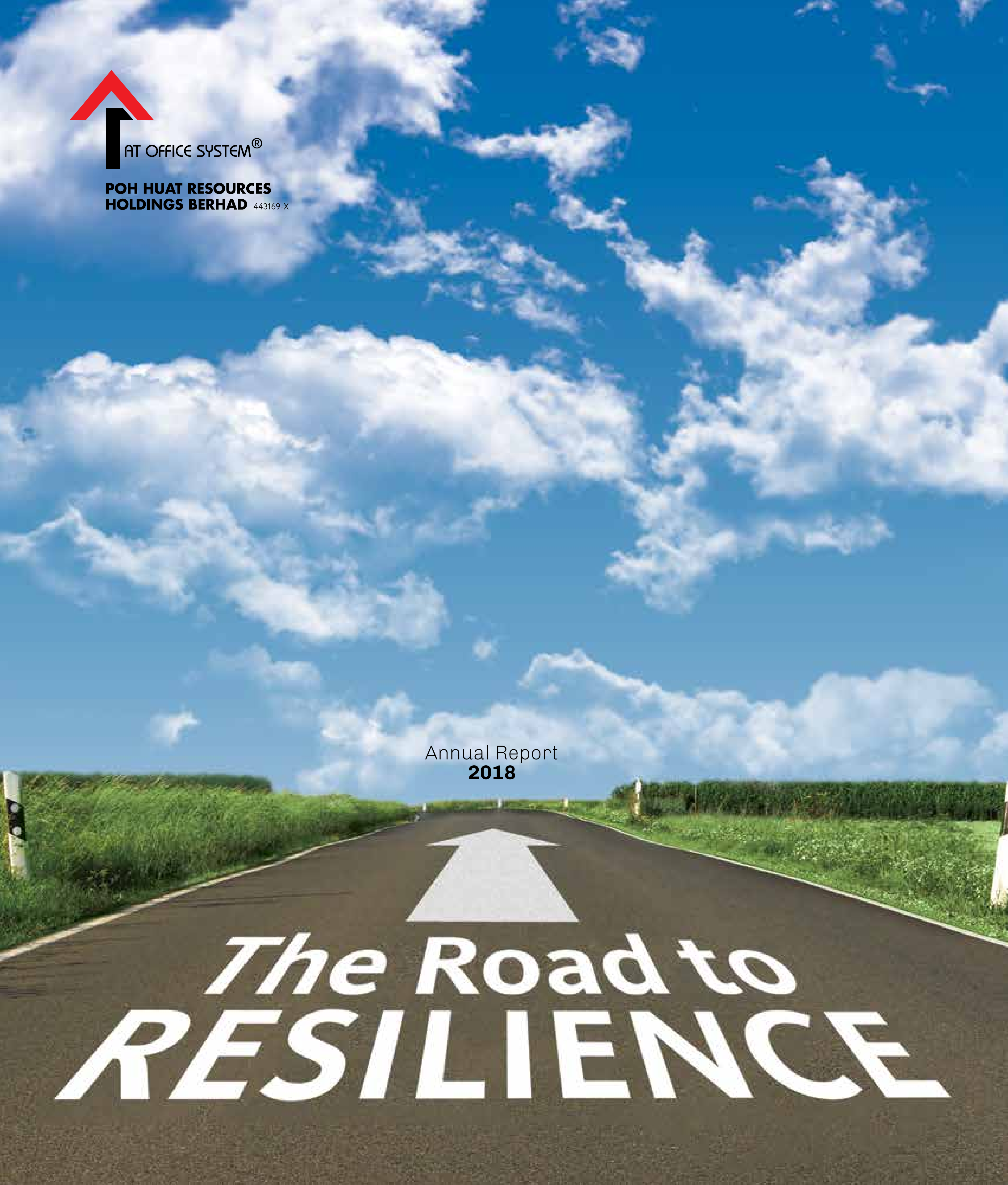


AT OFFICE SYSTEM®

POH HUAT RESOURCES HOLDINGS BERHAD 443169-X

Annual Report
2018

The Road to RESILIENCE

Table of Contents

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."

The Road to RESILIENCE

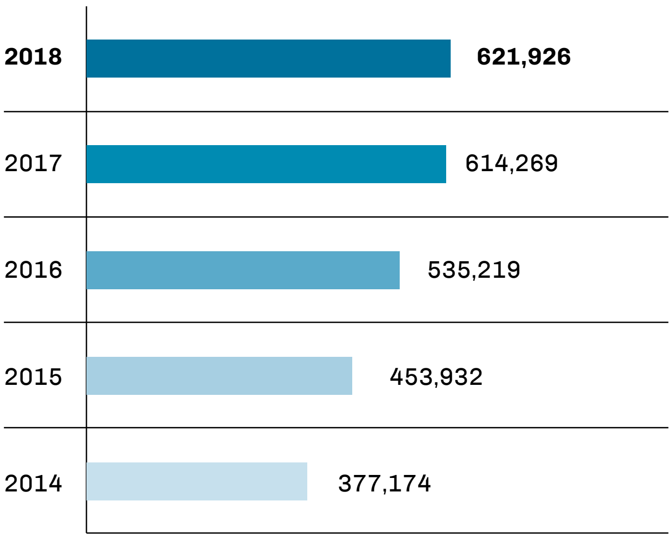
At Poh Huat Resources Berhad, we continue to adjust our product mix to meet consumers' changing taste, focusing on introducing more unique and differentiated furniture products as the strategy to keep our business resilient. The road concept shows our path forward to a more responsive and resilient future.

Group Financial Highlights

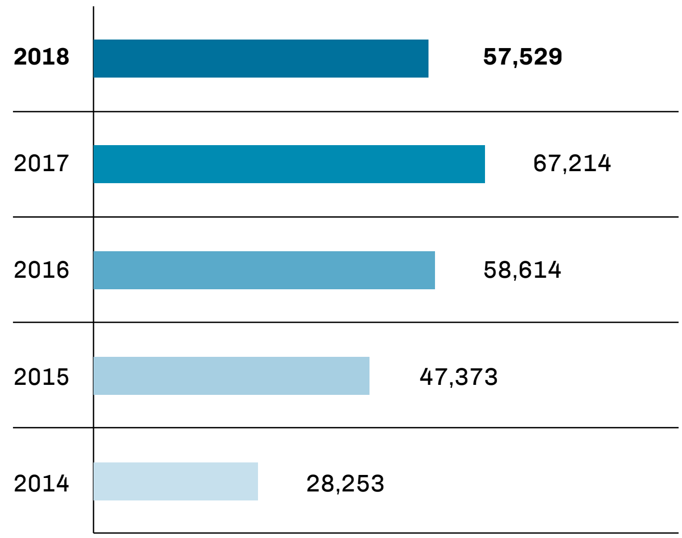
Financial year ended 31 October	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
Turnover	377,174	453,932	535,219	614,269	621,926
Profit before tax	28,253	47,373	58,614	67,214	57,529
Profit after tax attributable to Owners of the Company	23,803	39,185	47,064	55,772	47,138
Equity attributable to Owners of the Company	171,631	213,719	243,298	284,912	316,991
	sen	**sen**	**sen**	**sen**	**sen**
Net earnings per share *	11.15	18.36	22.05	26.11	21.47
Dividend per share *	4.00	5.00	8.00	8.00	6.00
Net assets per share *	80.41	100.13	113.97	133.38	144.37

Note:-
Earnings, dividend and net assets per share for financial year ended 31 October 2014 were restated to reflect the retrospective adjustment arising from the share split involving the subdivision of every one existing ordinary share of RM 1.00 each to two ordinary shares of RM 0.50 each for the financial year ended 31 October 2015.

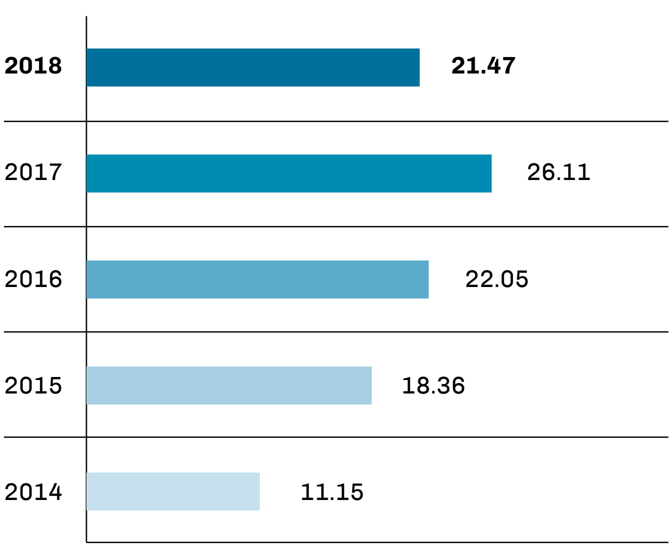
Turnover
(RM'000)



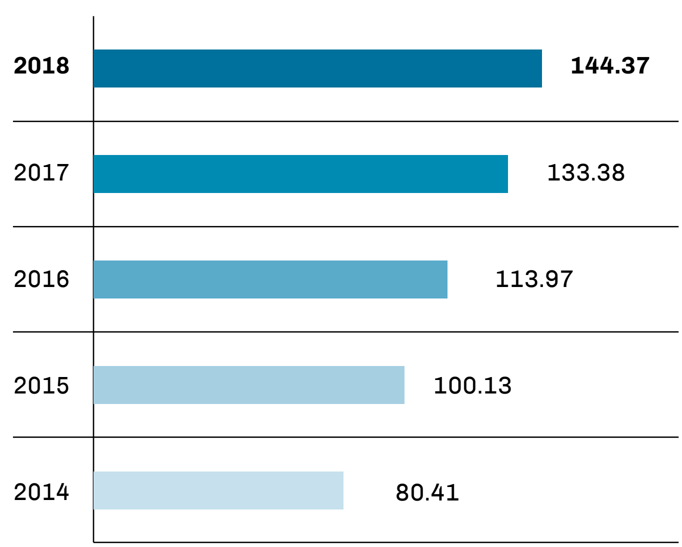
Profit before tax
(RM'000)



Net earnings per share
(sen)



Net assets per share
(sen)



Corporate Information

Board of Directors

Boo Chin Liong
(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)

Chua Syer Cin
(Independent Non-Executive Director)

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

Audit Committee

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

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

Boo Chin Liong
(Independent Non-Executive Director)

Nominating Committee

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

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

Chua Syer Cin
(Independent Non-Executive Director)

Remuneration Committee

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

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

Chua Syer Cin
(Independent Non-Executive Director)

Risk Management Committee

Toh Kim Chong
(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 (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 Perindustrian
Bukit Pasir,
Mukim Sungai Raya,
84300 Bukit Pasir, Muar,
Johor Darul Takzim.

Registrars

Boardroom Share Registrars Sdn. Bhd.
(FKA Symphony Share Registrars Sdn. Bhd.),
Level 6, Symphony House,
Pusat Dagangan Dana 1,
Jalan PJU 1A/ 46,
47301 Petaling Jaya,
Selangor Darul Ehsan.
Tel No. : 603 - 7849 0777
Fax No. : 603 - 7841 8151

Auditors

Crowe Malaysia PLT
LLP0018817-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.
Bank SinoPac (Vietnam) Ltd.
Hong Leong Bank (Vietnam) Ltd.

Solicitors

J.A. Nathan & Co.
Grandall Law Firm (Beijing)

Stock Exhange Listing

Main Market of Bursa Malaysia Securities Berhad

Corporate Structure

AT OFFICE SYSTEM®

POH HUAT RESOURCES HOLDINGS BERHAD 443169-X

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

100%
Contempro Furniture (Qingdao) Co. Ltd.

100%
PHW Properties Sdn. Bhd.

100%
Poh Huat (Australia) Pty. Ltd.

100%
Poh Huat International (BVI) Ltd.

27% **73%**
Poh Huat Furniture Industries Vietnam Joint Stock Company

100%
Poh Huat International Sdn. Bhd.

51%
Poh Huat International Furniture SA (Pty.) Ltd.

Information on Directors

Mr Boo Chin Liong

Chairman
(Independent Non-Executive Director)

Nationality	Sex	Age
Malaysian	Male	58

Mr Boo Chin Liong was appointed to the Board of the Company as an Independent Non-Executive Director on 9 December 1999 and was appointed as Chairman of the Board on 20 December 2017. He is also the Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit 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. and is a director of several private limited companies.

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	Sex	Age
Malaysian	Male	63

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	Sex	Age
Malaysian	Male	71

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, 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

Executive Director
(Non-Independent Executive Director)

Nationality	Sex	Age
Malaysian	Male	44

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 Haut 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.

Information on Directors (cont'd)

Mr Tay Khim Seng

Director
(Non-Independent Non-Executive Director)

Nationality	Sex	Age
Malaysian	Male	58

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 presently 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 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 Chua Syer Cin

Director
(Independent Non-Executive Director)

Nationality	Sex	Age
Malaysian	Male	46

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.

Mr Lim Pei Tiam @ Liam Ahat Kiat

Director
(Non-Independent Non-Executive Director)

Nationality	Sex	Age
Malaysian	Male	72

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 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.

Conflict of Interest
None of the Directors has any conflict of interest with the Company.

Conviction of Offence
None of the Directors has been convicted of any offence within the past 10 years.

Profile of Key Senior Management

Mr Ng Chak Cheng

Nationality	Sex	Age
Malaysian	Male	57

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 members who 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.

Mr Lee Ing Tiong

Nationality	Sex	Age
Malaysian	Male	47

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 Tay Yuan Sen

Nationality	Sex	Age
Malaysian	Male	30

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 Join Stock Company where he was involved in product development and manufacturing process from May 2010 to March 2014. He was promoted to Managing Director Assistant in October 2015, the position he presently holds.

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

Ms Tay Li Chin

Nationality	Sex	Age
Malaysian	Female	41

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.

1. BUSINESS OVERVIEW

We are an established Malaysian furniture manufacturer with more than 25 years of experience in the international furniture business. We have our operation beginning in Muar, the heartland of Malaysian furniture industries 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 RM600 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 67% and 25% of the group's total sales, while the remaining of the sales comes from UK, Malaysia, Singapore and the Middle East region. Broadly, we manufacture 2 types of furniture, namely office furniture and home furniture.

> "Our manufacturing facilities and activities are organised according to the types of material and processes involved, namely panel based furniture which does not require spray finishing and wooden based furniture involving spray finishing processes."

Management Discussion & Analysis

Turnover	Profit After Tax	Net Assets	Net Cash
RM622 million	RM47 million	RM317 million	RM71 million

Office 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 ranges 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 North America, India, United Kingdom, Middle East, and South East Asia.

Home Furniture

For the home and home-office furniture segment, we are primarily an original equipment manufacturer for major furniture importers/

Management Discussion & Analysis (cont'd)

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 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 types of material and processes involved, namely panel based furniture which does not require spray finishing and wooden 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 Malaysian manufacturing base comprises 5 factories which are situated on 9.40 hectares of land in Muar, Johor. These factories have a total workforce 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, both 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 more than 4,200 people and are equipped with modern woodworking machinery and finishing lines for large-scaled production of wooden household 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."

Two decades ago, we started as a Malaysian 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 have expanded our operations to Vietnam in 2002. Today, we have established ourselves as one of the leading furniture manufacturers in South East Asia with an established customer base in more than 30 countries.

Corporate Objectives

As a business entity, our main objective is to enhance shareholders' value by, first and foremost, maximising opportunities vis-à-vis enterprise risk appetite 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.

High Quality Innovative Products

Our products are designed and manufactured using quality raw materials and manufacturing processes that meet 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. We specify materials which are often higher than comparable or similar range products incorporating latest functional, aesthetic and ergonomic trends to meet our design goals and pricing targets without diminishing quality. We have established ISO 9001-2008 manufacturing process that ensure that product quality standards, in-process quality control measures and final quality inspections are comply with.

On our original equipment market (OEM), we work with our customers at every stage of the product development and production programme. 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 and construction specifications and costing and pricing targets; and production scheduling and quality control requirements.

Excellent Customers' Services

Customers' service is an integral part of our product offering. Our service to customers 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; up to trade credits and post delivery services. Our emphasis is on long-term partnership with customers who are committed to sustainable business relationships.

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. 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 accounts receivable including delays in collection and greater bad debt expense. A

Management
Discussion & Analysis (cont'd)

downturn of these countries could also materially and adversely affect our ability to take advantage of market opportunities.

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.

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 costs 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.

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 through to our customers and/or increase prices to our customers.

Disruptions in the supply of raw materials and component 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.

We are subject to changes in foreign government regulations and in the political, social and economic climates of the countries from which we source 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 could adversely affect our sales, earnings and liquidity.

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

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 every 75% of the US Dollars sales proceeds into Ringgit currency immediately under the recent BN guidelines. The remaining 25% US Dollars will be used for purchase of imported raw materials which form a natural hedge in the Malaysian operations.

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

4. OVERVIEW OF THE BUSINESS ENVIRONMENT

Global Furniture Trade

In the last 5 years world trade of furniture (defined as the average between total furniture exports from the 70 major countries and total furniture imports into the 70 major countries) has grown faster than furniture production and has consistently amounted to about 1% of world trade of manufactures. World production of furniture is worth about USD406 billion in 2015. The main furniture producer is China, accounting for 41% of world furniture production. Other major furniture manufacturing countries are the United States, Germany, Italy, India, Poland, the United Kingdom, Japan, Canada and South Korea.

The leading importers of furniture are the United States, Germany, the United Kingdom, France and Canada. In the last 5 years the increase of imports in the US (from USD23 billion in 2010 to about USD32 billion in 2016) was the main engine of growth in international trade of furniture.

The largest furniture exporting country is China, followed by Germany, Italy, Vietnam and Poland. The main change in the ranking of furniture exporting countries between 2015 and 2017 was the emergence of Vietnam, which moved from the 5th to the 4th place overtaking Poland.

US Furniture Market - Strong Leading Indicators

With more than 90% of our exports going to US and Canada, the economic wellbeing of these countries are key to the performance of the Group.

With a growing GDP and a healthy employment market, the US economy has continued to improve following the financial crisis. The economic environment has been particularly favourable to consumers, who have benefited from low energy prices and low inflation while realising gains in wages and salaries. The new home sales are expected to lead the demand for the furniture products. After the economic recession, there has been an increase in demand for new home units which will lead to rise in the demand for furniture.

Reduced unemployment and an increase in consumer disposable income are aiding growth in the furniture industry, which is expected to grow 3% to USD111 billion in 2018 from USD108 billion in 2017.

Furniture manufacturers need to be abreast of emerging trends that are shaping a new furniture industry landscape. The trends focus mainly on the fundamental shifts in U.S. consumers' buying preferences due to changing lifestyles. They can either pose some challenges or open doors to new opportunities.

Trend No. 1: More People Are Renting

According to a new Pew Research Centre report, 36.6% of household heads rented their home in 2016, the highest since 1965. Rising home prices, apprehension from the burst housing bubble, rising student debts, and the delay of millennials to get married or start their own families are some of the reasons owning a home is not a priority, as yet, for some Americans.

The challenge and opportunity: Renters are likely to look for more affordable furniture options in the same manner as landlords will opt for more cost-effective furnishings for their home rentals, with a growing number renting their furnishings rather than

Management Discussion & Analysis (cont'd)

outright buying them. A growing trend also is leading toward consumers shopping for smaller furniture to fit their rental homes or apartments where space may be at a premium. To turn this challenge into an opportunity, furniture manufacturers may want to add more items to their inventory of inexpensive, streamlined or multipurpose furniture to suit these smaller living spaces, as multifunctional furniture is rapidly gaining popularity.

Trend No. 2: Single-Person Households are Increasing

Single-person households are expected to increase over the next 15 years, according to a 2015 article by Deloitte Insights. And smaller households are opting to live in apartments or smaller homes. This calls for the demand of smaller homes, an increase in availability of more modular, space-saving and multifunctional furniture, and furniture for storage.

The challenge and opportunity: Furniture manufacturers should take this as both a challenge and opportunity to create new designs as an addition to their portfolio of offerings, further promoting their brand.

Trend No. 3: Different Generations Have Different Lifestyles

The bulk of the furniture market is composed of millennials, generation X, baby boomers, and seniors. With lower disposable income and higher levels of debt, millennials tend to delay the decision to start a household — which poses a potential problem because they represented 37% of the furniture and bedding market in 2014. They also have different shopping habits (more online-centric) than other generations and tend to prioritize more sustainable product purchases.

The challenge and opportunity: The generational demographic of consumers calls for furniture manufacturers to diversify their products to cater to the specific needs of each group. While this may mean additional investment on new design and innovation, it also creates new possibilities for additional revenue sources and a motivation to embrace more sustainable processes and resources.

Trend No. 4: Online Retailing

Online retailing has been around for some time but it will continue to be a preferred buying channel for millennials in particular. With instant access to catalogues and price lists, customers have a clearer idea of what they want.

The challenge and opportunity: Online retailers have taken away a good portion of the market share of brick-and mortar retailers. Not all is lost for store owners if they start embracing online and mobile technology and deploy them in their physical stores. For manufacturers, the increase in online shopping means an opportunity to sell to online retailers that are not limited to a physical geographic area.

Innovation is critical to the future of furniture manufacturing. The steady growth prospects of U.S. furniture manufacturing have attracted a host of companies to introduce innovative furniture creations. A quick search on YouTube can result in videos that show furniture that can be assembled in minutes without tools or multifunctional furniture that converts or includes hidden storage.

5. BUSINESS OPERATIONS REVIEW

The Group's operations continued to do well with both our Vietnamese and Malaysian operations registering higher shipping volume. Changes in market conditions, keener competition and preferences for more affordable however have resulted in a lower revenue growth despite increased shipping volume.

Vietnamese Operations

In Vietnam, we continued to receive sustained orders from our US customers particularly for our new ranges of bedroom set and occasional items. During the year, several key customers shifted some of their ranges of bedrooms suites and occasional items which were previously sourced from China factories to our factories in Vietnam. While the diversion from China to Vietnam have resulted in more orders, we were unable to negotiate for better pricing as competition amongst furniture manufacturers in Vietnam has intensified over the last couple of years. Responding to anti-dumping pressures, Chinese furniture manufacturers have progressively invested and built up surplus capacity in Vietnam. Competition amongst the affordable segment of the furniture manufacturers is the most intense as the barriers to switching are relatively low.

As before, we continued to experience higher material costs. Tighter supply of lumber and timber based products have resulted in escalation in prices of particle boards, veneer and other wood based products. We worked with suppliers and sub-contractors on long-term supply arrangements to ensure continuous availability and stable pricing for major raw materials. In some cases, we also worked with our customers on cost savings measures to accommodate prices revision and/or material costs escalation.

Rapid industrialisation and social economic-development in Vietnam also give rise to continuous minimum wage adjustments and tight labour supply which translate to higher labour turnover and operating costs. Increasingly, Vietnamese labourers prefer cleaner and more comfortable working environment in the manufacturing sector.

During the year, we invested around RM 1.7 million in CNCs machines and RM 2.0 million in cutting and lamination machines to improve the manufacturing facilities of our factories in Binh Doung and Dong Nai.

Malaysian Operations

Our Malaysian operations continue to record higher shipment of office furniture, particularly to Canada and US. During the year, we continued to expand our product offerings as more and more furniture distributors and retailers offer panel based bedroom sets as alternative to the higher end spray-finished products.

The sales contribution from these panel-based bedroom continue to increase steadily from about 23% of our Malaysia's sales in the previous year to 26% in the current year. We added new shipments of panel based furniture to our American customer. We even shipped some to internet/online retailers in India.

As with Vietnam, we experienced higher raw material costs, especially particle boards and hardware. Raw material costs increased from 55.9% of Malaysian sales in the previous financial year to 61.2% in the current financial year.

In Malaysia, we have invested around RM 1.9 million in boring machines, RM 1.3 million in lamination machines and RM 1.2 million in cutting machine to further improve the automation of our manufacturing process.

6. FINANCIAL REVIEW

Revenue

On the back of a more competitive environment, the Group recorded a marginally higher revenue of RM 621.93 million for financial year ended 31 October 2018 compared with the revenue of RM 614.27 million in the previous financial year.

For the year under review, our Malaysian operations recorded strong revenue growth of close to 20.0% from about RM 231.82 million for financial year ended 31 October 2017 to RM 278.01 million for the current financial year. The substantial increase was due mainly to higher shipment of panel based office and bedroom furniture to our customers in the US.

Amidst keen competition and initial inefficiency arising from product mix changes, revenue for our Vietnamese subsidiary moderated by 9.8% from RM 381.23 million in the previous year to RM 343.90 million for the current year under review.

The above notwithstanding, our Vietnamese subsidiary continues to contribute 55.3% to the Group's revenue while our Malaysian subsidiary, with its significantly higher turnover, makes up the remaining 44.7% of the Group's revenue for the year.

Manufacturing Costs

Upward pressure on commodity prices in the first half of 2018 has resulted in a sharp rise in the Group's total production costs. Total cost of sales for the Group rose from RM 492.33 million in the previous year to about RM 519.82 million for the year under review.

Total material costs increased markedly from 55.4% of sales in the previous year to 59.9% of sales for the current year under review. Overall, the higher material costs were mainly due to the increase in key raw materials such as wood products, hardware and packing materials.

In Vietnam, material cost increased from 55.5% of sales in the previous year to 58.9% of sales in the current year the higher percentage of raw material costs were attributabled to increase in raw material prices and higher material consumption due to the change in the composition of product produced. Furthermore, the diversion of certain range of China-made products by our customers has resulted in us having to cope

Management Discussion & Analysis (cont'd)

with a wider range of products including occasional items. These new products have resulted in lower productivity and higher material consumption.

In line with the moderate increase in sales, total direct labour costs increased marginally from RM 77.28 million in the previous year to RM 78.90 million in the current year. Despite raising minimum wage in Vietnam, our efforts in manufacturing automation and reduction in overtime have helped us maintain our total labour cost to about 12.7% of sales in the current financial year compared to 12.6% of sales in the previous financial year.

Meanwhile, total factory overheads were consistent at 11.8% of sales in both financial years of 2017 and 2018.

All in all, the disproportionate increase in raw material costs, coupled with the pressure on the selling prices as a result of keener competition, for the products shipped from our Vietnamese operations have resulted in a lower gross profit of RM 102.11 million for the current year compared to RM 121.94 million in the previous year. Our gross profit margin dropped from 19.9% in the previous year to 16.4% in the current financial year under review.

Expenses & Other Income

Despite lower increase in revenue, total selling and distribution costs increased from RM 27.13 million in the previous year to RM 29.20 million in the current year. The Group incurred higher container and haulage costs due to the higher volume of shipment and higher commission to incentivise sales. Total selling and distribution costs as a percentage of sales increased from 4.4% in the previous year to 4.7% in the current year.

Total administration expenses as a percentage of revenue reduced from 4.4% in the previous year to 3.6% in the current year due mainly to lower administrative payroll and incentive bonus paid.

The Group recorded a higher net surplus of RM 8.52 million under other income/expenses in the current year against RM 1.05 million in the previous year. The higher surplus in the current year was mainly due to the recovery of RM 4.50 million previously written of for the disposal of our former subsidiary, Poh Huat Furniture Industries (Qingdao) Co Ltd in 2011 and insurance compensation of RM 4.28 million received for the fire at one of the factories in Muar in 2018.

Finance costs

Despite the higher turnover, the Group recorded a lower financial charges of RM 1.26 million against RM 1.51 million in the previous year due to reduction in the use of trade facilities and lower interest expenses from lower level of bank borrowings.

Taxation

In line with the lower profit before tax, the Group's provision for tax expenses was lower at RM 10.26 million for the financial year ended 31 October 2018 compared with RM 11.44 million in the previous year.

Malaysian income tax was estimated at 20.1% which was lower than statutory tax rate of 24% as a result of tax exemption and allowance enjoyed by the Malaysian subsidiary company. Taxation for our Vietnamese subsidiary was estimated at 16.2% which was lower than statutory tax of 20% as a result of export incentives granted by the Vietnamese authorities. No tax was provided/incurred in other foreign subsidiaries during the financial year under review.

Profit attributable to equity holders of the Company

In line with the compressed gross profit margin, the reduction in the operating costs notwithstanding, the profit after tax attributable to owners of the Company dropped from RM 55.77 million in the previous financial year to RM 47.14 million in the current financial year.

Liquidity and Capital Resources

The Group's net cash position stood at RM 71.24 million as at 31 October 2018 compared to RM 70.35 million as at 31 October 2017. Net cash generated from operations was RM 51.99 million. RM 41.21 million was used to purchase properties, plant and equipment, RM 3.08 million for reduction of bank borrowings (and hire purchases) and higher payment of dividends of RM 17.55 million. The Company raised RM 5.00 million through the issuance of shares arising from the exercises of the Company's Warrants 2015/2010.

Gearing

Total Group bank borrowings, including hire purchases, decreased from RM 22.51 million as at 31 October 2017 to RM 18.65

million as at 31 October 2018. The decrease was due mainly to Group's reduction in the use of trade financing facilities vis-à-vis the use of surplus cash from operations to fund working capital requirements.

Dividend Payout

On 26 Jun 2018, the Directors declared the first interim single-tier dividend of 2 sen per ordinary share in respect of the financial period ended 30 April 2018, payable on 27 August 2018 to depositors registered in the Records of Depositors of business on 6 August 2018.

On 29 October 2018, the Directors declared the second interim single-tier dividend of 2 sen per ordinary share in respect of the financial period ended 31 October 2018, payable on 20 December 2018 to depositors registered in the Records of Depositors of business on 30 November 2018.

The Directors have also recommended a final single-tier dividend of 2 sen per share for shareholders' approval at the Company's Annual General Meeting on 29 April 2019. The total dividend declared/proposed for the year will be 6 sen per share. This works out to a dividend payout ratio of 31.1% in the current financial year.

In view of our stronger net cash position and barring any major changes in the Group's operating environment, capital commitment or financial performance, the Group strives to maintain its dividend payout ratio of around 30% of net earnings attributable to shareholders.

7. FUTURE PROSPECTS

The World Bank in its recent report has stated that global economic growth will remain robust at 3.1% in 2018 before slowing gradually over the next 2 years. Growth in emerging market and developing economies strengthen to 4.5% in 2018 and would continue to provide the impetus for global growth in 2019 as the recovery in commodity exporters matures and commodity prices level off following this year's increase. Activity in advanced economies is expected to grow 2.2% in 2018 before easing to a 2% rate of expansion in 2019, as central banks gradually remove monetary stimulus.

The US economy continued to do well with its economy expanding at 3.5% for the third quarter 2018. While this is slower than the second quarter's blockbuster 4.2%, the 3.5% still puts the economy on pace for the fastest annual growth in 13 years. Consumer spending jumped 4% in the third quarter of 2018, the fastest in about 4 years despite concerns over trade war threatening business demand and consumer spending. The stronger growth boost Federal Reserve's projection higher to 3.1% for the full year.

The US furniture and furnishing sector continues to do well as households have more cash to spend due strong employment, wage growth and the recently approved US tax cuts. The positive outlook notwithstanding, higher building costs and higher expectation of interest rate hike have resulted in higher house prices and rising mortgage rate. Higher housing price, slowdown on household formation and 30-year fixed-rate mortgages approaching 5% are discouraging homebuying and slowing the US housing market. There are also warnings from businesses of American losses from a trade war. Tariff wars may result in imported furniture, which makes up a substantial portion of the market, becoming more expensive.

In the longer term, a prolonged slowdown on household formation, especially amongst the young, may have adverse impact on the demand and pricing for our products. Likewise, changing demographics, consumer preferences and management of scarce materials, infrastructure and manufacturing expertise will have major impact on our operations sustainability and prospects.

While the demand for our product continued to be strong, we face some challenges, both in our operations and in the marketplace. As mentioned previously, competition over the last couple of years have intensify. There are now more manufacturers, both from China and locals operating in Vietnam, resulting in surplus capacity and price competition. While we received more orders from our customers who have diverted some their previously China-sourced products, the prices remain competitive. We also have to accommodate customers' requests for new non-core furniture products which have resulted in drop in productivity during the switch over period.

To stay ahead of our competitors, we will continue to adjust our products offerings to cater for the changes in demographics and market trends. We will strive for better manufacturing efficiency and work with our customers to mitigate increases in raw material prices and labour costs.

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 2018. 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. The Board has overall responsibility for setting the strategic directions of the Group and ensure the proper conduct of the Company's business in achieving its long term goals and objectives.

The Company has an established Board Charter to guided 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 conducting business in accordance with the highest standards of business ethics and compliance 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 adhere 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 via email or send to the registered office of the Company.

The Board Charter, Code of 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 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 seven (7) members of whom three (3) are Executive Directors and four (4) are Non-Executive Directors. Out of the four (4) Non-Executive Directors, two (2) are independent directors. 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 the higher, must be independent directors.

The Executive Directors bring together expertise and experience in furniture manufacturing. The strength 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. 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.

The Board noted the recommendation in the MCCG that the tenure of an independent director should not exceed a cumulative term of nine (9) years. The Board is of the view that the independence of directors cannot be judged solely based on the tenure of service. Ultimately the Independent Directors themselves are the best persons to determine whether they can continue to bring independent and objective judgment to board deliberations. In this regard, the Board has prescribed that all Independent Directors provide an annual confirmation of his independence to the Board based on its policy on criteria of assessing independence as prescribed by the Listing Requirements.

To retain an Independent Director after the twelfth (12) 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 organisation 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.

Corporate Governance Overview Statement (cont'd)

The Non-Executive Directors provides the independent views and vigour 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 2018, four (4) board meetings were held. Details of the attendance of Directors at these board meetings are as follows:-

Name	Attendance
Mr Boo Chin Liong (Chairman)	3/4
Mr Tay Kim Huat	3/4
Mr Tay Kim Hau	4/4
Mr Toh Kim Chong	3/4

Name	Attendance
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 are 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 2018, 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:-

Corporate Governance Overview Statement (cont'd)

Director	Training Programmes
Mr Boo Chin Liong	Forging Ahead - Budget 2018 Seminar GST Update Seminar SST Seminar
Mr Tay Kim Huat	Forging Ahead - Budget 2018 Seminar National GST Seminar 2018 Cyber Resilience & Info Security conference SST Seminar
Mr Tay Kim Hau	Forging Ahead - Budget 2018 Seminar GST Update Seminar GST Redefine Latest Update
Mr Toh Kim Chong	Forging Ahead - Budget 2018 Seminar National GST Seminar 2018 GST Redefine Latest Update
Mr Tay Khim Seng	GST Update Seminar GST Redefine Latest Update SST Seminar
Mr Chua Syer Cin	Malaysian Private Equity Reporting Standards (MEPERS) Accounting for Financial Instruments in Accordance with MEPERS GST Post Implementation Issues Taxation Latest Corporate Issues Updates
Mr Lim Pei Tiam @ Liam Ahat Kiat	GST Update Seminar GST Redefine Latest Update SST Seminar Common Offences & Pitfalls To Avoid Under The Companies Act 2016

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 2018, 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	117,000	0	0	0	117,000
Mr Tay Kim Hau	108,000	0	0	0	108,000
Mr Toh Kim Chong	54,000	0	0	0	54,000
Non Executive Directors					
Mr Boo Chin Liong	106,500	0	0	0	106,500
Mr Tay Khim Seng	54,000	0	0	0	54,000
Mr Chua Syer Cin	54,000	0	0	0	54,000
Mr Lim Pei Tiam @ Liam Ahat Kiat	0	0	0	0	0
Grand Total	**493,500**	**0**	**0**	**0**	**493,500**

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	3,490,945	93,995	25,000	3,609,940
Mr Tay Kim Hau	0	0	0	7,000	7,000
Mr Toh Kim Chong	0	1,101,149	14,400	0	1,115,549
Non Executive Directors					
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
Grand Total	**0**	**4,592,094**	**108,395**	**32,000**	**4,732,489**

Corporate Governance Overview Statement (cont'd)

While MCCG has prescribed for disclosure of the detailed remuneration packages of its top five 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 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.
RM100,001 to RM150,000	1
RM150,001 to RM200,000	1
RM350,001 to RM400,000	1
RM650,001 to RM700,000	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 2018 are set out in the Audit Committee Report on pages 031 to 033 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 and audit 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 two (2) years before being appointed as a member of the Audit Committee and such policy has been 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 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 was also satisfied that the external auditors has 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 2019 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 pages 034 to 038 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 of the results 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 pages 044 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 031 to 033 of the Annual Report.

Corporate Governance Overview Statement (cont'd)

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 comply 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 designate 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 announcement, 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 Articles of Association 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. 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.

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.pohhhuat.com.

Membership and Meeting Attendance
The current members of the Committee are:-

1. Mr Chua Syer Chin (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 2018. 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	3/4
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 2018 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;

Audit Committee Report (cont'd)

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 www.pohhuat.com

External Audit

The Audit Committee met with the external auditors twice during the current 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 is also satisfied that the external auditors has 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 2019.

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 is 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 and management reporting system.

During the year ended 31 October 2018, 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 unauthorized use or disposition;
- efficiency and effectiveness of the running of the businesses and operations; and
- compliance with laws and regulations.

During the financial year ended 31 October 2018, the Internal Auditors made four (4) audit visits and had presented the Internal Audit Reports to the Audit Committee pursuant to their internal audit review of the following audit areas in the Internal Audit Plan as approved by the Audit Committee:

- Shipping Department in Vietnam Operation;
- Marketing Department in Vietnam Operation;
- Production Planning and Control Department in Malaysia Operation; and
- Finance and Accounts Department in Malaysia Operation.

There were no material weaknesses noted by the Internal Auditors and the recommendations for improvement in internal controls were discussed with the respective head 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 Board meeting following each of the Audit Committee meetings.

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 and implementing 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. Implementation of Risk Management Process

The Board of Directors has in September 2017 formed a RMC to oversee the implementation and management of Risk Management process. This establishment of the RMC ensures that adequate time, expertise and resources are committed into the implementation 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.

Statement On Risk Management And Internal Control (cont'd)

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 resource, operate and monitor the system of internal control;
- 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 implementation of 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 control system is designed to give reasonable assurance with respect to the:-

- maintenance of proper operational and 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 2018 was RM48,000.

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 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.

Statement On Risk Management And Internal Control (cont'd)

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.

During the year, 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. During the year under review, 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 2018.

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.

General Sustainability Statement

The Board is pleased to present this General Sustainability Statement ("Statement") which sets out what the Board considers as material sustainability risks and opportunities (collectively known as "Material Sustainability Matters or "MSM"") to the operations of the Group and how these Material Sustainability Matters are managed.

As 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Sustainability Reporting Guide and its accompanying Toolkits issued by Bursa. This Statement considers the economic, environmental and social implications the Group is exposed to in ensuring its business is carried out in a sustainable and responsible manner.

Sustainability Governance Structure

While the Board is primarily responsible for the Group's sustainability practices and performance, it is assisted by the RMC, which in turn is supported by the Executive Directors and Senior Management in managing sustainability-related matters.

The RMC, a Board Committee which comprises a majority of Independent Directors, has an enhanced role, i.e. to incorporate sustainability considerations in the Group's business and management of economic, environmental and social risks and opportunities, in addition to its incumbent 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 effectiveness of the process in identifying, assessing, managing and reporting Material Sustainability Matters ("MSMs"); and
(d) monitoring and overseeing all sustainable strategies and initiatives of the Group.

In carrying out its responsibilities on the Group's sustainability, the RMC is supported 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.

Material Sustainability Matters

During the financial year and up to the date of this Statement, the Company has appointed an independent consultant to conduct a training and workshop session for the purpose of assisting the Group to identify sustainability matters that are considered material to its operations. Set out below is an overview of the MSMs of the Group and how they are managed according to economic, environmental and social aspects.

General Sustainability Statement (cont'd)

(a) Economic

In order to maintain and enhance Poh Huat's position as one the leading world class furniture manufacturers, it is crucial for the Group to be able to design and produce high quality innovative products. Poh Huat offers customers with products which are designed and manufactured using quality raw materials.

In the design of its in-house office products, the Group's design philosophy is to create pleasant, productive office environment with well-designed office suites that integrate new office automation technology into the classic office environment. Poh Huat has a dedicated Research and Development team which collaborates with customers' designers in coming up with innovative designs for the Group's products.

Poh Huat's products are often made up of comparatively premium materials, incorporating the latest functional and aesthetic trends. The Group's designs are regularly enhanced with new features and functionalities to accommodate new requirements of the diverse demographics and customers' preferences.

As for its original equipment market ("OEM"), the Group works closely with customers at every stage of product development and production programme. In dealing with OEM customers, Poh Huat employs a service differentiation strategy that focuses on issues which are most important to the buyers, such as product features and designs, material and construction specifications, costing and pricing targets, and production scheduling and quality control requirements.

Poh Huat places great emphasis on the delivery of quality products and services with the aim to create long-term and sustainable business relationships with customers. In this regard, the Group continuously emphasises on "Quality" and "Customer-focus", being watchwords that reflect the quality commitment of the Group towards its customers.

Alongside its efforts to create and offer innovative products to customers, Poh Huat has undertaken measures to achieve and maintain quality in its products, including the establishment of a manufacturing process that ensures product quality standards, in-process quality control measures and final quality inspections. The manufacturing process accords with the principles of ISO 9001:2015 Quality Management Systems.

The Group views customer service as an integral part of its product offering. Service to customer begins on first contact with potential customers and continues thereon with product review, selection and development, production programme co-ordination, quality control, warehousing shipment co-ordination and delivery, post-delivery services, etc.

(b) Environmental

Apart from ensuring the quality of products and services, the Group also ensures compliance with the California Air Resources Board ("CARB") Airborne Toxic Control Measures ("ATCM") Phase II labelling requirements, which set the standards for formaldehyde emissions from composite wood products exported to the United States. Such labelling is one of the key requirements of the Group to enable it to continue selling to the United States market, which contributes to the bulk of the Group's revenue. Furthermore, the CARB requirements are closely followed by an enhanced requirement where the Group's sales to the United States are labelled as Toxic Substances Control Act ("TSCA") Title VI compliant. The Group has undertaken the necessary measures to ensure that its products sold to the United States are TSCA Title VI compliant, in order to maintain its market share and customer relationships in this market.

As a major wood-based furniture manufacturer, the Group believes in the sustainable use of materials in its products. 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 is certified as PEFC COC compliant. The certification has enabled Poh Huat's presence in international markets, particularly in developed markets.

The PEFC is one of the world's largest forest certification systems which promotes sustainable forest management taking into account economic, environmental and social 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.

(c) Social

Poh Huat sees its employees as an important asset of its business. The success of manufacturing operations and implementation of business strategy depends on the Group's ability to attract, motivate and retain relevant talents, skills and experience in the roles of leadership and skilled production. To achieve this, the Group has in place a reward system where employees are incentivised to perform and improve via performance-based rewards such as increments and bonuses.

The Group views continuous skill development as one of the important aspects in developing human capital. It organises technical and managerial upgrading programmes for skilled employees and managerial staff to strengthen their core skills and competencies with a view to enhance career development, work quality and job performance. For instance, amongst other initiatives, the Group provides technical training to its employees based in its Vietnam operations in an effort to expand production capacity for wood-based furniture production.

For the financial year under review, key training and seminars provided for Management and skilled employees of the Group include the following:

- Common Offences and Pitfalls to avoid under the Companies Act 2016;
- Cyber Resilience and Info Security Conference;
- Forging Ahead – Budget 2018 Seminar;
- GST Redefine Latest Update;
- GST Update Seminar;
- National GST Seminar 2018;
- SST Seminar;
- ISO 9001:2015 Awareness and Implementation;
- ISO 9001:2015 Risk Assessment and Opportunities Training; and
- Hazard Identification Risk Assessment and Risk Control.

The Group ensures its employees work in a safe and conducive environment. A Safety, Health and Environment Committee has been set up to lead activities in accordance with the Group-wide Safety, Health, Accident Prevention and Environmental Action Policy.

General Sustainability Statement (cont'd)

As the Group emphasises on safe work practices for its workers, the layout and workflow in production areas are organised in an orderly manner to ensure workers' safety while managing efficient production rate. Furthermore, the Group also provides personal protection equipment ("PPE") for all workers to safeguard them from occupational hazards, such as those arising from operating machinery or lifting heavy items. For example, for the Group's business operations in Vietnam which involve spraying of furniture, the Group has provided extra precautionary equipment for workers, including paint respiratory masks and ear plugs. The Group conducts regular occupational safety and health training for its factory workers, including guidance on proper equipment use and ensuring workplace safety.

The Group strives to achieve a low rate of lost-work time injuries and has established "Zero Serious Accident" target. For the financial year under review, the Group has recorded zero fatality and zero serious accidents from its business operations.

The Group's policies on recruitment, working hours, remuneration and welfare exceed the minimum requirements stipulated by relevant authorities of the countries included in the scope of this Statement. The Group treats its employees fairly with due regard to basic human rights and rewards employees' performance on the basis of merits.

The Group upholds sustainability practices in creating long-term business value and will strive to continue to monitor the sustainability performance of its business. The Board will also consider the need to implement other sustainability practices as appropriate to further create long-term economic, environmental and social value with regard to its business.

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 RM40,000 and RM150,036 respectively during the financial year. Total audit fees payable on a group basis was RM190,036.

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 the results 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

For The Financial Year Ended 31 October 2018

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 2018.

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 RM	The Company RM
Profit after tax for the financial year	47,265,672	26,250,935
Attributable to:		
Owners of the Company	47,137,662	26,250,935
Non-controlling interests	128,010	–
	47,265,672	26,250,935

DIVIDENDS

Dividends paid or declared by the Company since 31 October 2017 are as follows:

A special single tier dividend of 1 sen per ordinary share amounting to RM 2,196,892 in respect of the financial year ended 31 October 2017 was paid on 15 January 2018.

A final single tier dividend of 3 sen per ordinary share amounting to RM 6,597,151 in respect of the financial year ended 31 October 2017 was approved by the shareholders at the Annual General Meeting held on 10 April 2018 and paid on 15 May 2018.

A first interim single tier dividend of 2 sen per ordinary share amounting to RM 4,398,100 in respect of the financial year ended 31 October 2018 was paid on 27 August 2018.

A second interim single tier dividend of 2 sen per ordinary share amounting to RM 4,398,100 in respect of the financial year ended 31 October 2018 was paid on 20 December 2018.

DIVIDENDS (CONT'D)

At the forthcoming Annual General Meeting, a final single tier 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 2019.

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) the Company increased its issued and paid-up share capital through the issuance of 5,007,100 new ordinary shares arising from the exercise of Warrants 2015/2020 at the exercise price of RM 1.00 per warrant as disclosed in Note 15 to the financial statements.

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

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

TREASURY SHARES

As at 31 October 2018, the Company held as treasury shares a total of 13,327,600 out of its 233,232,610 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.

Directors' Report (cont'd)

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 adequate allowance had been made for impairment losses on receivables.

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 additional 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:

Tay Kim Huat
Tay Kim Hau
Boo Chin Liong
Tay Khim Seng
Chua Syer Cin
Toh Kim Chong
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
Vanessa Lin

Directors' Report (cont'd)

DIRECTORS' INTERESTS

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

		Number of Ordinary Shares			
		At 01.11.2017	Acquired	Disposed	At 31.10.2018
The Company					
Tay Kim Huat	- Direct interest	51,469,376	300,000	–	51,769,376
	- Indirect interest [1]	11,792,072	270,000	–	12,062,072
Tay Kim Hau	- Direct interest	250,000	–	–	250,000
Boo Chin Liong	- Direct interest	39,000	–	–	39,000
Tay Khim Seng	- Direct interest	3,456,660	248,800	–	3,705,460
Toh Kim Chong	- Direct interest	6,550,788	634,300	–	7,185,088
Lim Pei Tiam @ Liam Ahat Kiat	- Direct interest	28,539,900	2,100,000	–	30,639,900
	- Indirect interest [2]	3,374,000	–	–	3,374,000

		Number of Warrants			
		At 01.11.2017	Acquired	Disposed	At 31.10.2018
The Company					
Tay Kim Huat	- Direct interest	5,113,268	–	300,000	4,813,268
	- Indirect interest [1]	1,442,768	–	270,000	1,172,768
Boo Chin Liong	- Direct interest	9,749	–	–	9,749
Tay Khim Seng	- Direct interest	50,000	219,800	123,800	146,000
Lim Pei Tiam @ Liam Ahat Kiat	- Direct interest	39,900	–	–	39,900

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.

DIRECTORS' INTERESTS (CONT'D)

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 and warrants 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 is 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.

Directors' Report (cont'd)

AUDITORS

The auditors, Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia which was previously known as Crowe Horwath), have expressed their willingness to continue in office.

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

Signed in accordance with a resolution of the directors dated 30 January 2019

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 059 to 131 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 October 2018 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 30 January 2019

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 059 to 131 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 30 January 2019

Before me
Commissioner for Oaths

Tay Kim Huat

Independent Auditors' Report

To The Members of Poh Huat Resources Holdings Berhad
(Incorporated in Malaysia)
Company No. : 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 2018 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 059 to 131.

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 2018, 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' *Code of Ethics for Professional Accountants* ("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.

Independent Auditors' Report
To The Members of Poh Huat Resources Holdings Berhad (cont'd)
(Incorporated in Malaysia)
Company No. : 443169-X

Key Audit Matters (Cont'd)

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

Carrying value of inventories Refer to Note 12 in the financial statements	
Key audit matter	**How our audit addressed the key audit matter**
The Group held inventories of RM 76 million as at 31 October 2018. The carrying value of inventories is stated at the lower of cost and net realisable value. 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: • 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. • 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.

- 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.

Independent Auditors' Report
To The Members of Poh Huat Resources Holdings Berhad (cont'd)
(Incorporated in Malaysia)
Company No. : 443169-X

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

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
LLP0018817-LCA & AF 1018
Chartered Accountants

Ng Kim Kiat
02074/10/2020 J
Chartered Accountant

Muar, Johor Darul Takzim
Date : 30 January 2019

Statements of Financial Position

At 31 October 2018

	Note	The Group		The Company	
		2018 RM	2017 RM	2018 RM	2017 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	5	162,361,956	137,163,111	–	–
Prepaid lease payments	6	2,712,418	2,923,528	–	–
Land held for property development	7	20,912,187	20,912,187	–	–
Investment properties	8	12,194,375	11,651,702	–	–
Investment in subsidiaries	9	–	–	159,600,071	126,961,466
Long-term receivables	10	–	–	4,286,014	19,765,869
Deferred tax assets	11	4,622	37,800	–	–
		198,185,558	172,688,328	163,886,085	146,727,335
CURRENT ASSETS					
Inventories	12	76,368,009	72,418,949	–	–
Trade and other receivables	10	64,914,912	66,866,430	127,626	205,800
Dividend receivable		–	–	–	10,727,928
Current tax assets		3,712	7,949	–	–
Deposits, bank and cash balances	13	89,887,631	92,857,041	9,081,866	2,022,191
		231,174,264	232,150,369	9,209,492	12,955,919
Non-current asset held for sale	14	1,085,961	–	–	–
TOTAL ASSETS		430,445,783	404,838,697	173,095,577	159,683,254

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

Statements of Financial Position At 31 October 2018 (cont'd)

		The Group		The Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15	119,845,505	114,838,405	119,845,505	114,838,405
Treasury shares	16	(2,836,481)	(2,836,481)	(2,836,481)	(2,836,481)
Reserves	17	199,982,042	172,910,319	51,594,655	40,756,491
Equity attributable to owners of the Company		316,991,066	284,912,243	168,603,679	152,758,415
Non-controlling interests		36,583	(86,341)	–	–
TOTAL EQUITY		317,027,649	284,825,902	168,603,679	152,758,415
NON-CURRENT LIABILITIES					
Hire purchase payables	18	17,764	160,856	–	–
Deferred tax liabilities	11	6,234,000	5,962,000	–	–
		6,251,764	6,122,856	–	–
CURRENT LIABILITIES					
Trade and other payables	19	80,913,349	82,251,474	93,798	392,423
Bank borrowings	20	18,485,177	21,991,816	–	–
Hire purchase payables	18	143,092	354,033	–	–
Dividend payable		4,398,100	6,532,416	4,398,100	6,532,416
Current tax liabilities		3,226,652	2,760,200	–	–
		107,166,370	113,889,939	4,491,898	6,924,839
TOTAL LIABILITIES		113,418,134	120,012,795	4,491,898	6,924,839
TOTAL EQUITY AND LIABILITIES		430,445,783	404,838,697	173,095,577	159,683,254

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 2018

		The Group		The Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
REVENUE	21	621,925,519	614,268,587	26,100,000	32,029,765
COST OF SALES		(519,817,579)	(492,327,561)	–	–
GROSS PROFIT		102,107,940	121,941,026	26,100,000	32,029,765
OTHER INCOME		13,736,837	6,788,617	4,508,527	2,181,588
SELLING AND MARKETING EXPENSES		(29,199,345)	(27,128,586)	–	–
ADMINISTRATIVE EXPENSES		(22,642,595)	(27,135,822)	(1,316,753)	(1,453,154)
OTHER EXPENSES		(5,213,905)	(5,742,587)	(3,037,685)	(868,347)
FINANCE COSTS	22	(1,259,918)	(1,508,252)	(3,154)	(3,372)
PROFIT BEFORE TAX	23	57,529,013	67,214,396	26,250,935	31,886,480
INCOME TAX EXPENSE	25	(10,263,341)	(11,436,959)	–	–
PROFIT AFTER TAX		47,265,672	55,777,437	26,250,935	31,886,480
OTHER COMPREHENSIVE (EXPENSE)					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences		(4,658,254)	(501,041)	–	–
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		42,607,418	55,276,396	26,250,935	31,886,480

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 2018 (cont'd)

		The Group		The Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
PROFIT AFTER TAX ATTRIBUTABLE TO:					
Owners of the Company		47,137,662	55,772,295	26,250,935	31,886,480
Non-controlling interests		128,010	5,142	–	–
		47,265,672	55,777,437	26,250,935	31,886,480
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Company		42,484,494	55,268,910	26,250,935	31,886,480
Non-controlling interests		122,924	7,486	–	–
		42,607,418	55,276,396	26,250,935	31,886,480
EARNINGS PER ORDINARY SHARE (SEN)	26				
Basic		21.47	26.11		
Diluted		20.11	23.49		

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

Statements of Changes in Equity
For The Financial Year Ended 31 October 2018

	Note	Share capital RM	Treasury shares RM	Non-distributable Share premium RM	Non-distributable Foreign exchange translation reserve RM	Distributable Retained profits RM	Attributable to owners of the Company RM	Non-controlling interests RM	Total equity RM
The Group									
Balance at 1 November 2016		113,402,905	(2,836,481)	15,800	(5,061,141)	137,777,295	243,298,378	(93,827)	243,204,551
Profit after tax for the financial year		–	–	–	–	55,772,295	55,772,295	5,142	55,777,437
Other comprehensive (expense)/income for the financial year:									
– Foreign currency translation differences		–	–	–	(503,385)	–	(503,385)	2,344	(501,041)
Total comprehensive (expense)/income for the financial year		–	–	–	(503,385)	55,772,295	55,268,910	7,486	55,276,396
Contributions by and distributions to owners of the Company:									
– Exercise of warrants		1,419,700	–	–	–	–	1,419,700	–	1,419,700
– Dividends									
– by the Company	27	–	–	–	–	(15,074,745)	(15,074,745)	–	(15,074,745)
– Transfer to share capital upon implementation of the Companies Act 2016	15	15,800	–	(15,800)	–	–	–	–	–
Total transactions with owners		1,435,500	–	(15,800)	–	(15,074,745)	(13,655,045)	–	(13,655,045)
Balance at 31 October 2017		114,838,405	(2,836,481)	–	(5,564,526)	178,474,845	284,912,243	(86,341)	284,825,902

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

Statements of Changes in Equity
For The Financial Year Ended 31 October 2018 (cont'd)

	Note	Share capital RM	Treasury shares RM	Non-distributable Foreign exchange translation reserve RM	Distributable Retained profits RM	Attributable to owners of the Company RM	Non-controlling interests RM	Total equity RM
The Group								
Balance at 1 November 2017		114,838,405	(2,836,481)	(5,564,526)	178,474,845	284,912,243	(86,341)	284,825,902
Profit after tax for the financial year		–	–	–	47,137,662	47,137,662	128,010	47,265,672
Other comprehensive (expense) for the financial year:								
– Foreign currency translation differences		–	–	(4,653,168)	–	(4,653,168)	(5,086)	(4,658,254)
Total comprehensive (expense)/income for the financial year		–	–	(4,653,168)	47,137,662	42,484,494	122,924	42,607,418
Contributions by and distributions to owners of the Company:								
– Exercise of warrants		5,007,100	–	–	–	5,007,100	–	5,007,100
– Dividends								
– by the Company	27	–	–	–	(15,412,771)	(15,412,771)	–	(15,412,771)
Total transactions with owners		5,007,100	–	–	(15,412,771)	(10,405,671)	–	(10,405,671)
Balance at 31 October 2018		119,845,505	(2,836,481)	(10,217,694)	210,199,736	316,991,066	36,583	317,027,649

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

	Note	Share capital RM	Treasury shares RM	Non-distributable Share premium RM	Distributable Retained profits RM	Total equity RM
The Company						
Balance at 1 November 2016		113,402,905	(2,836,481)	15,800	23,944,756	134,526,980
Profit after tax/ Total comprehensive income for the financial year		–	–	–	31,886,480	31,886,480
Contributions by and distributions to owners of the Company:						
– Exercise of warrants		1,419,700	–	–	–	1,419,700
– Dividends	27	–	–	–	(15,074,745)	(15,074,745)
– Transfer to share capital upon implementation of the Companies Act 2016	15	15,800	–	(15,800)	–	–
Total transactions with owners		1,435,500	–	(15,800)	(15,074,745)	(13,655,045)
Balance at 31 October 2017/1 November 2017		114,838,405	(2,836,481)	–	40,756,491	152,758,415
Profit after tax/ Total comprehensive income for the financial year		–	–	–	26,250,935	26,250,935
Contributions by and distributions to owners of the Company:						
– Exercise of warrants		5,007,100	–	–	–	5,007,100
– Dividends	27	–	–	–	(15,412,771)	(15,412,771)
Total transactions with owners		5,007,100	–	–	(15,412,771)	(10,405,671)
Balance at 31 October 2018		119,845,505	(2,836,481)	–	51,594,655	168,603,679

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

Statements of Cash Flows

For The Financial Year Ended 31 October 2018

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit before tax	57,529,013	67,214,396	26,250,935	31,886,480
Adjustments for:				
Allowance for impairment losses on receivables	–	–	2,093,925	–
Amortisation of prepaid lease payments	98,826	110,553	–	–
Bad debts written off	–	20,548	–	–
Depreciation of property, plant and equipment	8,633,458	8,698,840	–	–
Depreciation of investment properties	168,131	93,775	–	–
Dividend income	(1,113,475)	(511,826)	(26,100,000)	(32,029,765)
Fire loss of inventories	1,077,122	–	–	–
Gain on disposal of other investment	–	(49,305)	–	(49,305)
Gain on disposal of unit trust	(90,622)	–	–	–
Inventories value written down	294,678	223,675	–	–
Loss/(Gain) on disposal of property, plant and equipment	47,056	(322,539)	–	–
Property, plant and equipment written off	1,853,183	91,546	–	–
Reversal of allowance for impairment losses on receivables	(4,503,370)	(1,061,280)	(4,503,370)	(1,061,280)
Reversal of fair value loss on derivatives	–	(222,185)	–	–
Unrealised (gain)/loss on foreign exchange	(1,003,548)	(2,349,142)	280,140	(1,071,003)
Waiver of debts	(99,940)	–	–	–
Interest expenses	799,693	973,022	–	–
Interest income	(733,684)	(580,687)	(5,157)	–
Operating profit/(loss) before working capital changes	62,956,521	72,329,391	(1,983,527)	(2,324,873)
Inventories	(7,117,940)	(2,480,673)	–	–
Trade and other receivables	4,654,789	6,643,098	17,687,334	(14,320,549)
Trade and other payables	1,004,866	(6,321,239)	(298,625)	306,007
CASH FROM/(FOR) OPERATIONS	61,498,236	70,170,577	15,405,182	(16,339,415)
Interest paid	(799,693)	(973,022)	–	–
Interest received	733,684	580,687	5,157	–
Tax paid	(9,442,704)	(10,966,312)	–	–
NET CASH FROM/(FOR) OPERATING ACTIVITIES	51,989,523	58,811,930	15,410,339	(16,339,415)

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

	Note	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Additional investments in an existing subsidiary		–	–	(32,638,605)	–
Dividends received		1,113,475	511,826	36,827,928	22,428,030
Increase in pledged fixed deposits with licensed bank		(109,450)	(4,392,157)	–	–
Proceeds from disposal of other investment		–	571,626	–	571,626
Proceeds from disposal of property, plant and equipment		100,839	2,132,221	–	–
Proceeds from disposal of unit trust		15,472,607	–	–	–
Purchase of investment properties		(710,804)	(3,313,667)	–	–
Purchase of property, plant and equipment	5(c)	(41,210,632)	(22,891,459)	–	–
Purchase of unit trust		(15,381,985)	–	–	–
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(40,725,950)	(27,381,610)	4,189,323	22,999,656
CASH FLOWS FOR FINANCING ACTIVITIES					
Issue of shares from exercise of warrants		5,007,100	1,419,700	5,007,100	1,419,700
Net movements in trade bills		(2,664,045)	(5,412,746)	–	–
Repayment of term loan		(61,503)	(718,199)	–	–
Repayment of hire purchase payables		(354,033)	(344,682)	–	–
Dividends paid		(17,547,087)	(12,811,893)	(17,547,087)	(12,811,893)
NET CASH FOR FINANCING ACTIVITIES		(15,619,568)	(17,867,820)	(12,539,987)	(11,392,193)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(4,355,995)	13,562,500	7,059,675	(4,731,952)
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		1,277,135	3,307,506	–	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		88,464,884	71,594,878	2,022,191	6,754,143
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	28(b)	85,386,024	88,464,884	9,081,866	2,022,191

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

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018

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, Taman Marin, Jalan Haji Abdullah, Sungai Abong, 84000 Muar, Johor Darul Takzim.
Principal place of business	:	PLO 1, Jalan Raja, Kawasan Perindustrian Bukit Pasir, Mukim Sungai Raya, 84300 Bukit Pasir, Muar, Johor Darul Takzim.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 30 January 2019.

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 107: Disclosure Initiative
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to MFRS Standards 2014 – 2016 Cycles:
- Amendments to MFRS 12: Clarification of the Scope of the Standard

3. BASIS OF PREPARATION (CONT'D)

3.1 CONT'D

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 except as follows:

Amendments to MFRS 107: Disclosure Initiative

The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. A reconciliation between opening and closing balances of these items is provided in Note 28(a).

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 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
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 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	
• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

3. BASIS OF PREPARATION (CONT'D)

3.2 CONT'D

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 except as follows:

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the guidance in MFRS 139 on the classification and measurement of financial assets and financial liabilities, impairment of financial assets and on hedge accounting.

The initial application of MFRS 9 is not expected to have any material impact to the financial statements of the Group for the current financial year and prior period as the Group will apply the standard retrospectively from 1 November 2018 with the practical expedients permitted under the standard, and that the comparatives (i.e. current period financial information) will not be restated.

Based on the assessment undertaken to date, the Group has determined the impact of its initial application of MFRS 9 as follows:

Impairment of Financial Assets

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' ("ECL") model. In view of strong creditworthiness of the Group's receivables, the Group has concluded that the expected impacts of ECL on trade and other receivables (including related party balances) are insignificant upon the initial application of MFRS 9.

The analysis above are based on the assessments undertaken to date and maybe subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future.

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.

(b) Impairment of property, plant and equipment and investment properties

The Group determines whether its property, plant and equipment 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 receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its receivables and analyses their ageing profiles, historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Critical accounting estimates and judgements (cont'd)

Key sources of estimation uncertainty (cont'd)

(e) Income tax

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 an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

(b) Classification of leasehold land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

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 on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.3 Investment in subsidiaries

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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:

Leasehold land	Over the lease period of 52 - 57 years
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.

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

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 and investment properties under construction are 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Leased assets

(a) Finance assets

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(b) Operating lease

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statements of financial position of the Group and of the Company.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

The lump sum upfront lease payments made in respect of land lease which in substance is an operating lease is classified as prepaid lease payments. The prepaid lease payments are stated at cost less accumulated amortisation. The amortisation is charged to profit or loss in equal instalments over the lease period.

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Impairment

(a) Impairment of financial assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(b) Impairment of non-financial assets

The carrying values of assets, other than those to which MFRS 136 – Impairment of Assets 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 a 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. 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

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

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

As at the end of the reporting period, there were no financial assets classified under this category.

(ii) Held-to-maturity investments

As at the end of the reporting period, there were no financial assets classified under this category.

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (cont'd)

(a) Financial assets (cont'd)

(iii) Loans and receivables financial assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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), through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

(iv) Available-for-sale financial assets

As at the end of the reporting period, there were no financial assets classified under this category.

(b) Financial liabilities

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

As at the end of the reporting period, there were no financial liabilities classified under this category.

(ii) Other financial liabilities

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and 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 expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (cont'd)

(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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (cont'd)

(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 best estimate of the expenditure required to settle the present obligation at the end of the reporting period 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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 or loss using the effective interest method.

4.13 Non-current assets held for sale

Non-current assets (or disposal group comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the non-current assets (or the disposal group) are remeasured in accordance with the Group's accounting policies. Upon classification as held for sale, the non-current assets (the disposal group) are not depreciated and are measured at the lower of their previous carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss.

4.14 Income taxes

(a) Current tax

Current tax assets and liabilities are 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 are 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.

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.14 Income taxes (cont'd)

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.

(c) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

4.15 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.

4.16 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)

4.17 Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable, net of returns, goods and services tax, cash and trade discounts.

(a) Sale of goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer and where the Group does not have continuing managerial involvement and effective control over the goods sold.

(b) Dividend income

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

(c) Interest income

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

(d) Rental income

Rental income is recognised on accrual basis unless collectability is in doubt, in which case the recognition of such income is suspended. Subsequent to suspension, income is recognised on the receipt basis until all arrears have been paid.

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.

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 Functional and foreign currencies (cont'd)

(c) Foreign operations (cont'd)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a 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 that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a 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 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.

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

5. PROPERTY, PLANT AND EQUIPMENT

The Group

	Freehold land RM	Leasehold 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 2017	7,271,419	13,996,198	108,416,449	78,787,678	12,460,002	2,825,750	223,757,496
Additions	8,805,910	–	14,698,447	8,849,238	1,369,812	7,147,211	40,870,618
Disposals	–	–	–	(2,650,805)	(95,150)	–	(2,745,955)
Write off	–	–	(2,966,051)	–	–	–	(2,966,051)
Reclassifications	–	–	680,331	–	–	(680,331)	–
Classified as non-current asset held for sale (Note 14)	(320,834)	–	(929,424)	–	–	–	(1,250,258)
Foreign exchange differences	(383,768)	–	(3,087,710)	(1,648,256)	(238,743)	(121,814)	(5,480,291)
At 31 October 2018	15,372,727	13,996,198	116,812,042	83,337,855	13,495,921	9,170,816	252,185,559
Less : Accumulated depreciation							
At 1 November 2017	–	4,250,621	24,415,669	50,121,276	7,806,819	–	86,594,385
Charge for the financial year	–	248,964	2,055,489	4,680,280	1,648,725	–	8,633,458
Disposals	–	–	–	(2,521,905)	(76,155)	–	(2,598,060)
Write off	–	–	(1,112,868)	–	–	–	(1,112,868)
Classified as non-current asset held for sale (Note 14)	–	–	(164,297)	–	–	–	(164,297)
Foreign exchange differences	–	–	(374,352)	(1,023,317)	(131,346)	–	(1,529,015)
At 31 October 2018	–	4,499,585	24,819,641	51,256,334	9,248,043	–	89,823,603
Carrying amount							
At 31 October 2018	15,372,727	9,496,613	91,992,401	32,081,521	4,247,878	9,170,816	162,361,956

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

The Group

	Freehold land RM	Leasehold 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 2016	4,277,660	13,996,198	98,963,872	75,089,708	12,013,571	2,082,611	206,423,620
Additions	3,596,766	–	11,374,971	5,267,898	1,294,580	984,995	22,519,210
Disposals	(539,110)	–	(1,348,329)	(855,298)	(745,580)	–	(3,488,317)
Write off	–	–	(11,492)	(167,325)	(30,030)	–	(208,847)
Reclassifications	–	–	197,894	–	–	(197,894)	–
Foreign exchange differences	(63,897)	–	(760,467)	(547,305)	(72,539)	(43,962)	(1,488,170)
At 31 October 2017	7,271,419	13,996,198	108,416,449	78,787,678	12,460,002	2,825,750	223,757,496
Less : Accumulated depreciation							
At 1 November 2016	–	4,001,659	22,568,697	46,733,962	6,899,960	–	80,204,278
Charge for the financial year	–	248,962	2,192,752	4,532,978	1,724,148	–	8,698,840
Disposals	–	–	(222,216)	(717,093)	(739,326)	–	(1,678,635)
Write off	–	–	(96)	(87,175)	(30,030)	–	(117,301)
Foreign exchange differences	–	–	(123,468)	(341,396)	(47,933)	–	(512,797)
At 31 October 2017	–	4,250,621	24,415,669	50,121,276	7,806,819	–	86,594,385
Carrying amount							
At 31 October 2017	7,271,419	9,745,577	84,000,780	28,666,402	4,653,183	2,825,750	137,163,111

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

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

(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	
	2018 RM	2017 RM
Carrying amount		
Leasehold land	–	2,316,046
Factory buildings	691,683	11,787,002
Plant and machinery	479,208	4,932,314
Vehicles and equipment	21,453	60,525
	1,192,344	19,095,887

(b) The motor vehicles of the Group with carrying amount of RM 639,096 (2017 : RM 1,247,034) were acquired under hire purchase terms (Note 18(a)). These leased assets have been pledged as security for the related finance lease liabilities of the Group.

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

	The Group	
	2018 RM	2017 RM
Cost of property, plant and equipment purchased	40,870,618	22,519,210
Amount financed through hire purchase	–	(200,000)
Unpaid balances included under sundry payables (Note 19(c))	(31,070)	(393,574)
Cash disbursed in respect of purchase in previous financial year	371,084	965,823
Cash disbursed for purchase of property, plant and equipment	41,210,632	22,891,459

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

6. PREPAID LEASE PAYMENTS

	The Group	
	2018	2017
	RM	RM
At 1 November	2,923,528	3,063,608
Less : Amortisation charges	(98,826)	(110,553)
Foreign exchange differences	(112,284)	(29,527)
At 31 October	2,712,418	2,923,528
Represented by:		
Land lease	2,712,418	2,923,528

As at 31 October 2017, land lease of the Group with carrying amount of RM 2,425,725 has been pledged to a licensed bank as security for banking facilities granted to the Group.

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	
	2018	2017
	RM	RM
At cost		
At 1 November	11,914,392	8,600,725
Additions	710,804	3,313,667
At 31 October	12,625,196	11,914,392
Less : Accumulated depreciation		
At 1 November	262,690	168,915
Charge for the financial year	168,131	93,775
At 31 October	430,821	262,690
Carrying amount	12,194,375	11,651,702
Represented by:		
Freehold land	3,420,900	3,420,900
Warehouse and factory building	8,773,475	4,426,028
Capital work-in-progress	–	3,804,774
	12,194,375	11,651,702

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

8. INVESTMENT PROPERTIES (CONT'D)

As at 31 October 2018, the fair value of the investment properties amounting to approximately RM 17.8 million based on directors' best estimate.

9. INVESTMENT IN SUBSIDIARIES

	The Company	
	2018 **RM**	**2017** **RM**
Unquoted shares, at cost	165,919,142	133,280,537
Accumulated impairment losses	(6,319,071)	(6,319,071)
	159,600,071	126,961,466

(a) 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		Principal activities
		2018	**2017**	
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%	Trading of furniture and investment holding. However, the Company has ceased its business operations of trading of furniture since January 2015.
# Poh Huat Furniture Industries Vietnam Joint Stock Company	Vietnam	72.98% (Direct) ^ 27.01% (Indirect)	72.98% (Direct) ^ 27.01% (Indirect)	Manufacturing and processing wooden household furniture.

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) The details of the subsidiaries are as follows (cont'd):

Name of subsidiary	Principal place of business/Country of incorporation	Percentage of issued share capital held by parent		Principal activities
		2018	2017	
* Poh Huat International (BVI) Limited	British Virgin Islands	100.00%	100.00%	Investment holding.
# Poh Huat (Australia) Pty Ltd	Australia	100.00%	100.00%	Retailing and wholesaling of household and office furniture.
Subsidiary of Poh Huat Furniture Industries (M) Sdn. Bhd.				
#,~ Contempro Furniture (Qingdao) Co. Ltd.	People's Republic of China	100.00%	100.00%	Dormant.
Subsidiary of Poh Huat International Sdn. Bhd.				
# Poh Huat International Furniture S.A. (Proprietary) Limited (PHI(SA))	South Africa	51.00%	51.00%	Trading of furniture. However, the Company has ceased its business operations and in the process of deregistration in year 2018.

* 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 interest of 27.01% is held through a subsidiary of the Company, namely Poh Huat International (BVI) Limited.

~ The auditors' report on the financial statements of the subsidiary includes a "Material Uncertainty Related to Going Concern" regarding the ability of the subsidiary to continue as a going concern in view of its capital deficiency position as at the end of the current reporting period. The financial statements were prepared on a going concern basis as the Company has undertaken to provide continued financial support to the subsidiary.

(b) During the financial year, the Company subscribed 10,500,000 new ordinary shares in its wholly-owned subsidiary, Poh Huat (Australia) Pty Ltd, for a total cash consideration of AUD 10,500,000 (equivalent to RM 32,638,605).

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) The non-controlling interests at the end of the reporting period comprise the following:

	Effective equity interest		The Group	
	2018 %	2017 %	2018 RM	2017 RM
PHI(SA)	49.00	49.00	27,651	(93,785)
Other individually immaterial subsidiary			8,932	7,444
			36,583	(86,341)

(d) The summarised financial information (before intra-group elimination) for PHI(SA) that has non-controlling interests that are material to the Group is as follows:

	PHI(SA)	
	2018 RM	2017 RM
At 31 October		
Current assets	56,429	1,374,841
Current liabilities	–	(1,566,241)
Net assets/(liabilities)	56,429	(191,400)
Financial year ended 31 October		
Revenue	11,798	1,213,390
Profit for the financial year	258,647	6,800
Total comprehensive income	258,647	6,800
Total comprehensive income attributable to non-controlling interests	126,737	3,332
Net cash flows for operating activities	(1,226,587)	(2,071,357)
Net cash flows from investing activities	–	1,316,975

10. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Non-current				
Long-term receivables				
Amount owing by subsidiaries	–	–	7,263,926	20,649,856
Allowance for impairment losses	–	–	(2,977,912)	(883,987)
	–	–	4,286,014	19,765,869
Current				
Trade receivables				
Advances to suppliers	4,202,494	1,034,162	–	–
Other trade receivables	45,732,182	49,355,724	–	–
Allowance for impairment losses	–	(1,574)	–	–
	49,934,676	50,388,312	–	–
Other receivables				
Amount owing by a subsidiary	–	–	–	55,000
Deposits	542,043	740,255	1,000	1,000
Prepayments	411,320	620,656	–	1,800
Goods and services tax recoverable	3,201,772	3,429,847	–	–
Sundry receivables	10,825,101	17,438,395	126,626	5,840,320
Allowance for impairment losses	–	(5,751,035)	–	(5,692,320)
	10,825,101	11,687,360	126,626	148,000
	14,980,236	16,478,118	127,626	205,800
	64,914,912	66,866,430	127,626	205,800
Allowance for impairment losses				
At 1 November	5,752,609	6,813,889	6,576,307	7,637,587
Addition during the financial year	–	–	2,093,925	–
Reversal during the financial year	(4,503,370)	(1,061,280)	(4,503,370)	(1,061,280)
Written off during the financial year	(1,249,239)	–	(1,188,950)	–
At 31 October	–	5,752,609	2,977,912	6,576,307

(a) The Group's normal trade terms range from cash term to 120 days (2017 : cash term to 120 days).

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

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

11. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group	
	2018 RM	2017 RM
At 1 November	(5,924,200)	(5,962,000)
Recognised in profit or loss (Note 25)	(303,046)	38,877
Foreign exchange differences	(2,132)	(1,077)
At 31 October	(6,229,378)	(5,924,200)
Presented after appropriate offsetting as follows:		
Deferred tax assets	4,622	37,800
Deferred tax liabilities	(6,234,000)	(5,962,000)
	(6,229,378)	(5,924,200)

(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 2016	(5,817,000)	(117,000)	(28,000)	(5,962,000)
Recognised in profit or loss	–	–	–	–
At 31 October 2017/1 November 2017	(5,817,000)	(117,000)	(28,000)	(5,962,000)
Recognised in profit or loss	(128,000)	(132,000)	(12,000)	(272,000)
At 31 October 2018	(5,945,000)	(249,000)	(40,000)	(6,234,000)

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

(a) CONT'D

(ii) Deferred tax assets:

	Others RM	Total RM
The Group		
At 1 November 2016	–	–
Recognised in profit or loss	38,877	38,877
Foreign exchange differences	(1,077)	(1,077)
At 31 October 2017/1 November 2017	37,800	37,800
Recognised in profit or loss	(31,046)	(31,046)
Foreign exchange differences	(2,132)	(2,132)
At 31 October 2018	4,622	4,622

(b) At the end of the reporting period, the Group has the following items that are available for offset against future taxable profits of the subsidiaries in which the losses arose:

	The Group	
	2018 RM	2017 RM
Malaysian subsidiary:		
Unused tax losses	12,030,000	12,030,000
Unabsorbed capital allowances	4,535,000	4,535,000
Unutilised reinvestment allowances	7,800,000	7,800,000
Unutilised increased export allowances	12,053,000	12,053,000
	36,418,000	36,418,000
Foreign subsidiary:		
Unused tax losses	3,158,000	3,492,000
	39,576,000	39,910,000

No deferred tax assets are recognised in respect of the above items as it is not probable that taxable profits of the subsidiaries will be available against which the deductible temporary differences can be utilised. The unused tax losses and unutilised reinvestment allowances of a Malaysian subsidiary will expire at the end of year of assessment 2025 but the unabsorbed capital allowances and unutilised increased export allowances can be carried forward indefinitely to be utilised against income from the same business source, subject to no substantial change in shareholdings of the subsidiary. The unused tax losses of a foreign subsidiary do not expire under current tax legislation.

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

12. INVENTORIES

	The Group	
	2018	**2017**
	RM	**RM**
Raw materials	33,014,758	30,389,544
Packing materials	166,441	137,604
Work-in-progress	22,669,728	24,300,415
Goods-in-transit	755,564	4,040,791
Finished goods	19,761,518	13,550,595
	76,368,009	72,418,949
Recognised in profit or loss		
Inventories recognised as cost of sales	519,817,579	492,327,561

(a) Included in the above inventories recognised as cost of sales are the amount of RM 294,678 and RM 1,077,122 (2017 : RM 223,675 and RM Nil) being the amount of inventories written down to net realisable value and fire loss of inventories respectively.

(b) As at 31 October 2018, the inventories of a foreign subsidiary amounting to approximately USD 7.1 million have been pledged to the licensed banks as security for its banking facilities (Note 20(a)).

13. DEPOSITS, BANK AND CASH BALANCES

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Cash and bank balances	81,136,223	88,464,884	9,081,866	2,022,191
Fixed deposits with licensed banks	8,751,408	4,392,157	–	–
	89,887,631	92,857,041	9,081,866	2,022,191

(a) The fixed deposits with licensed banks of the Group at the end of the reporting period bear effective interest rate at 1.4% - 6.9% (2017 : 5.6%) per annum. The fixed deposits have maturity periods ranging from 3 to 12 months (2017 : 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 4,501,607 (2017 : RM 4,392,157) which has been pledged to a licensed bank as security for banking facilities granted to the Group (Note 20(a)).

14. NON-CURRENT ASSET HELD FOR SALE

	The Group	
	2018 RM	2017 RM
At 1 November	–	–
Transfer from property, plant and equipment (Note 5)	1,085,961	–
At 31 October	1,085,961	–

The directors have committed to a plan to sell 2 units of warehouses in South Africa and the disposal is expected to be completed within one year. As a result, the warehouse with carrying amount of RM 1,085,961 is classified as non-current asset held for sale as at 31 October 2018.

15. SHARE CAPITAL

	The Group and The Company			
	2018	2017	2018	2017
	Number of shares		RM	RM
Issued and fully paid-up				
Ordinary shares with no par value				
At 1 November	228,225,510	226,805,810	114,838,405	113,402,905
Transfer from share premium account	–	–	–	15,800
Exercise of warrants	5,007,100	1,419,700	5,007,100	1,419,700
At 31 October	233,232,610	228,225,510	119,845,505	114,838,405

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.

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

15. SHARE CAPITAL (CONT'D)

Warrants 2015/2020

A total of 53,361,427 free warrants were issued by the Company on 22 October 2015 on the basis of one (1) free warrant for every four (4) existing ordinary shares held. Each warrant entitles the holder the right to subscribe for one (1) new ordinary share of RM 0.50 each in the Company at an exercise price of RM 1.00 per new ordinary share. At the end of the reporting period, the number of outstanding warrants was 46,903,027. The warrants will expire on 21 October 2020.

The salient terms of the Warrants 2015/2020 are as follows:

(a) The Warrants are constituted by a Deed Poll executed on 15 October 2015.

(b) The Warrants are traded separately.

(c) The Warrants can be exercised at any time within a period of five (5) years commencing from and including the date of issue, 22 October 2015 to 21 October 2020 ("Exercise Period"). Any Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid.

(d) Each Warrant entitles the holder of the Warrants to subscribe for one (1) new ordinary share ("Shares") in the Company.

(e) The exercise price and the number of unexercised Warrants shall be adjusted in the event of alteration to the share capital of the Company, capital distribution or issue of shares in accordance with the provisions of the Deed Poll.

(f) The holders of the Warrants are not entitled to vote in any general meetings and/or entitled in any dividends, rights, allotment and/or other forms of distribution other than on winding-up, compromise or arrangement of the Company unless and until the holders of the Warrants becomes a shareholder of the Company by exercising his/her Warrants into new ordinary shares or unless otherwise resolved by the Company in general meeting.

16. TREASURY SHARES

Of the total 233,232,610 (2017 : 228,225,510) issued and fully paid-up ordinary shares at the end of the reporting period, 13,327,600 (2017 : 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	
	2018 RM	2017 RM	2018 RM	2017 RM
Non-distributable				
Foreign exchange translation reserve	(10,217,694)	(5,564,526)	–	–
Distributable				
Retained profits	210,199,736	178,474,845	51,594,655	40,756,491
	199,982,042	172,910,319	51,594,655	40,756,491

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. HIRE PURCHASE PAYABLES

	The Group	
	2018 RM	2017 RM
Minimum hire purchase payments		
Not later than one year	146,770	370,776
Later than one year and not later than five years	17,736	164,506
	164,506	535,282
Less : Future finance charges	(3,650)	(20,393)
Present value of hire purchase payables	160,856	514,889
Analysed by:		
Current liabilities	143,092	354,033
Non-current liabilities	17,764	160,856
	160,856	514,889

(a) The hire purchase payables of the Group are secured against certain motor vehicles under finance leases (Note 5(b)). The hire purchase arrangements are expiring within 1 to 2 (2017 : 1 to 3) years.

(b) The hire purchase payables of the Group of RM 160,856 (2017 : RM 514,889) are guaranteed by the Company.

(c) The hire purchase payables of the Group at the end of the reporting period bear effective interest rates at 4.7% - 5.1% (2017 : 4.6% - 5.1%) per annum. The interest rates are fixed at the inception of the hire purchase arrangements.

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

19. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade payables				
Advance from customers	1,491,137	2,276,959	–	–
Other trade payables	60,783,597	58,951,254	–	–
	62,274,734	61,228,213	–	–
Other payables				
Amount owing to a director of a subsidiary	–	208,440	–	–
Amount owing to shareholders of a subsidiary	–	44,895	–	–
Accruals	13,432,707	15,211,372	82,000	73,750
Deposit payables	133,232	124,232	–	–
Goods and services tax payable	–	1,240	–	–
Sales and services tax payable	115,305	–	–	–
Sundry payables	4,957,371	5,433,082	11,798	318,673
	18,638,615	21,023,261	93,798	392,423
	80,913,349	82,251,474	93,798	392,423

(a) The normal credit terms granted to the Group range from 15 to 120 days (2017 : 15 to 120 days).

(b) The amounts owing to a director of a subsidiary and shareholders of a subsidiary are unsecured, interest free and repayable on demand. Such amount is to be settled in cash.

(c) Included in sundry payables of the Group is an amount of RM 31,070 (2017 : RM 393,574) payable for the purchase of property, plant and equipment (Note 5(c)).

20. BANK BORROWINGS

		The Group	
		2018 RM	2017 RM
Secured	– Trade bills	14,021,092	12,362,536
	– Term loan	–	61,503
Unsecured	– Trade bills	4,464,085	9,567,777
		18,485,177	21,991,816

20. BANK BORROWINGS (CONT'D)

(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(b)).

(iii) Certain fixed deposits with a licensed bank of the Group (Note 13(b)).

(iv) Corporate guarantee provided by the Company.

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

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

	The Group	
	2018	**2017**
	%	%
Trade bills	2.0 - 4.9	2.0 - 2.6
Term loan	–	5.2

21. REVENUE

	The Group		**The Company**	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Dividend income	–	–	26,100,000	32,029,765
Net invoiced value of goods sold	621,925,519	614,268,587	–	–
	621,925,519	614,268,587	26,100,000	32,029,765

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

22. FINANCE COSTS

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest expenses on financial liabilities that are not at fair value through profit or loss				
Hire purchase	16,774	32,046	–	–
Term loan	276	22,382	–	–
Trade bills	782,643	918,594	–	–
	799,693	973,022	–	–
Bank commission and charges	460,225	535,230	3,154	3,372
	1,259,918	1,508,252	3,154	3,372

23. PROFIT BEFORE TAX

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
This is arrived at after charging:				
Allowance for impairment losses on receivables	–	–	2,093,925	–
Amortisation of prepaid lease payments	98,826	110,553	–	–
Auditors' remuneration				
– audit fee:				
• current financial year	190,036	200,219	40,000	37,000
• over provision in previous financial year	–	(9,443)	–	–
– non-audit fee:				
• auditors of the Company	3,000	3,000	3,000	3,000
Bad debts written off	–	20,548	–	–
Depreciation of property, plant and equipment	8,633,458	8,698,840	–	–
Depreciation of investment properties	168,131	93,775	–	–
Direct operating expenses on investment properties	59,247	37,131	–	–
Fire loss of inventories	1,077,122	–	–	–
Inventories value written down	294,678	223,675	–	–

23. PROFIT BEFORE TAX (CONT'D)

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Loss on disposal of property, plant and equipment	47,056	–	–	–
Property, plant and equipment written off	1,853,183	91,546	–	–
Realised loss on foreign exchange	2,247,979	4,893,884	663,620	868,347
Staff costs (including key management personnel as disclosed in Note 24):				
– short-term employee benefits	118,722,645	120,947,204	493,500	509,250
– defined contribution plans	1,421,379	1,335,658	–	–
– others	11,547,799	9,734,720	–	–
Unrealised loss on foreign exchange	–	–	280,140	–
And crediting:				
Dividend income	(1,113,475)	(511,826)	–	–
Fire insurance compensation	(4,282,505)	–	–	–
Gain on disposal of money market fund	(49,762)	(81,431)	–	–
Gain on disposal of property, plant and equipment	–	(322,539)	–	–
Gain on disposal of other investment	–	(49,305)	–	(49,305)
Gain on disposal of unit trust	(90,622)	–	–	–
Rental income from investment properties	(830,452)	(674,192)	–	–
Reversal of allowance for impairment losses on receivables	(4,503,370)	(1,061,280)	(4,503,370)	(1,061,280)
Reversal of fair value loss on derivatives	–	(222,185)	–	–
Total interest income on financial assets that are not at fair value through profit or loss	(733,684)	(580,687)	(5,157)	–
Unrealised gain on foreign exchange	(1,003,548)	(2,349,142)	–	(1,071,003)
Waiver of debts	(99,940)	–	–	–

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

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	
	2018 RM	2017 RM	2018 RM	2017 RM
Executive directors of the Company				
Fee	279,000	279,000	279,000	279,000
Salaries, bonuses and other benefits	4,592,094	4,771,882	–	–
Defined contribution plans	108,395	105,264	–	–
	4,979,489	5,156,146	279,000	279,000
Estimated monetary value of benefits-in-kind	32,000	36,800	7,000	8,800
	5,011,489	5,192,946	286,000	287,800
Non-executive directors of the Company				
Fee	214,500	230,250	214,500	230,250
Executive directors of the subsidiaries				
Fee	36,360	39,806	–	–
Salaries, bonuses and other benefits	73,399	252,737	–	–
	109,759	292,543	–	–
Total directors' remuneration	5,335,748	5,715,739	500,500	518,050
Analysis excluding monetary value of benefits-in-kind:				
Total executive directors' remuneration	5,089,248	5,448,689	279,000	279,000
Total non-executive directors' remuneration	214,500	230,250	214,500	230,250
	5,303,748	5,678,939	493,500	509,250

25. INCOME TAX EXPENSE

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Income tax				
– Malaysian tax	6,099,000	6,314,000	–	–
– Foreign tax	4,074,874	5,613,273	–	–
– Over provision in previous financial year	(213,579)	(451,437)	–	–
	9,960,295	11,475,836	–	–
Deferred tax (Note 11)				
– Origination/(Reversal) of temporary differences	303,046	(38,877)	–	–
	10,263,341	11,436,959	–	–

A reconciliation of income tax expense applicable to the profit 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	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before tax	57,529,013	67,214,396	26,250,935	31,886,480
Tax at Malaysian statutory tax rate	13,807,000	16,131,000	6,300,000	7,653,000
Effects of differential in tax rates of subsidiaries	(2,279,000)	(3,182,000)	–	–
Tax effect of non-taxable income	(1,143,000)	–	(7,345,000)	(7,699,000)
Tax effect of non-deductible expenses	1,302,920	666,396	1,045,000	46,000
Tax effect of double deduction relief	(88,000)	(215,000)	–	–
Tax saving from tax incentive	(1,123,000)	(1,512,000)	–	–
Over provision of income tax in previous financial year	(213,579)	(451,437)	–	–
	10,263,341	11,436,959	–	–

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017 : 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.

For years of assessment 2017 and 2018, the Malaysian statutory tax rate will be reduced by 1 to 4 percentage points, based on the prescribed incremental percentage of chargeable income from business, compared to that of the immediate preceding year of assessment.

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

26. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

	The Group	
	2018 **RM**	**2017** **RM**
Profit after tax attributable to owners of the Company	47,137,662	55,772,295

	2018 **Units**	**2017** **Units**
Weighted average number of ordinary shares in issue:		
Ordinary shares at 1 November	214,897,910	213,478,210
Effect of exercise of warrants	4,666,783	130,686
Weighted average number of ordinary shares at 31 October	219,564,693	213,608,896
Basic earnings per ordinary share (Sen)	21.47	26.11

(b) Diluted earnings per ordinary share

	The Group	
	2018 **RM**	**2017** **RM**
Profit after tax attributable to owners of the Company	47,137,662	55,772,295

	2018 **Units**	**2017** **Units**
Weighted average number of ordinary shares for basic earnings per share	219,564,693	213,608,896
Shares deemed to be issued for no consideration:		
– Warrants	14,850,845	23,774,557
Weighted average number of ordinary shares for diluted earnings per ordinary share computation	234,415,538	237,383,453
Diluted earnings per ordinary share (Sen)	20.11	23.49

27. DIVIDENDS

	The Group and The Company	
	2018	**2017**
	RM	**RM**
In respect of the financial year ended 31 October 2016		
Final single tier dividend of 2 sen per ordinary share	–	4,269,564
In respect of the financial year ended 31 October 2017		
First interim single tier dividend of 2 sen per ordinary share	–	4,272,764
Second interim single tier dividend of 2 sen per ordinary share	–	4,354,945
Special single tier dividend of 1 sen per ordinary share	19,420	2,177,472
Final single tier dividend of 3 sen per ordinary share	6,597,151	–
In respect of the financial year ended 31 October 2018		
First interim single tier dividend of 2 sen per ordinary share	4,398,100	–
Second interim single tier dividend of 2 sen per ordinary share	4,398,100	–
	15,412,771	15,074,745

At the forthcoming Annual General Meeting, a final single tier 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 2019.

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

28. CASH FLOWS INFORMATION

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

The Group and The Company	Term loan RM	Trade bills RM	Hire purchase RM	Total RM
2018				
At 1 November	61,503	21,930,313	514,889	22,506,705
Changes in financing cash flows				
Proceeds from drawdown	–	128,228,915	–	128,228,915
Repayment of borrowing principal	(61,503)	(130,892,960)	(354,033)	(131,308,496)
Repayment of borrowing interests	(276)	(782,643)	(16,774)	(799,693)
	(61,779)	(3,446,688)	(370,807)	(3,879,274)
Non-cash changes				
Foreign exchange adjustments	–	(781,091)	–	(781,091)
Finance charges recognised in profit or loss	276	782,643	16,774	799,693
	276	1,552	16,774	18,602
At 31 October	–	18,485,177	160,856	18,646,033

Comparative information is not presented by virtue of the exemption given in MFRS 107.

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

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Deposits, bank and cash balances	89,887,631	92,857,041	9,081,866	2,022,191
Less : Fixed deposits pledged to a licensed bank	(4,501,607)	(4,392,157)	–	–
	85,386,024	88,464,884	9,081,866	2,022,191

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.

(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	
	2018 RM	2017 RM	2018 RM	2017 RM
Subsidiaries				
– Dividend income	–	–	(26,100,000)	(32,029,765)
– Advances to	–	–	4,503,370	15,801,405
Director				
– Rental	144,000	150,025	–	–
A firm in which a director of the Company is senior partner				
– Legal fee	38,969	842	–	–

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.

No expense was recognised during the financial year for bad or doubtful debts in respect of the amounts owed by the related parties other than those disclosed in Note 23.

(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.

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

30. COMMITMENTS

(a) Capital commitment

	The Group	
	2018 RM	2017 RM
Purchase of property, plant and equipment	2,923,000	1,973,000

(b) Lease commitment

The Group leases land under non-cancellable operating leases. The lease periods range from 41 to 43 (2017 : 41 to 43) years. None of the leases includes contingent rentals.

The future minimum lease payments under the non-cancellable operating leases are as follows:

	The Group	
	2018 RM	2017 RM
Not later than one year	639,557	673,117
Later than one year and not later than five years	2,558,229	2,692,467
Later than five years	14,237,537	15,657,210
	17,435,323	19,022,794

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.

(b) Geographical information

	Revenue		Non-current assets	
	2018 RM	2017 RM	2018 RM	2017 RM
Australia	–	–	28,819,599	14,765,133
South Africa	11,798	1,213,390	–	–
Vietnam	343,900,547	381,232,207	64,569,258	66,045,076
Malaysia	278,013,174	231,822,990	104,796,701	91,878,119
	621,925,519	614,268,587	198,185,558	172,688,328

(c) Major customers

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

	Revenue	
	2018 RM	2017 RM
Customer A	156,914,465	137,908,588
Customer B	62,161,327	66,616,658
Customer C	111,367,894	92,040,242
	330,443,686	296,565,488

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"), Euro ("EURO"), Chinese Renminbi ("RMB"), Singapore Dollar ("SGD"), United States Dollar ("USD"), Vietnam Dong ("VND") and South African Rand ("RAND"). 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.

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:

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

	AUD RM	EURO RM	RMB RM	SGD RM	USD RM	VND RM	RAND RM	RM RM	Others RM	Total RM
The Group										
2018										
Financial assets										
Trade and other receivables (N1)	160	–	2,250,840	979,115	44,589,382	10,389,306	2,003	2,548,971	–	60,759,777
Deposits, bank and cash balances	1,713,464	485	4,291,520	4,976	42,339,312	5,972,615	75,661	35,481,078	8,520	89,887,631
	1,713,624	485	6,542,360	984,091	86,928,694	16,361,921	77,664	38,030,049	8,520	150,647,408
Financial liabilities										
Trade and other payables (N2)	(17,796)	(35,584)	(63,000)	–	(29,152,071)	(15,227,884)	(1,402)	(36,167,075)	–	(80,664,812)
Bank borrowings	–	–	–	–	(18,485,177)	–	–	–	–	(18,485,177)
Hire purchase payables	–	–	–	–	–	–	–	(160,856)	–	(160,856)
Dividend payable	–	–	–	–	–	–	–	(4,398,100)	–	(4,398,100)
	(17,796)	(35,584)	(63,000)	–	(47,637,248)	(15,227,884)	(1,402)	(40,726,031)	–	(103,708,945)
Net financial assets/(liabilities)	1,695,828	(35,099)	6,479,360	984,091	39,291,446	1,134,037	76,262	(2,695,982)	8,520	46,938,463
Less : Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(1,695,828)	–	(6,410,229)	–	–	(1,134,037)	(56,429)	2,695,982	–	(6,600,541)
Currency exposure	–	(35,099)	69,131	984,091	39,291,446	–	19,833	–	8,520	40,337,922

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

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	EURO RM	RMB RM	SGD RM	USD RM	VND RM	RAND RM	RM RM	Others RM	Total RM
The Group 2017										
Financial assets										
Trade and other receivables (N1)	2,525	–	3,651,652	1,073,393	46,044,397	7,699,095	101,124	3,503,486	–	62,075,672
Deposits, bank and cash balances	944,700	485	1,158,019	5,840	29,827,168	13,874,246	1,822,082	45,217,000	7,501	92,857,041
	947,225	485	4,809,671	1,079,233	75,871,565	21,573,341	1,923,206	48,720,486	7,501	154,932,713
Financial liabilities										
Trade and other payables (N2)	(15,579)	(83,943)	(385,419)	–	(12,393,932)	(39,450,565)	(476,415)	(29,305,690)	(14,459)	(82,126,002)
Bank borrowings	–	–	–	–	(21,930,313)	–	–	(61,503)	–	(21,991,816)
Hire purchase payables	–	–	–	–	–	–	–	(514,889)	–	(514,889)
Dividend payable	–	–	–	–	–	–	–	(6,532,416)	–	(6,532,416)
	(15,579)	(83,943)	(385,419)	–	(34,324,245)	(39,450,565)	(476,415)	(36,414,498)	(14,459)	(111,165,123)
Net financial assets/ (liabilities)	931,646	(83,458)	4,424,252	1,079,233	41,547,320	(17,877,224)	1,446,791	12,305,988	(6,958)	43,767,590
Less : Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(931,646)	–	(4,062,585)	–	–	17,877,224	(898,425)	(12,305,988)	–	(321,420)
Currency exposure	–	(83,458)	361,667	1,079,233	41,547,320	–	548,366	–	(6,958)	43,446,170

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)

	RMB RM	RM RM	Total RM
The Company **2018**			
Financial assets			
Other receivables (N1)	126,626	–	126,626
Cash and bank balances	–	9,081,866	9,081,866
	126,626	9,081,866	9,208,492
Financial liabilities			
Other payables (N2)	–	(93,798)	(93,798)
Dividend payable	–	(4,398,100)	(4,398,100)
	–	(4,491,898)	(4,491,898)
Net financial assets	126,626	4,589,968	4,716,594
Less : Net financial (assets) denominated in the company's functional currency	–	(4,589,968)	(4,589,968)
Currency exposure	126,626	–	126,626

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

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)

	USD RM	RMB RM	RM RM	Total RM
The Company				
2017				
Financial assets				
Other receivables (N1)	–	148,000	55,000	203,000
Dividend receivable	10,727,928	–	–	10,727,928
Cash and bank balances	–	–	2,022,191	2,022,191
	10,727,928	148,000	2,077,191	12,953,119
Financial liabilities				
Other payables (N2)	–	(318,555)	(73,868)	(392,423)
Dividend payable	–	–	(6,532,416)	(6,532,416)
	–	(318,555)	(6,606,284)	(6,924,839)
Net financial assets/(liabilities)	10,727,928	(170,555)	(4,529,093)	6,028,280
Less : Net financial liabilities denominated in the company's functional currency	–	–	4,529,093	4,529,093
Currency exposure	10,727,928	(170,555)	–	10,557,373

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 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		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Effects on profit after tax				
EURO / RM				
– strengthened by 5%	(1,334)	(3,171)	–	–
– weakened by 5%	1,334	3,171	–	–
RMB / RM				
– strengthened by 5%	2,627	13,743	4,812	(6,481)
– weakened by 5%	(2,627)	(13,743)	(4,812)	6,481
SGD / RM				
– strengthened by 5%	37,395	41,011	–	–
– weakened by 5%	(37,395)	(41,011)	–	–
USD / RM				
– strengthened by 5%	1,493,075	1,578,798	–	407,661
– weakened by 5%	(1,493,075)	(1,578,798)	–	(407,661)
RAND / RM				
– strengthened by 5%	754	20,838	–	–
– weakened by 5%	(754)	(20,838)	–	–

(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.

(iii) Equity price risk

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

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 Financial risk management policies (cont'd)

(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 Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 120 days, which are deemed to have higher credit risk, are monitored individually.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

The Company provides corporate guarantee 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 three (2017 : four) customers which constituted approximately 59% (2017 : 61%) of its trade receivables at the end of the reporting period.

In addition, the Group also determines 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	
	2018	**2017**
	RM	**RM**
Africa	197	81,547
Asia (excluding Malaysia)	1,211,824	1,433,937
North America	40,299,388	43,547,835
Europe	1,099,463	1,565,954
Malaysia	3,121,310	2,724,877
	45,732,182	49,354,150

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 Financial risk management policies (cont'd)

(b) Credit risk (cont'd)

(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. As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

(iii) Ageing analysis

The ageing analysis of trade receivables is as follows:

	Gross amount RM	Individual impairment RM	Carrying amount RM
The Group			
2018			
Not past due	43,379,572	–	43,379,572
Past due:			
– less than 3 months	2,352,578	–	2,352,578
– more than 6 months	32	–	32
	45,732,182	–	45,732,182

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 Financial risk management policies (cont'd)

(b) Credit risk (cont'd)

(iii) Ageing analysis (cont'd)

The ageing analysis of trade receivables is as follows (cont'd):

	Gross amount RM	Individual impairment RM	Carrying amount RM
The Group			
2017			
Not past due	46,241,038	–	46,241,038
Past due:			
– less than 3 months	2,981,434	–	2,981,434
– 3 to 6 months	9,274	–	9,274
– more than 6 months	123,978	(1,574)	122,404
	49,355,724	(1,574)	49,354,150

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

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
The Group					
2018					
Non-derivative financial liabilities					
Trade and other payables (N1)	–	80,664,812	80,664,812	80,664,812	–
Bank borrowings					
– Trade bills	2.0 – 4.9	18,485,177	18,485,177	18,485,177	–
Hire purchase payables	4.7 – 5.1	160,856	164,506	146,770	17,736
Dividend payable	–	4,398,100	4,398,100	4,398,100	–
		103,708,945	103,712,595	103,694,859	17,736

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 Financial risk management policies (cont'd)

(c) Liquidity risk (cont'd)

Maturity analysis (cont'd)

	Effective interest rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1-5 years RM
The Group					
2017					
Non-derivative financial liabilities					
Trade and other payables (N1)	–	82,126,002	82,126,002	82,126,002	–
Bank borrowings					
– Trade bills	2.0 – 2.6	21,930,313	21,930,313	21,930,313	–
– Term loan	5.2	61,503	61,664	61,664	–
Hire purchase payables	4.6 – 5.1	514,889	535,282	370,776	164,506
Dividend payable	–	6,532,416	6,532,416	6,532,416	–
		111,165,123	111,185,677	111,021,171	164,506

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			
2018			
Non-derivative financial liabilities			
Other payables (N1)	93,798	93,798	93,798
Dividend payable	4,398,100	4,398,100	4,398,100
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries *	–	18,646,033	18,646,033
	4,491,898	23,137,931	23,137,931
The Company			
2017			
Non-derivative financial liabilities			
Other payables (N1)	392,423	392,423	392,423
Dividend payable	6,532,416	6,532,416	6,532,416
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries *	–	22,506,705	22,506,705
	6,924,839	29,431,544	29,431,544

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 since their fair value on initial recognition is not material.

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

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	
	2018 **RM**	**2017** **RM**
Bank borrowings	18,485,177	21,991,816
Hire purchase payables	160,856	514,889
	18,646,033	22,506,705
Less : Fixed deposits with licensed banks	(8,751,408)	(4,392,157)
Less : Cash and bank balances	(81,136,223)	(88,464,884)
Excess funds	(71,241,598)	(70,350,336)
Total equity	317,027,649	284,825,902
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	
	2018 RM	2017 RM	2018 RM	2017 RM
Financial assets				
Loans and receivables financial assets				
Trade and other receivables (N1)	60,759,777	62,075,672	126,626	203,000
Deposits, bank and cash balances	89,887,631	92,857,041	9,081,866	2,022,191
Dividend receivable	–	–	–	10,727,928
	150,647,408	154,932,713	9,208,492	12,953,119
Financial liabilities				
Other financial liabilities				
Trade and other payables (N2)	80,664,812	82,126,002	93,798	392,423
Bank borrowings	18,485,177	21,991,816	–	–
Hire purchase payables	160,856	514,889	–	–
Dividend payable	4,398,100	6,532,416	4,398,100	6,532,416
	103,708,945	111,165,123	4,491,898	6,924,839

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

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

32.4 Gains or losses arising from financial instruments

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Financial assets				
Loans and receivables financial assets				
Net gains recognised in profit or loss	6,327,471	2,941,224	2,134,462	2,132,283
Fair value through profit or loss : held-for-trading				
Net gains recognised in profit or loss	1,253,859	642,562	–	49,305
Financial liabilities				
Other financial liabilities				
Net losses recognised in profit or loss	(886,563)	(1,338,006)	–	–
Fair value through profit or loss : held-for-trading				
Net gains recognised in profit or loss	–	222,185	–	–

32. FINANCIAL INSTRUMENTS (CONT'D)

32.5 Fair value information

The fair values of the financial assets and financial liabilities of the Group 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 the Group does not have any financial instruments carried at fair value, the following table sets out only the fair value profile of financial instruments that are not carried at fair value at the end of the reporting period:

	Fair value of financial instruments not carried at fair value				
	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**Total fair value RM**	**Carrying amount RM**
The Group 2018					
Financial liabilities					
Hire purchase payables	–	160,751	–	160,751	160,856
The Group 2017					
Financial liabilities					
Hire purchase payables	–	514,562	–	514,562	514,889

The fair values of hire purchase payables are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates (per annum) used to discount the estimated cash flows are as follows:

	The Group	
	2018 %	**2017 %**
Hire purchase payables	2.6	2.6

Notes to The Financial Statements
For The Financial Year Ended 31 October 2018 (cont'd)

33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 30 June 2013, the Company completed the disposal of its entire equity interest in a wholly-owned subsidiary, Poh Huat Furniture Industries (Qingdao) Co., Ltd for a total cash consideration of RMB 31.00 million (equivalent to RM 14.95 million) to Qingdao Dengta Brewage Co., Ltd. (also known as Qingdao Beacon Brewing Co., Ltd.) ("QDB"). However, the Company had only received total of RMB 17.00 million (equivalent to RM 8.20 million) from QDB.

On 26 September 2013, the Company filed a statement of claims, along with the cause papers and payment of the required statutory litigation fee, into the Qingdao City Intermediate People's Court ("QCI People's Court" or "the Court") for the recovery of the outstanding amount of RMB 14.00 million (equivalent to RM 6.75 million) ("Outstanding Amount"), interests for the delay in payment of the Outstanding Amount and associated legal and litigation fees for an estimated amount of RMB 16.02 million (equivalent to RM 8.30 million).

During the financial year 2013, the Company had made an impairment loss of RMB 14.00 million (equivalent to RM 6.75 million) for this non-trade receivable.

On 3 June 2014, the Company and QDB signed a consent judgement. However, the Company had made various applications to the QCI People's Court since July 2015 to enforce the aforesaid consent judgement as QDB had yet to fulfill their obligation in the recorded consent judgement.

During the financial year 2017, the Court had recovered a sum of RMB 2.20 million (equivalent to RM 1.06 million), and the same had been released to the Company in July 2017, during which it was credited in profit or loss as a reversal of allowance for impairment losses on receivables.

On 18 December 2017, a Settlement of Enforcement Proceeding Agreement was agreed by both parties, inter alia, as follows:

(i) QDB has deposited a sum of RMB 7.30 million with the Court, pending releasing the same to the Company. Once the said sum is released, the matter would come to a closure;

(ii) The fee for the enforcement proceeding would be borne by QDB; and

(iii) All restraining measures against QDB shall be relieved.

The sum of RMB 7.30 million (equivalent to RM 4.50 million) was released to the Company in March 2018 during which it was credited in profit or loss as a reversal of allowance for impairment losses on receivables and the matter came to a closure.

33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

(b) On 21 January 2018, there was a fire destroying one of the five factory buildings of a subsidiary, Poh Huat Furniture Industries (M) Sdn. Bhd.. The affected manufacturing facility, comprising the loading and assembly sections, is located at PTD No. 1547 & 1548, Bukit Pasir Industrial Area, Mukim of Sungai Terap, District of Muar, Johor Darul Takzim.

The book value of the property, plant and equipment and inventories damaged on fire of RM 1.94 million and RM 1.08 million respectively had been recognised in profit or loss during the financial year 2018. The related insurance claim of RM 4.28 million was received in April 2018.

(c) On 17 July 2018, a subsidiary, Poh Huat (Australia) Pty Ltd entered into a Sale and Purchase Agreement to acquire a 3,212 square meters detached warehouse cum office-showroom in Cranbourne West, Victoria, Australia for a total cash consideration of AUD 4.95 million (equivalent to RM 14.99 million).

List Of Material Landed Properties
as at 31 October 2018

Address/ Location	Description	Land Area (hectare)	Use	Tenure/ Age of Building	Net Book Value as at 31.10.2018 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/ 14 years	22,658	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/ 17 years	19,493	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/ 1 year	15,560	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/ 2 year	12,995	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/ 13 year	12,890	21.10.03 (Date of Acquisition)
GM No. 3000, Lot 3081, GM No. 2548, Lot 1980, HSM No. 7207, Ptd 12933, GM No. 3001, Lot 3082, GM No. 2479, Lot 1981, Mukim Jalan Bakri, District of Muar, Johor Darul Takzim	1 plot of agriculture land	2.35	vacant land	freehold/ 5 years	8,769	22.07.13 (Date of Acquisition)

Address/ Location	Description	Land Area (hectare)	Use	Tenure/ Age of Building	Net Book Value as at 31.10.2018 RM'000	Date of Revaluation or Acquisition
PTD No. 1473, Bukit Pasir Industrial Area Mukim of Sungai Terap, District of Muar, 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/ 18 years	8,763	12.9.00 (Date of Acquisition)
PTD No. 1546, Bukit Pasir Industrial Area, Mukim of Sungai Terap, District of Muar, 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/ 22 years	6,202	17.6.99 (Date of Revaluation)
GM No. 1712, Lot 831, GM No. 1968, Lot 832, GM No. 1850, Lot 827, Mukim Sungai Terap, District of Muar, Johor Darul Takzim	1 plot of agriculture land	1.95	Vacant land	freehold/ 4 year	6,169	26.12.13 (Date of Acquisition)
GRN No. 100856, Lot 3209, Bandar Maharani, District of Muar, Johor Darul Takzim	1 plot of agriculture land	0.93	Vacant land	freehold/ 4 year	5,975	28.04.14 (Date of Acquisition)

Analysis of Shareholdings
as at 23 January 2019

Principal Statistics

Issued Capital	–	RM119,845,505
Class of Shares	–	Ordinary shares
No. of shares in Issue	–	219,905,010 shares
Voting Right	–	One vote per ordinary share at any shareholders' meeting
Number of Shareholders	–	4,402 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	123	2.79	6,469	0.00
100 to 1,000	705	16.02	387,063	0.18
1,001 to 10,000	2,591	58.85	12,398,146	5.64
10,001 to 100,000	854	19.40	24,493,606	11.14
100,001 to less than 5% of issued shares	127	2.89	100,210,450	45.57
5% and above of issued shares	2	0.05	82,409,276	37.47
TOTAL	**4,402**	**100.00**	**219,905,010**	**100.00**

Substantial Shareholders
(Based on the Register of Substantial Shareholders)

	No. of Shares Held		% of Issued Share Capital	
Category	**Direct**	**Deemed**	**Direct**	**Deemed**
Tay Kim Huat	51,769,376	12,062,072[(a)]	23.54	5.49
Lim Pei Tiam @ Liam Ahat Kiat	30,639,900	3,374,000[(b)]	13.93	1.53

Notes:-

(a) Deemed interested by virtue of the shareholding of his spouse and children.

(b) Deemed interested by virtue of the shareholding of his children.

Directors' Shareholdings
(Based on the Register of Directors' Shareholdings)

	No. of Shares Held		% of Issued Share Capital	
Category	**Direct**	**Deemed**	**Direct**	**Deemed**
Tay Kim Huat	51,769,376	12,062,072[a]	23.54	5.49
Lim Pei Tiam @ Liam Ahat Kiat	30,639,900	3,374,000[b]	13.93	1.53
Toh Kim Chong	7,279,088	–	3.31	–
Tay Khim Seng	3,755,060	–	1.71	–
Tay Kim Hau	250,000	–	0.11	–
Boo Chin Liong	39,000	–	0.02	–
Chua Syer Cin	–	–	–	–

Notes:-
(a) Deemed interested by virtue of the shareholding of his spouse and children.
(b) Deemed interested by virtue of the shareholding of his children.

List Of Top Thirty (30) Largest Shareholders

	Names	**Shareholding**	**%**
1	TAY KIM HUAT	51,769,376	23.54
2	LIM PEI TIAM @ LIAM AHAT KIAT	30,639,900	13.93
3	DB (MALAYSIA) NOMINEE (ASING) SDN BHD DEUTSCHE BANK AG SINGAPORE FOR PANGOLIN ASIA FUND	8,952,700	4.07
4	GOI MUI KHIM	7,831,000	3.56
5	TOH KIM CHONG	7,279,088	3.31
6	SIM SHEAU YUN	5,110,430	2.32
7	LIM PAY KAON	4,690,900	2.13
8	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	4,406,500	2.00
9	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	3,859,700	1.76
10	TAY YUAN SEN	2,876,108	1.31
11	AMANAHRAYA TRUSTEES BERHAD PB ISLAMIC SMALLCAP FUND	2,604,100	1.18

Analysis Of Shareholdings as at 23 January 2019 (cont'd)

	Names	Shareholding	%
12	TAY KHIM SENG	2,456,660	1.12
13	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR CHIEW CHIENG SIEW (MK0111)	2,348,500	1.07
14	YEO GEK CHENG	2,330,028	1.06
15	TAY LI PING	2,320,500	1.06
16	TAY LI CHIN	2,270,448	1.03
17	TAY LEE THING	2,263,988	1.03
18	LU CHIN POH	1,982,400	0.90
19	MOHAMMED ARSHAD	1,654,500	0.75
20	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIEW CHIENG SIEW (KUCHING-CL)	1,580,700	0.72
21	SU MING KEAT	1,490,000	0.68
22	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIEW CHIENG SIEW	1,358,000	0.62
23	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAY KHIM SENG	1,298,400	0.59
24	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPEBADANKAN)(UOB AM SC EQ)	930,000	0.42
25	LIM SHU CHIAH	927,000	0.42
26	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)	800,000	0.36
27	LIM SIAN MIN	780,000	0.35
28	LIM SHU CHUEN	770,000	0.35
29	CHA AU PENG	769,000	0.35
30	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG YEE HUI	745,800	0.34
	Total	159,095,726	72.35

Analysis of Warrantholdings
as at 23 January 2019

Principal Statistics

Name of Warrants	–	Poh Huat Warrants 2015/2020
No. of Warrants in issue	–	46,903,027 warrants
Exercise Price	–	RM1.00 per ordinary share
Expiry Date	–	21 October 2020
Voting Rights	–	One vote per warrant at any warrantholders' meeting
Number of warrantholders	–	2,408 warrantholders

Distribution of Warrantholdings

Category	Warrantholders	%	Warrantholdings	%
Less than 100	427	17.73	13,842	0.03
100 to 1,000	644	26.74	529,705	1.13
1,001 to 10,000	921	38.26	3,984,313	8.49
10,001 to 100,000	362	15.03	11,372,381	24.25
100,001 to less than 5% of warrants in issue	51	2.12	19,000,818	40.51
5% and above of warrants in issue	3	0.12	12,001,968	25.59
TOTAL	**2,408**	**100.0**	**46,903,027**	**100.0**

List Of Top Thirty (30) Largest Warrantholdings

	Names	Warrantholding	%
1	TAY KIM HUAT	4,813,268	10.26
2	DB (MALAYSIA) NOMINEE (ASING) SDN BHD Deutsche Bank AG Singapore for Pangolin Asia Fund	4,188,700	8.93
3	UOB KAY HIAN NOMINEES (ASING) SDN BHD Exempt AN For UOB Kay Hian Pte Ltd (A/C Clients)	3,000,000	6.40
4	RHB NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Chiew Chieng Siew	1,562,000	3.33
5	MAYBANK NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Wong Siew Chan	1,311,900	2.80
6	KOH HUI GWEK	1,224,700	2.61
7	RHB NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Wong Yee Hui	1,080,800	2.30
8	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB Bank for Chiew Chieng Siew (MK0111)	890,700	1.90

Analysis Of Warrantholdings
as at 23 January 2019

	Names	Warrantholding	%
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Foo Yuk Wai	837,000	1.78
10	HLB NOMINEE (TEMPATAN) SDN BHD Pledged Securities Account For Wong Yee Hui	807,500	1.72
11	GOI MUI KHIM	800,000	1.71
12	RHB NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Toh Yew Peng	600,000	1.28
13	PUBLIC NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Chiew Chieng Siew (E-PDG)	551,100	1.17
14	ONG KIM WAH	544,600	1.16
15	YEO KHEE CHOON	500,500	1.07
16	AMANAHRAYA TRUSTEES BERHAD Public Islamic Opportunities Fund	396,450	0.85
17	CHIEW CHIENG SIEW	395,800	0.84
18	CIMSEC NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Chiew Chieng Siew (Kuching-CL)	378,900	0.81
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Tan Boon Huat	347,400	0.74
20	CHAW TECK LONG	336,000	0.72
21	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Chu Chee Leong (CHU0198C)	334,000	0.71
22	TAY YUAN SEN	326,027	0.70
23	TAY LI PING	320,125	0.68
24	ANG KAI CHAN	300,000	0.64
25	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Toh Yew Peng	300,000	0.64
26	CHAW TECK LONG	297,000	0.63
27	MAYBANK NOMINEES (ASING) SDN BHD Pledged Securities Account For Rustom Framroze Chothia	280,000	0.60
28	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Tay Khim Seng	271,000	0.58
29	YEO GEK CHENG	262,507	0.56
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD Teo Sang Zen	250,000	0.53
	Total	27,507,977	58.65

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-First (21st) Annual General Meeting of the Company will be held at Function Room 3, Holiday Inn Melaka in Jalan Syed Abdul Aziz, 75000 Melaka on Monday, 29 April 2019 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 2018 together with the Reports of the Directors and the Auditors thereon.

2. To approve the payment of Directors' fees up to RM750,000 for the financial year ending 31 October 2019 payable monthly in arrears after each month of completed service of the Directors during the subject financial year. **(Ordinary Resolution 1)**

3. To declare a final single-tier dividend of 2 sen per share in respect of the financial year ended 31 October 2018. **(Ordinary Resolution 2)**

4. To re-elect the following Directors who retire in accordance with Article 95 of the Company's Articles of Association: -

   - Mr Tay Kim Huat **(Ordinary Resolution 3)**
   - Mr Tay Kim Hau **(Ordinary Resolution 4)**

5. To re-appoint Messrs Crowe Malaysia (Formerly known as Crowe Horwath) as Auditors of the Company and to authorise the Directors to determine their remuneration. **(Ordinary Resolution 5)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions with or without any modification: -

AS ORDINARY RESOLUTIONS

6. **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 6)**

Notice of Annual General Meeting (cont'd)

(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 7)**

7. **Share Buy-Back Mandate**

"THAT subject always to the Companies Act 2016 ("the Act"), the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad's ("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 of the Company 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 issued and paid-up share capital of the Company (excluding treasury shares) at any point in time;

AND 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 or cancel the shares so purchased or retain part of the shares so purchased as treasury shares and cancel the remainder AND 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 authorization 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;

AND 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." **(Ordinary Resolution 8)**

AS SPECIAL RESOLUTION

8. **Proposed Adoption of New Constitution**

"THAT approval be hereby given to the Company to revoke the existing Memorandum and Articles of Association of the Company with immediate effect and in place thereof, the proposed new constitution of the Company be hereby adopted as the Constitution of the Company AND THAT the Directors of the Company be hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing." **(Special Resolution 1)**

9. 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 single-tier dividend of 2 sen per share in respect of the financial year ended 31 October 2018, if approved, will be paid on 29 May 2019 to depositors registered in the Record of Depositors of the Company at the close of business on 14 May 2019.

A depositor shall qualify for entitlement only in respect of:-

(a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 14 May 2019 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
(MIA 18831)
Company Secretary

Muar, Johor Darul Takzim
28 February 2019

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 21st 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 23 April 2019 shall be entitled to attend in person or appoint proxies to attend and/or vote on their behalf at the 21st 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 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 for the financial year ending 31 October 2019

   Directors' fees approved for the financial year ended 31 October 2018 was RM493,500. The Directors' fees proposed for the financial year ending 31 October 2019 are calculated based on the number of scheduled Board and Committee Meetings for 2019 and assuming that all Non-Executive Directors will hold office until the conclusion of the next Annual General Meeting.

   The proposed Ordinary Resolution 1 is to facilitate payment of Directors' fees on current financial year basis. 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***
    Continuing in Office as Independent Non-Executive Directors

    The proposed Ordinary Resolutions 6 & 7 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.

Notice of
Entitlement Date and Dividend Payment (cont'd)

11. ***Item No. 7 of the Agenda***
Share Buy-Back Mandate

The proposed Ordinary Resolution 8, if passed, will empower the Directors to purchase Shares in the Company up to an amount not exceeding ten percentum (10%) of the issued and paid-up share capital 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 Part A of Circular to Shareholders dated 28 February 2019.

12. ***Item No. 8 of the Agenda***
Proposed Adoption of New Constitution

The proposed Special Resolution 1, if passed, will align the Constitution of the Company with the Act which came into force on 31 January 2017, the updated provisions of the Listing Requirements of Bursa Securities and the prevailing statutory and regulatory requirements as well as to provide clarity and consistency with the amendments that may arise from the Act and the Listing Requirements. Please refer to Part B of the Circular to Shareholders dated 28 February 2019 for further information.

13. ***Personal data privacy***

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Company's 21st 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 21st Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 21st 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 21st Annual General Meeting of the Company.

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Form of Proxy

AT OFFICE SYSTEM®

POH HUAT RESOURCES HOLDINGS BERHAD 443169-X

I/We ______________________________

of ______________________________

being member/members of **POH HUAT RESOURCES HOLDINGS BERHAD**, hereby appoint

____

of ______________________________

or failing him, ______________________________

of ______________________________

as my/our proxy to vote on my/our behalf at the 21st Annual General Meeting of the Company to be held at Function Room 3, Holiday Inn Melaka in Jalan Syed Abdul Aziz, 75000 Melaka on Monday, 29 April 2019 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 for the financial year ending 31 October 2019		
2	Declaration of a final single-tier dividend of 2 sen per share		
3	Re-election of Mr Tay Kim Huat as Director		
4	Re-election of Mr Tay Kim Hau as Director		
5	Re-appointment of Crowe Malaysia PLT as Auditors		
6	Retention of as Mr Boo Chin Liong as Independent Director		
7	Retention of Mr Chua Syer Cin as Independent Director		
8	Share Buy-Back Mandate		
No.	**Special Resolution**		
1	Proposed Adoption of New Constitution		

Please indicate with [✓] how you wish your votes to be cast. (Unless otherwise instructed, the proxy may vote as he/she thinks fit). If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

For appointment of two (2) proxies, percentage of shareholdings to be represented by each proxy is as follow:

	NRIC No./Passport No.	No. of Shares held	Percentage
Proxy 1			
Proxy 2			
Total			100%

CDS Account No.	
Number of Shares held	

Dated this ____________ day of ____________ 2019

____
Signature of Shareholder(s) or Common Seal

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 21st 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 23 April 2019 shall be entitled to attend in person or appoint proxies to attend and/or vote on their behalf at the 21st 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 21st Annual General Meeting and any adjournment thereof.*

Please fold here

STAMP/SETEM

Registered Office / Pejabat Berdaftar
POH HUAT RESOURCES HOLDINGS BERHAD
(Company No. : 443169-X)

No. 2 (1st Floor), Jalan Marin,
Taman Marin, Jalan Haji Abdullah, Sungai Abong,
84000 Muar,
Johor Darul Takzim.

Please fold here

Poh Huat Resources Holdings Berhad (443169-X)

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