AT OFFICE SYSTEM®

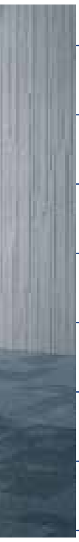
POH HUAT RESOURCES HOLDINGS BERHAD
[199701027671 (443169-X)]

Exceeding Expectations

Annual Report 2019

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."



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ANNUAL REPORT 2019

EXCEEDING EXPECTATIONS

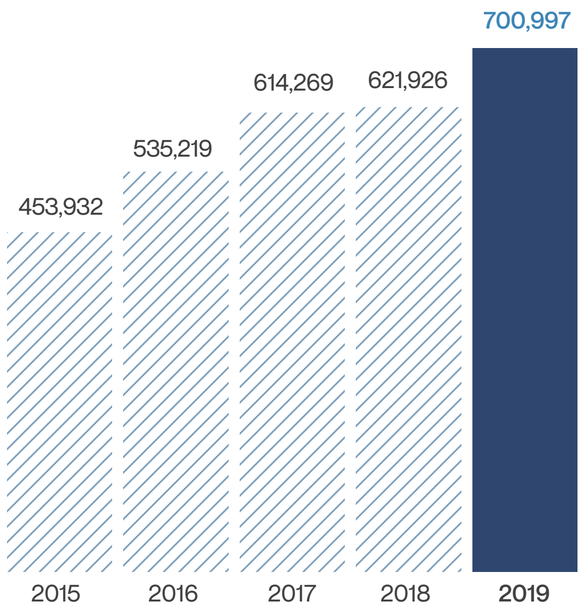
Mountains symbolise hard work, overcoming obstacles, and rising above all. These are all qualities we strive to achieve here at Poh Huat Resources Holdings Berhad. Our tagline represents our success as a business, and our accomplishments. We are now pursuing our aspirations at a steady momentum and seizing potential growth opportunities to maximise value for all who believe in us. We aim to deliver excellence in all we do, and continue to Exceed Expectations for the years to come.

Group Financial Highlights

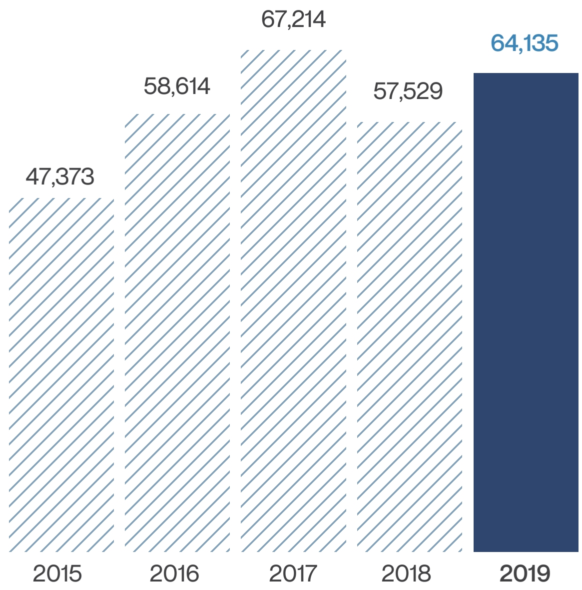
Financial year ended 31 October	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Turnover	453,932	535,219	614,269	621,926	700,997
Profit before tax	47,373	58,614	67,214	57,529	64,135
Profit after tax attributable to Owners of the Company	39,185	47,064	55,772	47,138	50,899
Net Cash	37,458	42,670	70,350	71,242	120,240
Equity attributable to Owners of the Company	213,719	243,298	284,912	316,991	362,151

	sen	sen	sen	sen	sen
Net earnings per share	18.36	22.05	26.11	21.47	22.91
Dividend per share	5.00	8.00	8.00	6.00	7.00
Net assets per share	100.13	113.97	133.38	144.37	163.03
Return on equity	18.33%	19.34%	19.58%	14.87%	14.05%

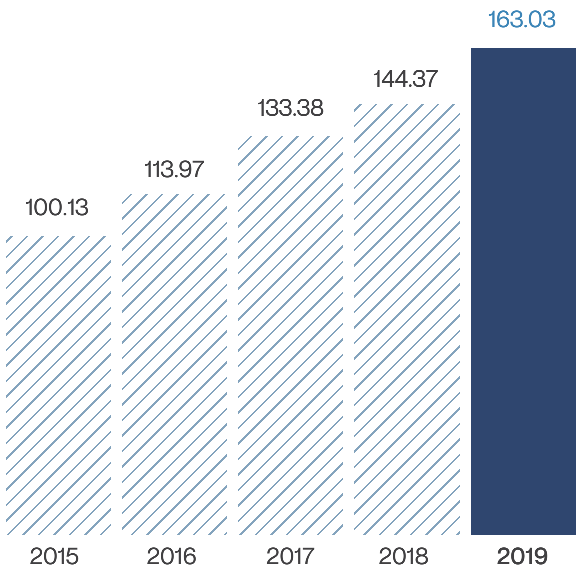
Turnover
(RM'000)



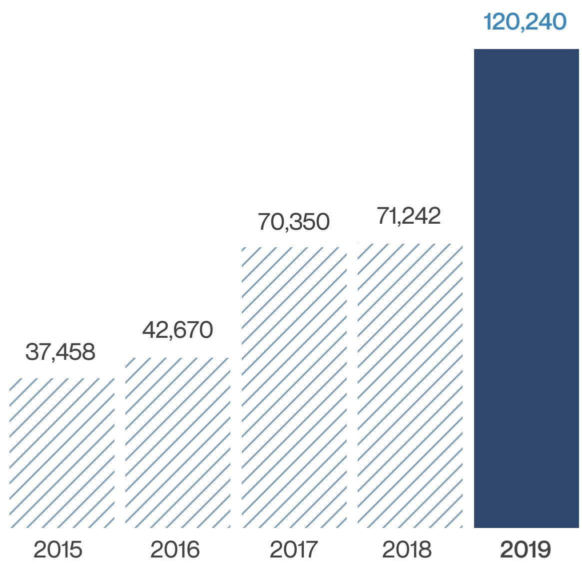
Profit before tax
(RM'000)



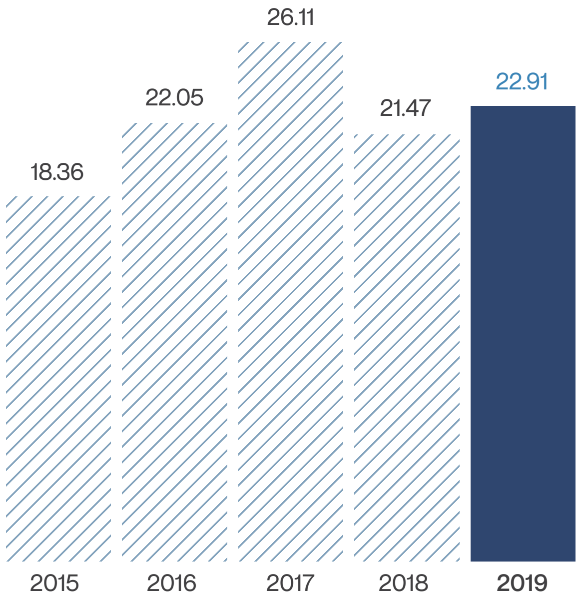
Net assets per share
(sen)



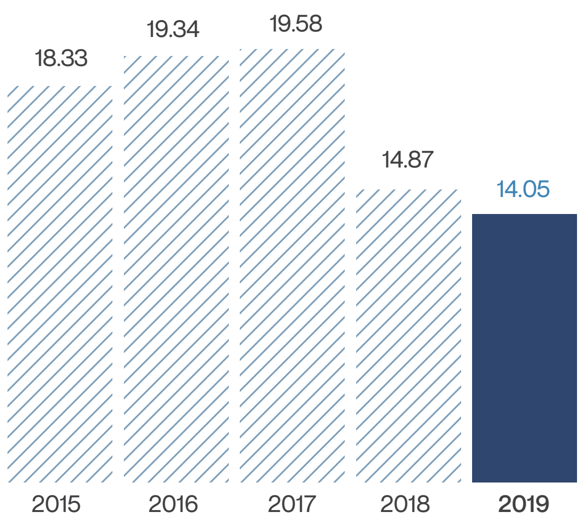
Net cash
(RM'000)



Net earnings per share
(sen)



Return on equity
(%)



Corporate Information

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
SSM PC No: 202008000183
(MIA 18831)

REGISTERED OFFICE

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

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)

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

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.

AUDITORS

Crowe Malaysia PLT
LLP0018817-LCA & AF1018
Chartered Accountants

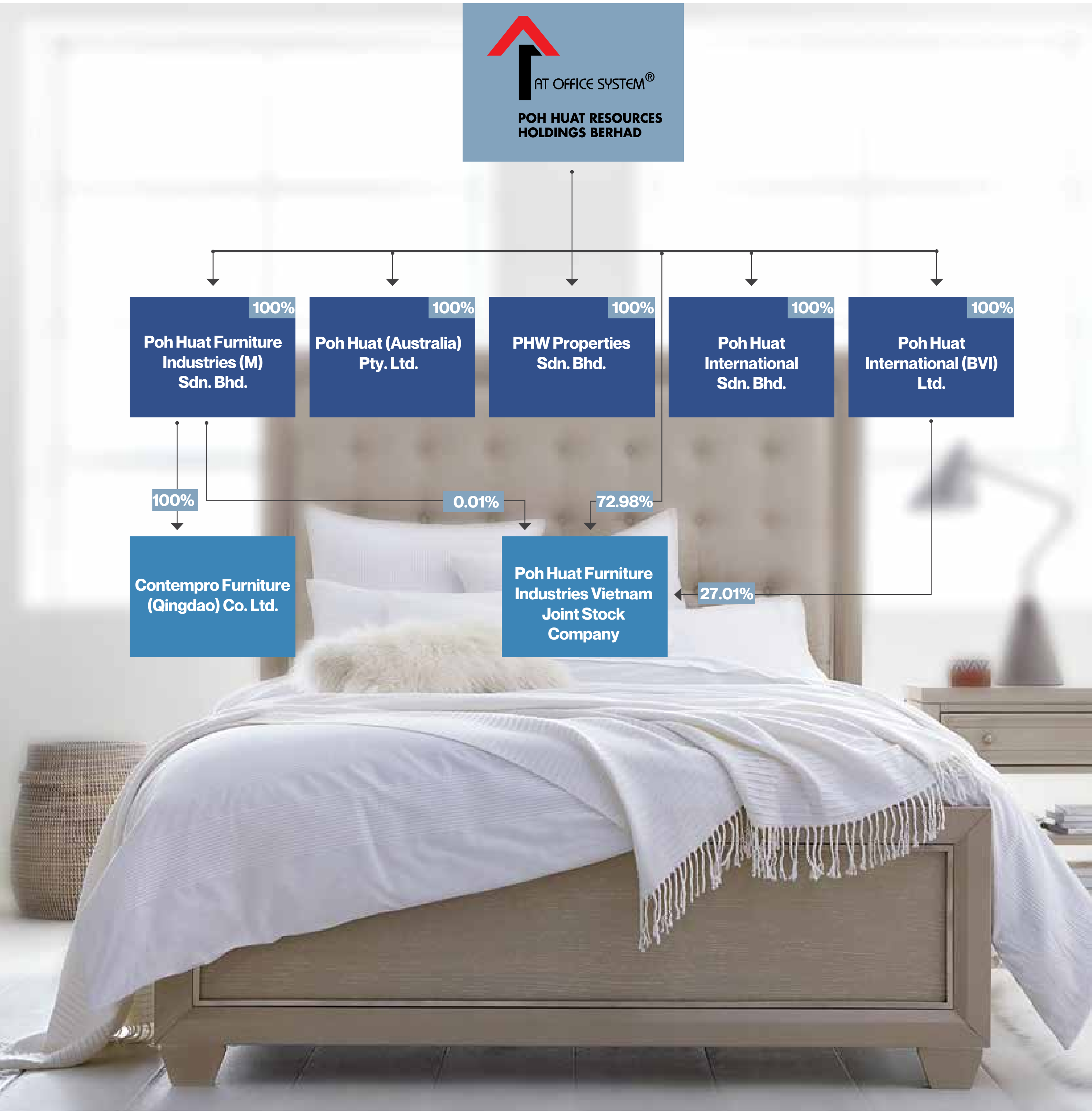
SOLICITORS

J.A. Nathan & Co.

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

Corporate Structure



Turnover	Profit After Tax	Net Assets	Net Cash
RM701 mil	RM51 mil	RM362 mil	RM120 mil

"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."

Management Discussion & Analysis

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 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 RM700 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 23% 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.

We offer a wide designs of office suites for various segments of the office furniture market. The office furniture comprises mainly panel based office suites of various designs which are primarily manufactured from laminated particle boards and metal parts. The office suites comprise tables, work-tops, side extensions, counters, pedestals, cabinets and workstations. Our products

are either original designs which carry our own branding or customers' specified designs which are sold under the customers' branding. Our main export markets are America, India, United Kingdom, Middle East, and South East Asia.

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

Manufacturing Bases

Our manufacturing facilities and activities are organised according to the 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, 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 3,800 people and are equipped with modern woodworking machinery and finishing lines for large-scaled production of wooden household and home-office furniture. The furniture produced by these factories comprise mainly medium to upper-medium home and home-office furniture for the North 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

Management Discussion & Analysis (cont'd)

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 clientele in more than 30 countries.

Corporate Objectives

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

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

High Quality Innovative Products

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

In the design of our in-house office products, our key philosophy is to create pleasant, productive office environment with well-design office suites that integrate new office automation technology into the classic office environment. Our designs are regularly updated with new features and functionalities to accommodate new requirements of the varied demographics and preferences of our customers. We specify materials which are often higher than comparable or similar products incorporating latest functional, aesthetic and ergonomic trends to meet our design goals and pricing targets without diminishing quality. We have established ISO 9001-2015 manufacturing processes that ensure that product quality standards, in-process quality control measures and final quality inspections are 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 customers' service begins on first contact 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, including warranties and replacements. 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 downturn of these countries could also materially and adversely affect our ability to take advantage of market opportunities.

Management Discussion & Analysis (cont'd)

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

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

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

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

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

As manufacturer, the 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. The market prices base commodities are affected by availability and supply demand dynamics.

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

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

We rely on outside suppliers to provide on-time shipments of the various raw materials and component parts used in our manufacturing and assembly processes. The availability and timeliness of deliveries of these materials and components are critical to our ability to meet customers' demands. 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 Dollar. Since we transact our exports in US Dollar, a relative decline in the value of the US Dollar could result in lower sales proceeds in our local 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 our US Dollar sales proceeds into Ringgit currency immediately under the recent BN guidelines. The remaining 25% US Dollar 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 Dollar. Therefore, we maintain our sales proceeds in US Dollar accounts and convert to Vietnamese Dong for operational requirements. Surplus will be kept in US Dollar accounts in Vietnam.

4. OVERVIEW OF THE BUSINESS ENVIRONMENT

Global Furniture Trade

Rapid urbanisation and rising income and standard of living, particularly in emerging economies, are positive factors in propelling the furniture market growth. Rise in standard of living owing to increasing disposable incomes, growing purchasing power, and willingness to live in a better environment is driving the investments on home improvement & decoration. Reduced product prices owing to the increasing competitiveness in the country's furniture market are supporting the business expansion.

The U.S., China, Japan, India, and Brazil are among the potential countries for market growth. As per Furniture Today report published in 2017, the U.S. is the largest furniture importer globally, registered over USD24.5 billion imports. Residential construction is the fastest growing segment in the North American construction market. Substantially lower lending rates coupled with higher consumer spending are among the major factors which makes the region most lucrative for furniture manufacturers. Asia Pacific is the fastest growing region in construction owing to reduced interest rates and growing FDI inflows. The growing tourism supported by expanding hospitality industry, particularly in Thailand, Indonesia, and Malaysia, is fueling demand in the commercial sector.

European furniture industry includes over 130,000 companies generating an annual turnover of around USD110 billion. EU production satisfies the majority of the in-home demand. The region consumes around 85% of its total production in 2017. Growing demand for imported furniture is limiting the local manufacturing market share.

Rising investments in residential buildings supported by material and technological advancements have significant influence in shaping trends in furniture functionality and design. Nowadays, consumers are replacing their furniture more frequently than in the past, due to increasing standards of living and a steady increase in disposable income across board. Also, aesthetic reasons coupled with the need for consumers to be comfortable in their apartment, as evidenced by the living room and dining room segments being the furniture market's largest segments, are major contributing factors to the constant growth of the market.

The residential sector is expected to witness growth over 5% annually up to 2024. Increasing necessity to accommodate rising population is expected to drive the residential market over the forecast timeframe. Socioeconomic development along with housing subsidies by governments will positively impact the industry expansion. Household renovations have observed a strong demand in the past and are anticipated to witness significant gains over the forecast timespan.

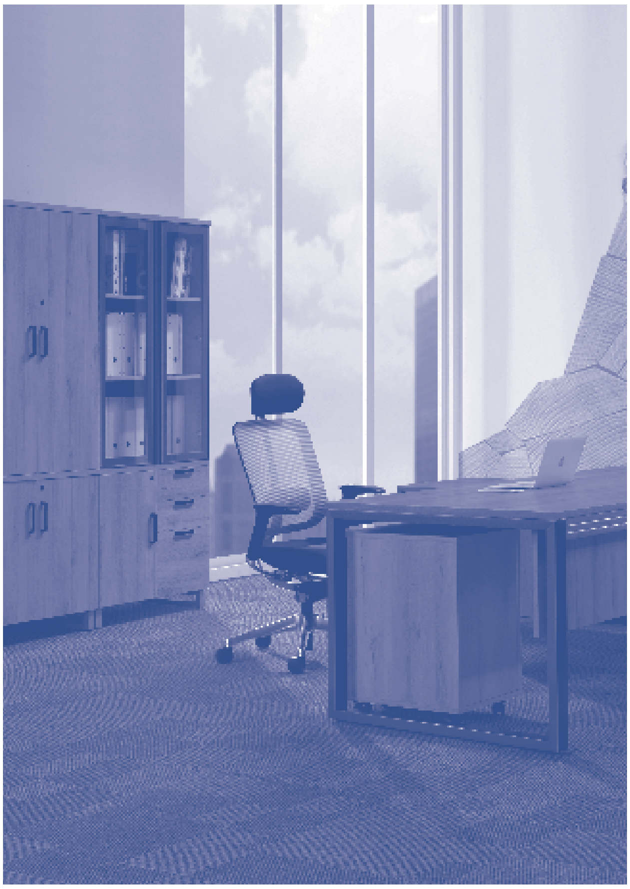
US Furniture Market – Trends and Opportunities

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

The US furniture industry has been on a steady growth curve driven by a strong economy, with consumer spending on furniture reaching USD114.2 billion in 2018, up 6.7% from 2017, according to the US Bureau of Economic Analysis (BEA). While high GDP growth in 2018 is positive for the housing and household spending, the US-China trade tension and global indicate a looming correction. The impositions of tariffs on imported materials and finished goods would impact both manufacturing and retailers in the US as this would trickle down to the consumer as higher retail prices. In the recent round of talks, the reduced threat of a trade war with China is however a positive sign for the country and furniture retail at large.

Employment trends in the US remained strong with 4% unemployment rate, the lowest in decades. Employment opportunities equal money in consumer pockets. Consumer spending makes up two-thirds of the U.S. economy, which translates directly to retail sales. There is also the opportunities in the new economy where jobs will occur in professional and technical occupations. The United States ranked second in the world in innovation and "generating ground-breaking new products and research in its vibrant, dynamic companies." The steady growth prospects of U.S. furniture manufacturing have attracted a host of companies to introduce innovative furniture creations.

Management Discussion & Analysis (cont'd)



According to Digiday, consumer retail growth has been positively influenced by innovative online fulfillment methods and restructured store formats. Online retailers have taken away a good portion of the market share of brick-and-mortar retailers as they become smarter in using business intelligence and insights to drive traffic to their stores. While online shopping is growing at a faster rate, E-commerce is not the preferred purchasing method of furniture, with only 14% of consumers indicating online as their choice channel. However, it is important to note that over 90% of customers start their purchasing journey by browsing online, regardless of where they ultimately purchase. Brick-and-mortar store owners will have to embrace 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.

Gender equality will also become the main agenda. Closing the gender gap could add USD4.3 trillion to the U.S. economy in 2025, according to a report by McKinsey Global Institute. Additionally, by hiring more women, retailers can help shatter the glass ceiling, and subsequently boost consumer spending power supporting their business and contribute to overall economic growth. Any investment in technology to innovate businesses and empowerment of women can help retailers as women "make the decision in 94% of home furnishing purchases." Along with gender equality, there is also a trend for single-person households increasing over the next 15 years, according to a 2015 article by Deloitte Insights. 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.

Another encouraging economic indicator for home furnishings is the expected mini-housing boom as millennials, who are now staying with their parents, are due to enter the real-estate market in the next few years. This ramp up in new household will drive increased demand for furniture and home decors. Industry players must however be mindful that millennials, who has lower disposable income and higher levels of debt, tend to delay the decision to start a household — which poses a potential problem because they represented a big portion of the furniture and bedding market. They also have different shopping habits (more online-centric) than other generations and tend to prioritize more sustainable product purchases. Many retailers are strategically dealing with these challenge by offering lower price points in their assortment and expanding responsible in-store financing options.

With rising home prices and premium on city real estates, there is also a trend for smaller dwellings for new household, leading to consumers shopping for smaller furniture to fit their 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.

5. BUSINESS OPERATIONS REVIEW

While the global furniture trade has been affected by trade tensions and weaker economic growth, demand for household furniture in the US remained strong, driven mainly by sustained employment, rising household income and a resilient housing sector. Upbeat economic data on the labour market, housing, trade and manufacturing that had suggested that the US economy was growing at a moderate speed despite headwinds from trade tensions and slowing global growth. Strong consumer spending on discretionary, including household and furniture, have resulted in sustained orders for both our Malaysian and Vietnam operations.

The protracted US-China trade war has resulted in disruptions in the global supply chain but bought about some positive surprises to several countries in the South East Asia region. For the global furniture trade, Vietnam is expected to benefit the most, with furniture exports increasing by 30% this year, followed by Malaysia as orders shift to these South East Asia exporters. The structural changes in the supply chain is now permanent as more and more manufacturers relocate out of China to this region.

In Vietnam, we continued to receive sustained orders from our US customers particularly for our new ranges of bedroom set and occasional items. Responding to the trade tariffs imposed by the US on China sourced furniture, several key customers have 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 of orders from China to Vietnam have resulted in more orders, negotiations for better pricing have not been fruitful as competition amongst furniture manufacturers in Vietnam has intensified over the last couple of years. Chinese and Taiwanese furniture manufacturers have over the years progressively invested and built up capacity in Vietnam while local Vietnamese manufacturers have gained strengths to become formidable competitors, especially in the affordable segment of the market where barriers to switching are relatively low.

Our Malaysian operations continue to record higher shipment of office and home furniture, particularly to Canada and US. While office furniture remained the mainstay for our Malaysian operations, we continued to expand our range of home bedroom furniture as more and more distributors and retailers in the US offer panel-based bedroom sets as alternative to the higher end spray finished products. The sales contribution from these panel-based bedroom sets continues to increase steadily from about 26% of our Malaysia's sales in the previous year to 34% in the current year. We increased shipments of panel-based furniture to our American customers and even include some internet/online retailers in India.

In product development, we continued to collaborate with our US customers to develop several ranges of new bedroom sites which were featured in the High Point Furniture Fair, one of the most prominent furniture trade shows in the US. Shift in demographics and the push for e-commerce have dictated new functional and design requirements and re-formatting of the furniture retailing, distribution and fulfilment channel. Over the last few years, we have worked closely with key customers in the US to develop and launch new ranges of panel based bedroom sets which incorporate requirements for more efficient warehousing and distribution as well as "consumer friendliness" considerations for ready-to-assemble products. We have also made efforts to rationalise our products mix to accommodate for younger US consumers.

The normalisation of the activities amongst Vietnamese furniture manufacturers following the surge of investment in new factories has also resulted the de-escalation for demand and hence, prices for key raw materials such as particleboards, solid timber and coating materials. The availability and prices of these materials were lower and more stable, allowing us to plan our sourcing vis-à-vis our production schedules better. Likewise, the scramble for workers in Vietnam due to vacancies in new factories which was apparent last year, has also similarly normalised during the financial year. The labour market appears to have stabilised during the year following market demand-supply and production adjustments amongst manufacturers in Vietnam.

As we have mentioned previously rapid industrialisation and social economic-development also give rise to continuous minimum wage adjustments and tight labour supply in Vietnam and Malaysia, which translate to higher labour turnover and operating costs. To mitigate rising labour costs, we have put in place planned investment in automation and upgrading of manufacturing process to improve the operating efficiency and reduce reliance the manual labour. We have invested approximately RM16 million in plant and machineries in both our Malaysia and Vietnam plants during the year.

The Company 51% owned Poh Huat International Furniture S.A (Proprietary) Limited, which has been ceased operation and become dormant during the financial year ended 31 October 2018, has been deregistered in August 2019, and incurred an one-off deregistration loss of RM0.99 million during the current year.

6. FINANCIAL REVIEW

Revenue

The Group achieved record sales despite uncertainties brought about by the US-China trade war and weaker global growth. Group double digit revenue growth of 12.7%, from RM621.93 million in the previous financial year to RM701.00 million in the current financial year. Year-on-year, the Group recorded higher USD sales revenue of USD167.00 million compared to USD151.23 million in the previous year.

Keen competition notwithstanding, revenue for our Vietnam operations rose 7.7% from RM343.90 million in the previous financial year to RM370.29 million in the current financial year under review. The resumption of growth following last year's contraction was due mainly to the improved production efficiency from the production optimisation efforts following the expanded production mix from orders diverted from China. We continued to receive orders for our spray-painted bedroom sets, albeit for the more affordable range in line with our customers' focus on the broader segment of the US furniture market.

For the second consecutive years, sales from our Malaysia operations grew by 19.0%, from RM278.01 million in the previous financial year to RM330.71 million in the current financial year. In Malaysia, the bulk of the increase came from the higher shipment of panel-based bedroom set. Contribution from panel-based bedroom sets rose to 34% of total Malaysia sales for the current financial year from 26% a year ago. Distributors and retailers in the US are sourcing more modular panel-based bedroom furniture to cater for the younger generation of urban dwellers who are more budget conscious and comfortable with ready-to-assemble home furniture. We enjoyed smoother production runs during the year.

Management Discussion & Analysis (cont'd)

Manufacturing Costs

In line with higher sales, total cost of sales for the Group rose from RM519.82 million in the previous year to RM578.22 million for the year under review. Overall, the Group recorded improvements in manufacturing efficiency with lower total costs of goods manufactured, as a percentage of sale, of 82.5% compared to 83.6% recorded in the previous financial year.

Total material costs consumed as a percentage of sales reduced from 59.9% of sale in the previous year to 58.4% of sales for the current financial year under review. Overall, the lower material costs were due mainly to more stable prices for key raw materials such as wood products, hardware and packing materials for the year following the marked increase experienced in the previous year.

In line with the increase in sales, total direct labour costs increased from RM78.90 million in the previous financial year to RM87.07 million in the current financial year. Despite raising minimum wage in Vietnam, our continuous efforts in manufacturing automation, reduction in overtime and use of subcontracted parts have helped reduce total labour cost to about 12.4% of sales in the current financial year compared to 12.7% of sales in the previous financial year. With the streamlining of its production runs, our Vietnam operations enjoyed smoother production run and better labour efficiency following the initial learning period in the previous year.

Total factory overheads as a percentage of sales reduced from 11.8% in the previous financial year to 11.0% in the current financial year, due mainly to the better plant utilisation rate and economy year of scale from the higher volume of furniture shipped from both our Vietnamese and Malaysian operations.

Gross Profit

For the year ended 31 October 2019, the Group recorded 20.2% increase in gross profit, from RM102.11 million in the previous financial year to RM122.78 million in the current financial year. Gross margin rose from 16.4% to 17.5% during the same period. The improvement in gross margin was attributable to the lower raw material costs and overall reduction in factory overheads as a percentage of sales due to the better plant utilisation rate in the current financial year.

Operating Expenses and Other Income

In line with higher shipment of furniture, total selling and marketing expenses increased from RM29.20 million in the previous financial year to RM33.88 million in the current financial year. The Group incurred higher container and haulage costs due to the higher volume of shipment and higher commission paid to incentivise sales. Total selling and marketing expenses as a percentage of sales rose marginally from 4.7% in the previous year to 4.8% in the current financial year.

Total administration expenses as a percentage of sales were stable at 3.6% for both the financial years due mainly to the relatively modest increase in administrative payroll and incentive related expenses.

During the current financial year, we recorded a significantly lower net other income of RM1.41 million compared to RM8.52 million in the previous financial year. The higher other income in the previous year was mainly due to the recovery of RM4.50 million previously impaired for the disposal of our former subsidiary, Poh Huat Furniture Industries (Qingdao) Co Ltd in 2011 and insurance compensation of RM4.28 million received for the fire at one of the factories in Malaysia.

Finance Costs

Despite the higher turnover, the Group recorded lower finance costs of RM1.09 million against RM1.26 million in the previous year due to reduction in the trade facilities utilisation and lower interest from lower level of bank borrowings.

Profit Before Tax

On the back of the 12.7% increase in turnover and improvement in operational efficiency from both Malaysia and Vietnam, the Group recorded higher profit before tax of RM64.14 million compared to a profit before tax of RM57.53 million recorded in the previous financial year.

Taxation

In line with the higher profit before tax, the Group's provision for tax expenses increased to RM13.24 million for the financial year ended 31 October 2019 compared with RM10.26 million in the previous financial year ended 31 October 2018.

Malaysia current income tax rate was estimated at 23% which was higher than previous year effective tax rate of 20%, due to the withdrawal of the increased export allowance incentive during the year. Taxation for our Vietnam subsidiary was estimated at 16% which was lower than statutory tax of 20% as a result of export incentive granted by the authorities.

Profit After Tax Attributable to Owners of the Company

In line with the higher gross profit margin and the disproportionately lower increase in the operating costs, profit after tax attributable to owners of the Company increased from RM47.14 million in the previous financial year to RM50.90 million in the current financial year.

Liquidity and Capital Resources

In line with the strong operational results, net cash generated from operations came in at RM71.29 million compared to RM51.99 million in the previous financial year.

Net cash used for purchase of property, plant and equipment decreased from RM41.21 million to RM21.23 million in the current financial year. The higher capital expenditure incurred in the previous financial year was due mainly to the Group's purchase of an office cum warehouse in Melbourne, Australia for AUD4.95 million (or RM14.99 million). During the current financial year, we have invested RM2.90 million and RM13.32 million machineries in our Malaysia and Vietnam plants respectively to replace obsolete machineries and further improve automation processes.

The Company paid dividends of RM13.29 million in the current financial year compared to RM17.55 million recorded in the previous financial year. The Company has received tax-exempted dividends of RM1.02 million from investment in money market funds during the current financial year against RM1.11 million in the previous financial year. The Company also raised RM8.87 million from exercises of the Company's Warrants 2015/2020.

In line with the strong surplus cashflows from our operations, the Group's net cash position rose from RM71.24 million as at 31 October 2018 to RM120.24 million as at 31 October 2019.

Gearing

Total Group bank borrowings, including hire purchases, decreased from RM18.65 million as at 31 October 2018 to RM12.84 million as at 31 October 2019. The decrease was due mainly to Group's reduction in trade financing facilities vis-à-vis the use of surplus cash from operations to fund working capital requirements.

Dividend Payout

During the current financial year ended 31 October 2019, the Directors have declared a first interim dividend of 2 sen per share on 27 June 2019, a second interim dividend of 2 sen per share on 20 September 2019 and a special interim of 1 sen per share on 4 October 2019, paid on 15 August 2019, 14 November 2019, and 3 January 2020 respectively.

On 31 December 2019, the Directors have also recommended a final dividend of 2 sen per share for shareholders' approval at the Company's Annual General Meeting on 13 April 2020, if approved, will be paid on 15 May 2020 to depositors registered in the Record of Depositors of the Company at the close of business on 30 April 2020.

The total dividend declared/proposed of 7 sen per share works out to a dividend payout ratio of 31.3% in the current financial year ended 31 October 2019.

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

Global growth is expected to remain sluggish against a difficult backdrop that includes continued US-China trade tensions, lingering trade and regulatory uncertainties from Brexit and policy uncertainties amongst most economies. One year into the US-China trade war, momentum in global economic activities remained soft in the first half of 2019. The OECD projects that global growth will slow from 3.5% in 2018 to 2.9% in 2019 and 3.0% in 2020, the weakest annual growth rate since the financial crisis, with downside risks continuing to mount.

The US economy continue to be resilient despite global headwinds. The US labour market and consumer spending remains robust for the first half of 2019 and will likely remain so as record earnings amongst American companies are any indication. Low unemployment, strong wage growth, sustained equity markets and subdued energy prices continue to boost household real disposable incomes.

While the US economy continues to do well amidst benign price inflation and sustained consumer spending on big ticket items, the US-China trade war would, at some point in time, likely have adverse impact on investments, jobs, consumer confidences and growth of the US economy. Slowdown in government spending and US Federal Reserve's continuous rate tightening cycles will eventually result in the reversion of the US economy, moving gradually toward its long-run potential growth rate of between 1.5 percent and 2.0 percent.

While the demand for our product continued to be strong, we expect competition to intensify upon the resolution of the trade war between the US and China. Structural changes in global furniture supply chain, sustained economic growth and shift in demographics and preferences in the key markets we sell to have and will give rise to increased demand for more contemporary, multifunctional home and office furniture that caters for both traditional American homes and small city dwelling spaces. To stay ahead of our competitors, we will continue to adjust our products offerings to cater for these 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.

Information On Directors

Profile of Directors

MR BOO CHIN LIONG

Chairman
(Independent Non-Executive Director)

Nationality	Malaysian	Sex	Male	Age	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.

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

MR TAY KIM HUAT

Group Chief Executive Officer
(Non-Independent Executive Director)

Nationality	Malaysian	Sex	Male	Age	64

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

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

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

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

MR TAY KIM HAU

Executive Director
(Non-Independent Executive Director)

Nationality	Malaysian	Sex	Male	Age	72

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

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

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

MR TOH KIM CHONG

Director
(Non-independent Executive Director)

Nationality	Malaysian	Sex	Male	Age	45

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

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

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

MR TAY KHIM SENG

Director
(Non-Independent Non-Executive Director)

Nationality	Malaysian	Sex	Male	Age	59

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

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

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

MR CHUA SYER CIN

Director (Independent Non-Executive Director)

Nationality	Malaysian	Sex	Male	Age	47

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	Malaysian	Sex	Male	Age	73

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 5 years.

Profile of Key Senior Management

MR NG CHAK CHENG

Nationality	Malaysian	Sex	Male	Age	58

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

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

MR LEE ING TIONG

Nationality	Malaysian	Sex	Male	Age	48

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	Malaysian	Sex	Male	Age	31

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 Assistant to Managing Director in October 2015 and to General Manager of Poh Huat Furniture Industries (M) Sdn Bhd in March 2019, the position he presently holds.

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

MS TAY LI CHIN

Nationality	Malaysian	Sex	Female	Age	42

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.

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 2019. This Statement is to be read together with the Company's Corporate Governance Report ("CG Report"). This CG Report is available for reference at the Company's website at www.pohhuat.com as well as on the Bursa Malaysia Securities Berhad's ("Bursa Securities") website (www.bursamalaysia.com).

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

A. Board Leadership and Effectiveness;

B. Effective Audit and Risk Management; and

C. Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

A1. Board Responsibilities

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

The Company has an established board charter to 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 complying with applicable laws, rules and regulations. The Code of Conduct together with the Employees Handbook guide the Directors, management and employees 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 at the registered office of the Company.

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

Corporate Governance Overview Statement (cont'd)

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. 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.

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 males. 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 competencies, 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 organization and conduct of the Board's function and meetings; effective communication with shareholders and relevant stakeholders; and the evaluation of the performance, composition and ongoing development of all members of the Board.

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

The Non-Executive Directors provides the independent views 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 2019, 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)	4/4
Mr Tay Kim Huat	4/4
Mr Tay Kim Hau	4/4
Mr Toh Kim Chong	4/4
Mr Tay Khim Seng	4/4
Mr Chua Syer Cin	4/4
Mr Lim Pei Tiam @ Liam Ahat Kiat	4/4

At these meetings, broad direction, strategies, plans and matters critical to the Group were discussed and appropriate actions undertaken. The implementation of business plans 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.

Corporate Governance Overview Statement (cont'd)

In respect of the assessment for the financial year ended 31 October 2019, the Board, Board Committees and individual directors conducted self-assessment based on the following criteria:-

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

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

A8. Directors' Training

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

Director	Training Programmes
Mr Boo Chin Liong	Budget Seminar 2019 Workshop on Sustainability Reporting
Mr Tay Kim Huat	Budget Seminar 2019 SST latest update & Development Transfer Pricing Seminar
Mr Tay Kim Hau	Budget Seminar 2019 SST latest update & Development Transfer Pricing Seminar
Mr Toh Kim Chong	Findings on Sustainability Practices & Disclosures in Annual Reports
Mr Chua Syer Cin	Taxation of Companies: Challenges, Opportunities & the Latest Amendments Topical Tax Issues for SMEs Comprehensive Tax Computation for Companies
Mr Tay Khim Seng	Workshop on Sustainability Reporting SST latest update & Development Transfer Pricing Seminar
Mr Lim Pei Tian @ Liam Ahat Kiat	SST latest update & Development Transfer Pricing Seminar Nominating Committee Role To Achieve Effective Stewardship

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 2019, 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	146,250	0	0	0	146,250
Mr Tay Kim Hau	135,000	0	0	5,300	140,300
Mr Toh Kim Chong	67,500	0	0	0	67,500
Non-Executive Directors					
Mr Boo Chin Liong	146,250	0	0	0	146,250
Mr Tay Khim Seng	127,500	0	0	0	127,500
Mr Chua Syer Cin	67,500	0	0	0	67,500
Mr Lim Pei Tiam @ Liam Ahat Kiat	0	0	0	0	0
Grand Total	690,000	0	0	5,300	695,300

Received from the subsidiaries of the Company

	Director Fees (RM)	Salaries and other emoluments (RM)	Defined contribution plan (RM)	Benefits-in-kind and others (RM)	Total (RM)
Executive Directors					
Mr Tay Kim Huat	0	2,381,902	68,380	28,000	2,478,282
Mr Tay Kim Hau	0	0	0	0	0
Mr Toh Kim Chong	0	818,977	14,400	0	833,377
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	3,200,879	82,780	28,000	3,311,659

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 ~ RM150,000	1
RM200,001 ~ RM250,000	1
RM400,001 ~ RM450,000	1
RM550,001 ~ RM600,000	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 2019 are set out in the Audit Committee Report on pages 27 to 28 of this Annual Report.

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

While the Company has no intention to appoint a former audit partner of the Company or its subsidiaries to serve on its Board, the Audit Committee nonetheless has adopted a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee and such policy was incorporated in the terms of reference of the Audit Committee.

B2. Suitability and Independence of External Auditors

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

The Audit Committee 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 2020 for the shareholders' approval at the forthcoming Annual General Meeting.

B3. Risk Management and Internal Control Framework

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

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

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS.

C1. Compliance with Statutory and Financial Reporting Standards

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

The Directors are required by the Companies Act 2016 to prepare financial statements for each financial year which have been made out in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards in Malaysia and which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and 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 page 40 of this Annual Report.

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

C2. Corporate Communication and Disclosures

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

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

The Board will ensure that it adheres to and 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.

Corporate Governance Overview Statement (cont'd)

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

Five (5) Audit Committee meetings were held during the financial year ended 31 October 2019. Details of the attendance of members at Audit Committee Meetings are as follows:-

Name	Attendance
Mr Chua Syer Cin (Chairman)	5/5
Mr Boo Chin Liong	5/5
Mr Tay Khim Seng	5/5

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 2019 with the external auditors' including the audit notes and findings, and updates on new developments pertaining to accounting standards issued by the Malaysian Accounting Standards Board;

4. Reviewed and discussed with the internal auditors on the Group's three (3) years internal audit plans and the overall assessment of the system of internal controls of the Group;

5. Reviewed the quarterly findings of and discussed with the internal auditors their recommendations to strengthen the internal controls and monitored the implementation of such approved recommendations;

6. Reviewed the unaudited quarterly financial results of the Group and made recommendation to the Board;

7. Reviewed major investment and corporate proposals undertaken by the Group during the financial year; and

8. Reviewed related party transactions entered into by the Group in its ordinary course of business.

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

Audit Committee Report (cont'd)

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 2020.

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, risk management system and management reporting system.

During the financial year ended 31 October 2019, the Internal Auditors evaluated the adequacy and effectiveness of key controls and risk management within the Group's operating units in respect of the Group's governance, operations and information systems regarding the:

- maintenance of proper accounting records;
- reliability of financial information used within the business or for publication;
- safeguarding of assets against unauthorized use or disposition;
- efficiency and effectiveness of the running of the businesses and operations; and
- compliance with laws and regulations.
- risk assessment, identification and mitigation of key risk factors are carried out in accordance with the policies and procedures of the risk management framework.

During the financial year ended 31 October 2019, 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:

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

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

3. Risk Management Process

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

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

4. Management of Risk Management Process

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

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

Responsibilities of the RMC include:

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

The Executive Directors and Heads of Department are expected to:

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

5. Risk Profile

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

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

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

6. Internal Control and Internal Audit Function

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

Internal Control System

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

The internal 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.

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

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 2019 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.

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 2019.

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

Sustainability Statement

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

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

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

Sustainability Governance Structure

Board

↑

RMC

↑

Executive Directors and Senior Management

↑ ↑

Management | **Management**

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, undertakes the role to oversee the incorporation of 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 the effectiveness of the process in identifying, assessing, managing and reporting Material Sustainability Matters; 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 Material Sustainability Matters identified from time to time, including how these matters are managed.

Sustainability Statement (cont'd)

Material Sustainability Matters

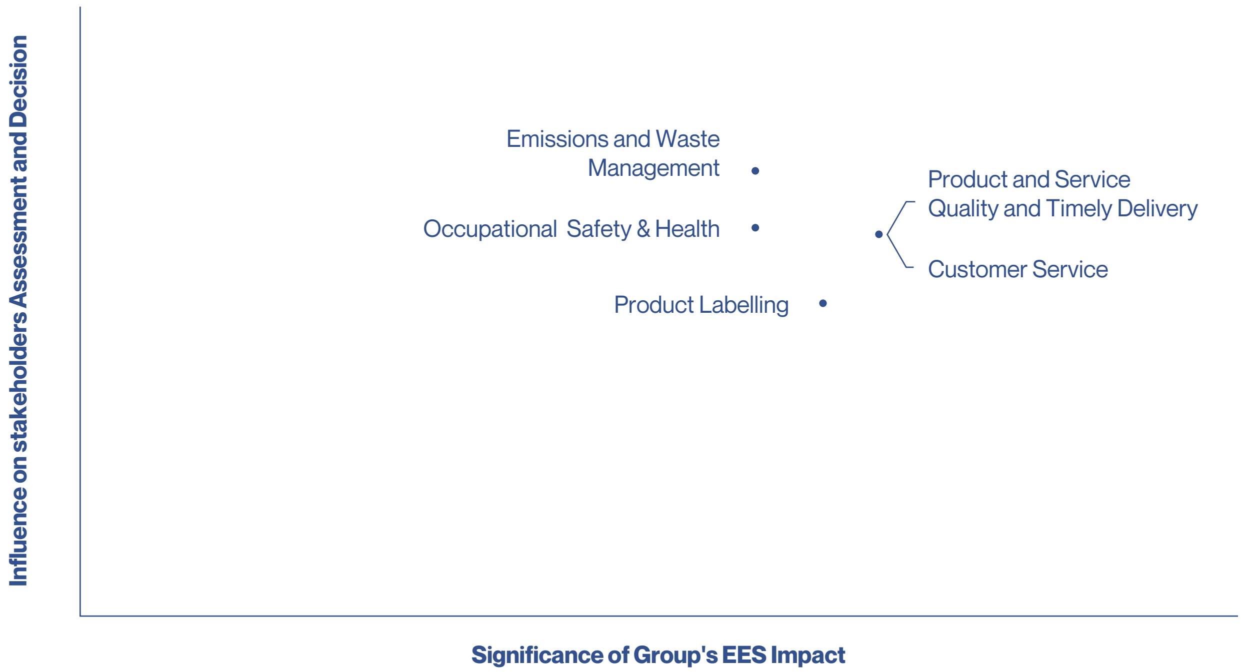
During the financial year, the Group has undergone a materiality assessment process to systematically assess the Group's economic, environmental and social risks and opportunities. The process, led by an Executive Director of the Group, is participated by Senior Management, i.e. the relevant heads of the Group's key business segments and departments.

The Management of the Group, via the materiality assessment process, has performed an assessment of the Group's stakeholders, considering how they influence, or depend on, the Group's business activities and operations. Some of the Group's key stakeholders include, but are not limited to, customers, employees, government agencies, authorities and regulators, and suppliers, and others. The economic, environmental and social risks and opportunities of the Group were then assessed, and the Group has identified the Group's Material Sustainability Matters based on:

- how the matter reflects the Group's significant economic, environmental or social impact;
- how the matter influences the assessments and decisions of stakeholders.

The Material Sustainability Matters of the Group are identified as follows:

1. Product and Service Quality and Timely Delivery
2. Product Labelling
3. Customer Service
4. Occupational Safety and Health
5. Emission and Waste Management



Poh Huat Group's Materiality Matrix

In the pursuit of the Group's corporate objective, creating stakeholder value through the production of quality products and services remains the Group's key focus area towards building a sustainable business. The Group focuses its resources and efforts in its value generation processes and procedures, from the sourcing of quality raw materials, safe and environmentally friendly manufacturing process, to customer-centric product and service delivery.

Product and Service Quality and Timely Delivery

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

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

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

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

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

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

Product Labelling

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

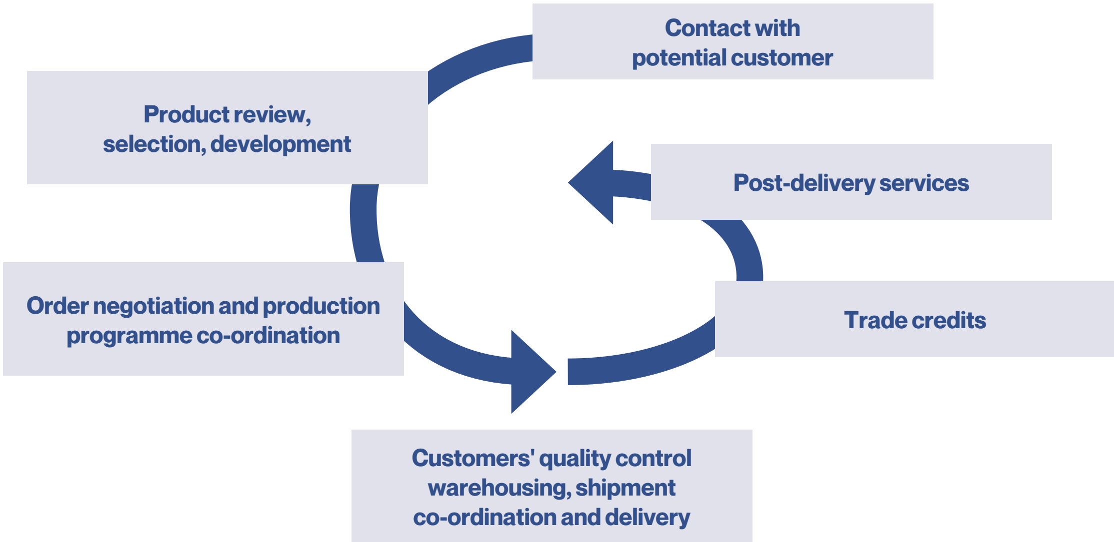
In compliant with the labelling requirements for composite wood products sold in the United States, the Group has in place the necessary measures across its sourcing and manufacturing process to ensure products exported to the US are Toxic Substances Control Act Title IV ("TSCA") compliant. The Group's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

Furthermore, the Group adheres to requirements of the Programme for the Endorsement of Forest Certification ("PEFC") Chain of Custody ("COC") Certification and a majority of its products are certified as PEFC COC compliant. PEFC is one of the world's largest forest certification systems which promotes sustainable forest management taking into account 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. The certification has enabled the Group's presence in international markets, particularly in developed markets.

Sustainability Statement (cont'd)

Customer Service

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



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

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

The Group's most recent customer survey was conducted in the second and third quarter of the financial year ended 31 October 2019.

Occupational Safety and Health

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

The Group has established Safety and Health Policy for the respective key business operations of the Group in Malaysia and Vietnam. The Safety and Health Policy sets out the Group's commitment towards the establishment and maintenance of an Occupational Safety and Health Management System which includes hazard identification, risk assessment and risk control processes, compliance to the relevant laws and regulations, prevention of occupational diseases, incidents and accidents, and continual improvement. The most recent review of the Safety and Health Policy was in March 2019.

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

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

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

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. The Group provides Personal Protection Equipment ("PPE") for all workers to safeguard them from occupational hazards, such as those arising from operating machinery and lifting heavy items.

The Group conducts occupational safety and health training for its workers, including guidance on proper equipment use and ensuring workplace safety. For the financial year under review, training on the following subjects was provided to the Group's employees and workers:

- forklift driving and operation;
- workshop safety;
- working with electricity and air compressor;
- handling and working with chemicals;
- fire-fighting;
- fire drills; and
- emergency and first aid.

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

The Group 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.

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

	Malaysia		**Vietnam**	
	FY 2018	**FY 2019**	**FY 2018**	**FY 2019**
Fatality	0	0	0	0
Serious Injury Cases (Reportable to authorities)	0	0	0	0
Minor Injury Cases	8	12	17	7

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

Sustainability Statement (cont'd)

Emission and Waste Management

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

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

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

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

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

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

Conclusion

Bearing in mind the Group's corporate responsibility in relation to the economic, environmental and social aspects of its business operations, the Group will on an ongoing basis review and assess its sustainability risks and opportunities, with a focus on managing the Material Sustainability Matters as well as identifying any emerging sustainability risks and opportunities that may affect or contribute to long-term value creation for stakeholders.

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

No non-audit fees were paid to the Company's external auditors were RM3,000 during the financial year.

Audit Fees Payable to External Auditors

Total audit fees payable to the Company and its subsidiaries' external auditors were RM42,000 and RM124,354 respectively during the financial year. Total audit fees payable on a group basis was RM166,354.

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 31 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 2019

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 2019.

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/(Loss) after tax for the financial year	50,899,220	(1,000,091)
Attributable to:		
Owners of the Company	50,898,683	(1,000,091)
Non-controlling interests	537	–
	50,899,220	(1,000,091)

DIVIDENDS

Dividends paid or declared by the Company since 31 October 2018 are as follows:

A final dividend of 2 sen per ordinary share amounting to RM 4,427,221 in respect of the financial year ended 31 October 2018 was approved by the shareholders at the Annual General Meeting held on 29 April 2019 and paid on 29 May 2019.

A first interim dividend of 2 sen per ordinary share amounting to RM 4,468,239 in respect of the financial year ended 31 October 2019 was paid on 15 August 2019.

A second interim dividend of 2 sen per ordinary share amounting to RM 4,575,562 in respect of the financial year ended 31 October 2019 was paid on 14 November 2019.

A special dividend of 1 sen per ordinary share amounting to RM 2,287,781 in respect of the financial year ended 31 October 2019 was paid on 3 January 2020.

On 25 November 2019, the Company declared a first interim dividend of 1 sen per ordinary share amounting to RM 2,287,781 in respect of the financial year ending 31 October 2020, payable on 3 January 2020, to shareholders whose names appeared in the record of depositors on 16 December 2019. The financial statements for the current financial year do not reflect this interim dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 October 2020.

DIVIDENDS (CONT'D)

At the forthcoming Annual General Meeting, a final dividend of 2 sen per ordinary share in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for as a liability in the financial year ending 31 October 2020.

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 8,873,086 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 2019, the Company held as treasury shares a total of 13,327,600 out of its 242,105,696 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of RM 2,836,481. The details on the treasury shares are disclosed in Note 16 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

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

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that there are no known bad debts and that no allowance for impairment losses on receivables is required.

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

Directors' Report (cont'd)

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

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 01.11.2018	Acquired	Disposed	At 31.10.2019
The Company					
Tay Kim Huat	– Direct interest	51,769,376	400,000	–	52,169,376
	– Indirect interest (1)	12,062,072	–	–	12,062,072
Tay Kim Hau	– Direct interest	250,000	–	–	250,000
Boo Chin Liong	– Direct interest	39,000	9,749	–	48,749
Tay Khim Seng	– Direct interest	3,705,460	49,600	–	3,755,060
Toh Kim Chong	– Direct interest	7,185,088	94,000	–	7,279,088
Lim Pei Tiam @ Liam Ahat Kiat	– Direct interest	30,639,900	–	–	30,639,900
	– Indirect interest (2)	3,374,000	–	–	3,374,000

Directors' Report (cont'd)

DIRECTORS' INTERESTS (CONT'D)

		Number of Warrants			
		At 01.11.2018	Acquired	Disposed/ Exercised	At 31.10.2019
The Company					
Tay Kim Huat	– Direct interest	4,813,268	–	1,140,700	3,672,568
	– Indirect interest [1]	1,172,768	–	–	1,172,768
Boo Chin Liong	– Direct interest	9,749	–	9,749	–
Tay Khim Seng	– Direct interest	146,000	145,000	–	291,000
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.*

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 31 to the financial statements.

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

DIRECTORS' REMUNERATION

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

INDEMNITY AND INSURANCE COST

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

SUBSIDIARIES

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

AUDITORS

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

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

Signed in accordance with a resolution of the directors dated 31 January 2020

Tay Kim Huat

Tay Kim Hau

Statement by Directors

Pursuant to Section 251(2) of The Companies Act 2016

We, Tay Kim Huat and Tay Kim Hau, being two of the directors of Poh Huat Resources Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 54 to 123 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 2019 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 31 January 2020

Tay Kim Huat

Tay Kim Hau

Statutory Declaration

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

I, Tay Kim Huat, being the director primarily responsible for the financial management of Poh Huat Resources Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 54 to 123 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 31 January 2020

Tay Kim Huat

Before me

Commissioner for Oaths

Independent Auditors' Report

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Poh Huat Resources Holdings Berhad, which comprise the statements of financial position as at 31 October 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 54 to 123.

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 2019, 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.

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 approximately RM 75 million as at 31 October 2019. 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.

Independent Auditors' Report

To The Members of Poh Huat Resources Holdings Berhad (cont'd)
(Incorporated in Malaysia)
Company No. : 199701027671 (443169 - X)

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.

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 Hian
02506/04/2021 J
Chartered Accountant

Muar, Johor Darul Takzim

Date : 31 January 2020

Statements of Financial Position

At 31 October 2019

		The Group		The Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	5	173,087,335	162,361,956	–	–
Prepaid lease payments	6	2,625,670	2,712,418	–	–
Land held for property development	7	20,912,187	20,912,187	–	–
Investment properties	8	12,095,591	12,194,375	–	–
Investment in subsidiaries	9	–	–	159,600,071	159,600,071
Long-term receivables	10	–	–	3,358,690	4,286,014
Deferred tax assets	11	37,257	4,622	–	–
		208,758,040	198,185,558	162,958,761	163,886,085
CURRENT ASSETS					
Inventories	12	74,715,071	76,368,009	–	–
Trade and other receivables	10	64,409,161	64,914,912	99,278	127,626
Current tax assets		3,672	3,712	–	–
Deposits, bank and cash balances	13	133,078,581	89,887,631	4,611,175	9,081,866
		272,206,485	231,174,264	4,710,453	9,209,492
Non-current asset held for sale	14	–	1,085,961	–	–
TOTAL ASSETS		480,964,525	430,445,783	167,669,214	173,095,577

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

	Note	The Group		The Company	
		2019 RM	2018 RM	2019 RM	2018 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15	128,718,591	119,845,505	128,718,591	119,845,505
Treasury shares	16	(2,836,481)	(2,836,481)	(2,836,481)	(2,836,481)
Reserves	17	236,269,353	199,982,042	34,835,761	51,594,655
Equity attributable to owners of the Company		362,151,463	316,991,066	160,717,871	168,603,679
Non-controlling interests		–	36,583	–	–
TOTAL EQUITY		362,151,463	317,027,649	160,717,871	168,603,679
NON-CURRENT LIABILITIES					
Hire purchase payables	18	119,714	17,764	–	–
Deferred tax liabilities	11	6,234,000	6,234,000	–	–
		6,353,714	6,251,764	–	–
CURRENT LIABILITIES					
Trade and other payables	19	88,872,751	80,913,349	88,000	93,798
Bank borrowings	20	12,483,973	18,485,177	–	–
Hire purchase payables	18	234,847	143,092	–	–
Dividend payable		6,863,343	4,398,100	6,863,343	4,398,100
Current tax liabilities		4,004,434	3,226,652	–	–
		112,459,348	107,166,370	6,951,343	4,491,898
TOTAL LIABILITIES		118,813,062	113,418,134	6,951,343	4,491,898
TOTAL EQUITY AND LIABILITIES		480,964,525	430,445,783	167,669,214	173,095,577

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 2019

		The Group		The Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
REVENUE	21	700,997,115	621,925,519	–	26,100,000
COST OF SALES		(578,215,929)	(519,817,579)	–	–
GROSS PROFIT		122,781,186	102,107,940	–	26,100,000
OTHER INCOME		6,545,775	13,736,837	19,065	4,508,527
SELLING AND MARKETING EXPENSES		(33,876,006)	(29,199,345)	–	–
ADMINISTRATIVE EXPENSES		(25,097,029)	(22,642,596)	(978,586)	(1,316,753)
OTHER EXPENSES		(5,133,270)	(5,213,905)	(37,435)	(3,037,685)
FINANCE COSTS	22	(1,085,158)	(1,259,918)	(1,924)	(3,154)
PROFIT/(LOSS) BEFORE TAX	23	64,135,498	57,529,013	(998,880)	26,250,935
INCOME TAX EXPENSE	25	(13,236,278)	(10,263,341)	(1,211)	–
PROFIT/(LOSS) AFTER TAX		50,899,220	47,265,672	(1,000,091)	26,250,935
OTHER COMPREHENSIVE INCOME/(EXPENSE)					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences		1,146,151	(4,658,254)	–	–
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE FINANCIAL YEAR		52,045,371	42,607,418	(1,000,091)	26,250,935

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

	Note	The Group		The Company	
		2019 **RM**	**2018** **RM**	**2019** **RM**	**2018** **RM**
PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO:					
Owners of the Company		50,898,683	47,137,662	(1,000,091)	26,250,935
Non-controlling interests		537	128,010	–	–
		50,899,220	47,265,672	(1,000,091)	26,250,935
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) ATTRIBUTABLE TO:					
Owners of the Company		52,044,795	42,484,494	(1,000,091)	26,250,935
Non-controlling interests		576	122,924	–	–
		52,045,371	42,607,418	(1,000,091)	26,250,935
EARNINGS PER ORDINARY SHARE (SEN)	26				
Basic		22.91	21.47		
Diluted		21.65	20.11		

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

Statements of Changes in Equity

For The Financial Year Ended 31 October 2019

	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	29	–	–	–	(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: 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 2018		119,845,505	(2,836,481)	(10,217,694)	210,199,736	316,991,066	36,583	317,027,649
Profit after tax for the financial year		–	–	–	50,898,683	50,898,683	537	50,899,220
Other comprehensive income for the financial year:								
– Foreign currency translation differences		–	–	1,146,112	–	1,146,112	39	1,146,151
Total comprehensive income for the financial year		–	–	1,146,112	50,898,683	52,044,795	576	52,045,371
Contributions by and distributions to owners of the Company:								
– Exercise of warrants		8,873,086	–	–	–	8,873,086	–	8,873,086
– Dividends								
– by the Company	29	–	–	–	(15,758,803)	(15,758,803)	–	(15,758,803)
Deregistration of a subsidiary		–	–	–	–	–	(27,651)	(27,651)
Changes in subsidiary's ownership interests		–	–	–	1,319	1,319	(9,508)	(8,189)
Total transactions with owners		8,873,086	–	–	(15,757,484)	(6,884,398)	(37,159)	(6,921,557)
Balance at 31 October 2019		128,718,591	(2,836,481)	(9,071,582)	245,340,935	362,151,463	–	362,151,463

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

Statements of Changes in Equity

For The Financial Year Ended 31 October 2019 (cont'd)

	Note	Share capital RM	Treasury shares RM	Distributable Retained profits RM	Total equity RM
The Company					
Balance at 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	29	–	–	(15,412,771)	(15,412,771)
Total transactions with owners		5,007,100	–	(15,412,771)	(10,405,671)
Balance at 31 October 2018/1 November 2018		119,845,505	(2,836,481)	51,594,655	168,603,679
Loss after tax/Total comprehensive expense for the financial year		–	–	(1,000,091)	(1,000,091)
Contributions by and distributions to owners of the Company:					
– Exercise of warrants		8,873,086	–	–	8,873,086
– Dividends	29	–	–	(15,758,803)	(15,758,803)
Total transactions with owners		8,873,086	–	(15,758,803)	(6,885,717)
Balance at 31 October 2019		128,718,591	(2,836,481)	34,835,761	160,717,871

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

Statements of Cash Flows

For The Financial Year Ended 31 October 2019

	Note	The Group		The Company	
		2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit/(Loss) before tax		64,135,498	57,529,013	(998,880)	26,250,935
Adjustments for:					
Accident loss of inventories		59,118	–	–	–
Allowance for impairment losses on receivables		–	–	–	2,093,925
Amortisation of prepaid lease payments		100,939	98,826	–	–
Depreciation of property, plant and equipment		10,052,229	8,633,458	–	–
Depreciation of investment properties		184,583	168,131	–	–
Dividend income		(1,022,865)	(1,113,475)	–	(26,100,000)
Fire loss of inventories		–	1,077,122	–	–
Gain on disposal of unit trust		–	(90,622)	–	–
Inventories value written down		40,982	294,678	–	–
Gain on disposal of non-current asset held for sale		(309,576)	–	–	–
(Gain)/Loss on disposal of property, plant and equipment		(141,110)	47,056	–	–
Loss on deregistration of a subsidiary	28	987,470	–	–	–
Property, plant and equipment written off		599,725	1,853,183	–	–
Reversal of allowance for impairment losses on receivables		–	(4,503,370)	–	(4,503,370)
Unrealised (gain)/loss on foreign exchange		(865,793)	(1,003,548)	37,350	280,140
Waiver of debts		–	(99,940)	–	–
Interest expenses		708,519	799,693	–	–
Interest income		(846,838)	(733,684)	(13,123)	(5,157)
Operating profit/(loss) before working capital changes		73,682,881	62,956,521	(974,653)	(1,983,527)
Inventories		1,803,893	(7,117,940)	–	–
Trade and other receivables		539,818	4,654,789	918,322	17,687,334
Trade and other payables		7,613,266	1,004,866	(5,798)	(298,625)
CASH FROM/(FOR) OPERATIONS		83,639,858	61,498,236	(62,129)	15,405,182
Interest paid		(708,519)	(799,693)	–	–
Interest received		846,838	733,684	13,123	5,157
Tax paid		(12,492,308)	(9,442,704)	(1,211)	–
NET CASH FROM/(FOR) OPERATING ACTIVITIES		71,285,869	51,989,523	(50,217)	15,410,339

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

Statements of Cash Flows

For The Financial Year Ended 31 October 2019 (cont'd)

	Note	The Group 2019 RM	The Group 2018 RM	The Company 2019 RM	The Company 2018 RM
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Additional investments in an existing subsidiary		–	–	–	(32,638,605)
Dividends received		1,022,865	1,113,475	–	36,827,928
Increase in pledged fixed deposits with licensed bank		(337,494)	(109,450)	–	–
Net cash outflow from deregistration of a subsidiary	28	(56,429)	–	–	–
Proceeds from disposal of non-current asset held for sale		1,395,537	–	–	–
Proceeds from disposal of property, plant and equipment		251,108	100,839	–	–
Proceeds from disposal of unit trust		–	15,472,607	–	–
Purchase of investment properties		(85,799)	(710,804)	–	–
Acquisition of non-controlling interests		(7,570)	–	–	–
Purchase of property, plant and equipment	5(c)	(21,225,872)	(41,210,632)	–	–
Purchase of unit trust		–	(15,381,985)	–	–
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(19,043,654)	(40,725,950)	–	4,189,323
CASH FLOWS FOR FINANCING ACTIVITIES					
Issue of shares from exercise of warrants		8,873,086	5,007,100	8,873,086	5,007,100
Net movements in trade bills		(6,075,092)	(2,664,045)	–	–
Repayment of term loan		–	(61,503)	–	–
Repayment of hire purchase payables		(326,295)	(354,033)	–	–
Dividends paid		(13,293,560)	(17,547,087)	(13,293,560)	(17,547,087)
NET CASH FOR FINANCING ACTIVITIES		(10,821,861)	(15,619,568)	(4,420,474)	(12,539,987)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		41,420,354	(4,355,995)	(4,470,691)	7,059,675
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		1,433,102	1,277,135	–	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		85,386,024	88,464,884	9,081,866	2,022,191
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	30(b)	128,239,480	85,386,024	4,611,175	9,081,866

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

Notes to The Financial Statements

For The Financial Year Ended 31 October 2019

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 31 January 2020.

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)

MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)

MFRS 15 Revenue from Contracts with Customers

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Amendments to MFRS 2: Classification and Measurement of Share–based Payment Transactions

Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

Notes to The Financial Statements

For The Financial Year Ended 31 October 2019 (cont'd)

3. BASIS OF PREPARATION (CONT'D)

3.1 Cont'd

Amendments to MFRS 15: Effective Date of MFRS 15

Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'

Amendments to MFRS 140: Transfers of Investment Property

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

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 other than the new classification of financial assets under MFRS 9 which is disclosed in Note 34.3. This is because the measurement of financial assets under MFRS 9 and the timing and amount of revenue recognised under MFRS 15 are consistent to the Group's current practice.

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 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
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 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 References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

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 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statement of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The Group is currently assessing the financial impact that may arise from the adoption of this standard.

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.

Notes to
The Financial Statements

For The Financial Year Ended 31 October 2019 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Critical accounting estimates and judgements (cont'd)

Key sources of estimation uncertainty (cont'd)

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

The Group determines whether an item of 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 trade receivables

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

(e) Impairment of non-trade receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period.

(f) Income taxes

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Critical accounting estimates and judgements (cont'd)

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:

Classification between investment properties and owner-occupied properties

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

4.2 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.

Notes to The Financial Statements

For The Financial Year Ended 31 October 2019 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Basis of consolidation (cont'd)

(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.

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

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

(d) Loss of control

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

4.4 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.

Notes to The Financial Statements

For The Financial Year Ended 31 October 2019 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Property, plant and equipment (cont'd)

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

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

4.5 Land held for property development

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

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

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

4.6 Investment properties

Investment properties are properties which are owned or 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 is not depreciated.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Leased assets

(a) Finance leases

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 leases

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.

4.8 Impairment

(a) Impairment of financial assets

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

Notes to The Financial Statements

For The Financial Year Ended 31 October 2019 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Impairment (cont'd)

(a) Impairment of financial assets (cont'd)

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

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

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

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

<u>Accounting policy applied until 31 October 2018</u>

The Group has applied MFRS 9 retrospectively but has elected not to restate comparative information of its financial instruments. As a result, the comparative information on the impairment of the Group's financial assets has been accounted for in accordance with its previous accounting policy as summarised below:

- The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset (or group of financial assets) was impaired. Impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event(s) had an impact on the estimated future cash flows of the financial asset (or group of financial assets) that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Impairment (cont'd)

(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.

4.9 Inventories

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

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

4.10 Financial instruments

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

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

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

Notes to The Financial Statements

For The Financial Year Ended 31 October 2019 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (cont'd)

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

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

(a) Financial assets

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

Debt instruments

(i) Amortised cost

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

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

(ii) Fair value through other comprehensive income

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Debt instruments (cont'd)

(iii) Fair value through profit or loss

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

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

Equity instruments

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

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

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

(b) Financial liabilities

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

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

(ii) Other financial liabilities

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

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

Notes to The Financial Statements

For The Financial Year Ended 31 October 2019 (cont'd)

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

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 amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

<u>Accounting policies applied until 31 October 2018</u>

The Group has applied MFRS 9 retrospectively but has elected not to restate comparative information of its financial instruments. As a result, the comparative information of the Group's financial assets continues to be accounted for in accordance with their previous accounting policies as summarised below:

- Unquoted trade receivables and other receivables with fixed or determinable payments were classified as loans and receivables financial assets, measured at amortised cost using the effective interest method, less any impairment loss. Interest income was recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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.

Notes to The Financial Statements

For The Financial Year Ended 31 October 2019 (cont'd)

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 the expected amount of income tax recoverable or payable to the taxation authorities.

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

(b) Deferred tax

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

4.17 Revenue from contracts with customers

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

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

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

- The customer simultaneously receives and consumes the benefits provided as the Group performs.

- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Sale of furniture and other related products

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

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

Notes to The Financial Statements

For The Financial Year Ended 31 October 2019 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.18 Revenue from other sources and other operating income

(a) Dividend income

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

(b) Interest income

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

(c) Rental income

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

4.19 Employee benefits

(a) Short-term benefits

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

(b) Defined contribution plans

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

4.20 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.20 Functional and foreign currencies (cont'd)

(c) Foreign operations

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

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or 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 partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.

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

4.21 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 2019 (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 2018	15,372,727	13,996,198	116,812,042	83,337,855	13,495,921	9,170,816	252,185,559
Additions	179,577	–	3,075,865	16,218,084	2,317,443	–	21,790,969
Disposals	–	–	–	(1,558,510)	(747,187)	–	(2,305,697)
Write off	–	–	(889,295)	(59,740)	(140,303)	–	(1,089,338)
Reclassifications	5,004,198	–	4,158,690	–	–	(9,162,888)	–
Foreign exchange differences	(180,837)	–	(261,536)	376,224	43,581	(7,928)	(30,496)
At 31 October 2019	20,375,665	13,996,198	122,895,766	98,313,913	14,969,455	–	270,550,997
Less : Accumulated depreciation							
At 1 November 2018	–	4,499,585	24,819,641	51,256,334	9,248,043	–	89,823,603
Charge for the financial year	–	248,963	2,354,351	5,998,684	1,450,228	–	10,052,226
Disposals	–	–	–	(1,504,285)	(691,414)	–	(2,195,699)
Write off	–	–	(296,408)	(59,740)	(133,465)	–	(489,613)
Foreign exchange differences	–	–	55,122	188,809	29,214	–	273,145
At 31 October 2019	–	4,748,548	26,932,706	55,879,802	9,902,606	–	97,463,662
Carrying amount							
At 31 October 2019	20,375,665	9,247,650	95,963,060	42,434,111	5,066,849	–	173,087,335

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 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

Notes to The Financial Statements

For The Financial Year Ended 31 October 2019 (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	
	2019 RM	**2018 RM**
Carrying amount		
Factory buildings	614,246	691,683
Plant and machinery	266,233	479,208
Vehicles and equipment	8,986	21,453
	889,465	1,192,344

(b) The motor vehicles of the Group with carrying amount of RM 1,102,884 (2018 : RM 639,096) 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	
	2019 RM	**2018 RM**
Cost of property, plant and equipment purchased	21,790,969	40,870,618
Amount financed through hire purchase	(520,000)	–
Unpaid balances included under sundry payables (Note 19(b))	(76,167)	(31,070)
Cash disbursed in respect of purchase in previous financial year	31,070	371,084
Cash disbursed for purchase of property, plant and equipment	21,225,872	41,210,632

(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	
	2019 RM	2018 RM
At 1 November	2,712,418	2,923,528
Less : Amortisation charges	(100,939)	(98,826)
Foreign exchange differences	14,191	(112,284)
At 31 October	2,625,670	2,712,418
Represented by:		
Land lease	2,625,670	2,712,418

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	
	2019 RM	2018 RM
At cost		
At 1 November	12,625,196	11,914,392
Additions	85,799	710,804
At 31 October	12,710,995	12,625,196
Less : Accumulated depreciation		
At 1 November	430,821	262,690
Charge for the financial year	184,583	168,131
At 31 October	615,404	430,821
Carrying amount	12,095,591	12,194,375
Represented by:		
Freehold land	3,420,900	3,420,900
Warehouse and factory building	8,674,691	8,773,475
	12,095,591	12,194,375

Notes to The Financial Statements

For The Financial Year Ended 31 October 2019 (cont'd)

8. INVESTMENT PROPERTIES (CONT'D)

(a) The fair value of the investment properties amounting to approximately RM 21.4 million (2018 : RM 17.8 million) based on directors' best estimate.

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

	The Group	
	2019 RM	2018 RM
Rental income	839,364	830,452
Direct operating expenses:		
– generating rental income	106,441	59,247

9. INVESTMENT IN SUBSIDIARIES

	The Company	
	2019 RM	2018 RM
Unquoted shares, at cost	165,919,142	165,919,142
Accumulated impairment losses	(6,319,071)	(6,319,071)
	159,600,071	159,600,071

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

(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
		2019	2018	
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) ^27.02% (Indirect)	72.98% (Direct) ^27.01% (Indirect)	Manufacturing and processing wooden household furniture.
* Poh Huat International (BVI) Limited	British Virgin Islands	100.00%	100.00%	Investment holding.
# Poh Huat (Australia) Pty Ltd	Australia	100.00%	100.00%	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%	Deregistered from the Companies and Intellectual Property Registration Office during the financial year.

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

These subsidiaries were audited by other firms of chartered accountants.

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

Notes to The Financial Statements

For The Financial Year Ended 31 October 2019 (cont'd)

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

	Effective equity interest		The Group	
	2019 %	2018 %	2019 RM	2018 RM
PHI(SA)	–	49.00	–	27,651
Other individually immaterial subsidiary			–	8,932
			–	36,583

(c) Summarised financial information of non-controlling interest has not been presented as the non-controlling interests of the subsidiaries are not individually material to the Group.

10. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Non-current				
Long-term receivables				
Amount owing by subsidiaries	–	–	6,336,602	7,263,926
Allowance for impairment losses	–	–	(2,977,912)	(2,977,912)
	–	–	3,358,690	4,286,014
Current				
Trade receivables				
Advances to suppliers	3,152,926	4,202,494	–	–
Other trade receivables	48,036,902	45,732,182	–	–
	51,189,828	49,934,676	–	–
Other receivables				
Deposits	239,393	542,043	1,000	1,000
Prepayments	803,841	411,320	–	–
Goods and services tax recoverable	867,524	3,201,772	–	–
Value added tax	7,542,992	7,128,432	–	–
Sundry receivables	3,765,583	3,696,669	98,278	126,626
	13,219,333	14,980,236	99,278	127,626
	64,409,161	64,914,912	99,278	127,626
Allowance for impairment losses				
At 1 November	–	5,752,609	2,977,912	6,576,307
Addition during the financial year	–	–	–	2,093,925
Reversal during the financial year	–	(4,503,370)	–	(4,503,370)
Written off during the financial year	–	(1,249,239)	–	(1,188,950)
At 31 October	–	–	2,977,912	2,977,912

(a) The Group's normal trade terms range from cash term to 120 days (2018 : 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 2019 (cont'd)

11. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group	
	2019 RM	**2018 RM**
At 1 November	(6,229,378)	(5,924,200)
Recognised in profit or loss (Note 25)	32,302	(303,046)
Foreign exchange differences	333	(2,132)
At 31 October	(6,196,743)	(6,229,378)
Presented after appropriate offsetting as follows:		
Deferred tax assets	37,257	4,622
Deferred tax liabilities	(6,234,000)	(6,234,000)
	(6,196,743)	(6,229,378)

(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 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 2018/1 November 2018	(5,945,000)	(249,000)	(40,000)	(6,234,000)
Recognised in profit or loss	–	–	–	–
At 31 October 2019	(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 2017	37,800	37,800
Recognised in profit or loss	(31,046)	(31,046)
Foreign exchange differences	(2,132)	(2,132)
At 31 October 2018/1 November 2018	4,622	4,622
Recognised in profit or loss	32,302	32,302
Foreign exchange differences	333	333
At 31 October 2019	37,257	37,257

(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	
	2019 RM	2018 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
	36,418,000	39,576,000

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 are allowed to be carried forward for a maximum period of 7 consecutive years of assessment. The unabsorbed capital allowances and unutilised increased export allowances do not expire under current tax legislation in Malaysia and can be utilised against income from the same business source, subject to no substantial change in shareholders 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 2019 (cont'd)

12. INVENTORIES

	The Group	
	2019 RM	2018 RM
Raw materials	30,279,227	33,181,199
Work-in-progress	24,033,755	22,669,728
Goods-in-transit	558,563	755,564
Finished goods	19,843,526	19,761,518
	74,715,071	76,368,009
Recognised in profit or loss		
Inventories recognised as cost of sales	578,215,929	519,817,579
Amount written down to net realisable value	40,982	294,678
Fire loss of inventories	–	1,077,122
Accident loss of inventories	59,118	–

The inventories of a foreign subsidiary amounting to approximately USD 6.1 million (2018 : 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	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	124,007,411	81,136,223	4,611,175	9,081,866
Fixed deposits with licensed banks	9,071,170	8,751,408	–	–
	133,078,581	89,887,631	4,611,175	9,081,866

(a) The fixed deposits with licensed banks of the Group at the end of the reporting period bear effective interest rate at 1.4% – 7.4% (2018 : 1.4% – 6.9%) per annum. The fixed deposits have maturity periods ranging from 3 to 12 months (2018 : 3 to 12 months).

(b) Included in the fixed deposits with licensed banks of the Group at the end of the reporting period is an amount of RM 4,839,101 (2018 : RM 4,501,607) 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	
	2019 RM	2018 RM
At 1 November	1,085,961	–
Transfer from property, plant and equipment (Note 5)	–	1,085,961
Disposal during the year	(1,085,961)	–
At 31 October	–	1,085,961

On 28 June 2018, Poh Huat International Sdn. Bhd., a wholly-owned subsidiary of the Company, has committed to a plan to sell 2 units of warehouses in South Africa for a total consideration of RAND 4,850,000 (equivalent to approximately RM 1.45 million). The disposal of such warehouses was completed during the current financial year.

15. SHARE CAPITAL

	The Group and The Company			
	2019	2018	2019	2018
	Number of shares		RM	RM
Issued and fully paid-up				
Ordinary shares				
At 1 November	233,232,610	228,225,510	119,845,505	114,838,405
Exercise of warrants	8,873,086	5,007,100	8,873,086	5,007,100
At 31 October	242,105,696	233,232,610	128,718,591	119,845,505

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

Notes to The Financial Statements

For The Financial Year Ended 31 October 2019 (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 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 38,029,941. 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 242,105,696 (2018 : 233,232,610) issued and fully paid-up ordinary shares at the end of the reporting period, 13,327,600 (2018 : 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	
	2019 **RM**	**2018** **RM**	**2019** **RM**	**2018** **RM**
Non-distributable				
Foreign exchange translation reserve	(9,071,582)	(10,217,694)	–	–
Distributable				
Retained profits	245,340,935	210,199,736	34,835,761	51,594,655
	236,269,353	199,982,042	34,835,761	51,594,655

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	
	2019 **RM**	**2018** **RM**
Minimum hire purchase payments		
Not later than one year	245,285	146,770
Later than one year and not later than five years	124,756	17,736
	370,041	164,506
Less : Future finance charges	(15,480)	(3,650)
Present value of hire purchase payables	354,561	160,856
Analysed by:		
Current liabilities	234,847	143,092
Non-current liabilities	119,714	17,764
	354,561	160,856

Notes to The Financial Statements

For The Financial Year Ended 31 October 2019 (cont'd)

18. HIRE PURCHASE PAYABLES (CONT'D)

(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 3 (2018 : 1 to 2) years.

(b) The hire purchase payables of the Group of RM 354,561 (2018 : RM 160,856) 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 4.6% – 6.3% (2018 : 4.7% – 5.1%) per annum. The interest rates are fixed at the inception of the hire purchase arrangements.

19. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade payables				
Advance from customers	2,271,684	1,491,137	–	–
Other trade payables	66,187,054	60,783,597	–	–
	68,458,738	62,274,734	–	–
Other payables				
Accruals	15,145,937	13,432,707	88,000	82,000
Deposit payables	119,232	133,232	–	–
Sales and services tax payable	119,585	115,305	–	–
Sundry payables	5,029,259	4,957,371	–	11,798
	20,414,013	18,638,615	88,000	93,798
	88,872,751	80,913,349	88,000	93,798

(a) The normal credit terms granted to the Group range from 15 to 120 days (2018 : 15 to 120 days).

(b) Included in sundry payables of the Group is an amount of RM 76,167 (2018 : RM 31,070) payable for the purchase of property, plant and equipment (Note 5(c)).

20. BANK BORROWINGS

	The Group	
	2019 RM	**2018 RM**
Secured – Trade bills	10,624,961	14,021,092
Unsecured – Trade bills	1,859,012	4,464,085
	12,483,973	18,485,177

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

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

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

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

(iv) Corporate guarantee provided by the Company.

(b) The conditions of the 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	
	2019 %	**2018 %**
Trade bills	2.0 – 3.2	2.0 – 4.9

Notes to The Financial Statements

For The Financial Year Ended 31 October 2019 (cont'd)

21. REVENUE

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Dividend income	–	–	–	26,100,000
Revenue recognised at point in time				
– Sale of furniture and other related products	700,997,115	621,925,519	–	–
	700,997,115	621,925,519	–	26,100,000

22. FINANCE COSTS

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest expenses on financial liabilities that are not at fair value through profit or loss				
Hire purchase	14,730	16,774	–	–
Term loan	–	276	–	–
Trade bills	693,789	782,643	–	–
	708,519	799,693	–	–
Bank commission and charges	376,639	460,225	1,924	3,154
	1,085,158	1,259,918	1,924	3,154

23. PROFIT/(LOSS) BEFORE TAX

	The Group		The Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
This is arrived at after charging:				
Accident loss of inventories	59,118	–	–	–
Allowance for impairment losses on receivables	–	–	–	2,093,925
Amortisation of prepaid lease payments	100,939	98,826	–	–
Auditors' remuneration				
– audit fee	166,354	190,036	42,000	40,000
– non-audit fee:				
– auditors of the Company	3,000	3,000	3,000	3,000
Depreciation of property, plant and equipment	10,052,226	8,633,458	–	–
Depreciation of investment properties	184,583	168,131	–	–
Fire loss of inventories	–	1,077,122	–	–
Inventories value written down	40,982	294,678	–	–
Loss on disposal of property, plant and equipment	–	47,056	–	–
Property, plant and equipment written off	599,725	1,853,183	–	–
Realised loss on foreign exchange	3,020,934	2,247,979	–	663,620
Staff costs (including key management personnel as disclosed in Note 24):				
– short-term employee benefits	131,814,008	118,722,645	690,000	493,500
– defined contribution plans	1,512,666	1,421,379	–	–
– others	9,995,868	11,547,799	–	–
Unrealised loss on foreign exchange	–	–	37,350	280,140
And crediting:				
Dividend income	(1,022,865)	(1,113,475)	–	–
Fire insurance compensation	–	(4,282,505)	–	–
Gain on disposal of money market fund	(20,490)	(49,762)	–	–
Gain on disposal of property, plant and equipment	(141,110)	–	–	–
Gain on disposal of non-current asset held for sale	(309,576)	–	–	–
Gain on disposal of unit trust	–	(90,622)	–	–
Insurance compensation	(122,698)	–	–	–
Realised gain on foreign exchange	–	–	(5,942)	–
Rental income from property, plant and equipment	(1,007,380)	–	–	–
Reversal of allowance for impairment losses on receivables	–	(4,503,370)	–	(4,503,370)
Total interest income on financial assets that are not at fair value through profit or loss	(846,838)	(733,684)	(13,123)	(5,157)
Unrealised gain on foreign exchange	(865,793)	(1,003,548)	–	–
Waiver of debts	–	(99,940)	–	–

Notes to The Financial Statements

For The Financial Year Ended 31 October 2019 (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	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Executive directors of the Company				
Fee	348,750	279,000	348,750	279,000
Salaries, bonuses and other benefits	3,200,879	4,592,094	–	–
Defined contribution plans	82,780	108,395	–	–
	3,632,409	4,979,489	348,750	279,000
Estimated monetary value of benefits-in-kind	33,300	32,000	5,300	7,000
	3,665,709	5,011,489	354,050	286,000
Non-executive directors of the Company				
Fee	341,250	214,500	341,250	214,500
Executive directors of the subsidiaries				
Fee	34,871	36,360	–	–
Salaries, bonuses and other benefits	–	73,399	–	–
	34,871	109,759	–	–
Total directors' remuneration	4,041,830	5,335,748	695,300	500,500
Analysis excluding monetary value of benefits-in-kind:				
Total executive directors' remuneration	3,667,280	5,089,248	348,750	279,000
Total non-executive directors' remuneration	341,250	214,500	341,250	214,500
	4,008,530	5,303,748	690,000	493,500

25. INCOME TAX EXPENSE

	The Group		The Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Current tax expense				
– Malaysian tax	9,355,000	6,099,000	–	–
– Foreign tax	4,155,116	4,074,874	–	–
– (Over)/Under provision in previous financial year	(241,536)	(213,579)	1,211	–
	13,268,580	9,960,295	1,211	–
Deferred tax (Note 11)				
– (Reversal)/Origination of temporary differences	(32,302)	303,046	–	–
	13,236,278	10,263,341	1,211	–

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	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Profit/(Loss) before tax	64,135,498	57,529,013	(998,880)	26,250,935
Tax at Malaysian statutory tax rate	15,393,000	13,807,000	(240,000)	6,300,000
Effects of differential in tax rates of subsidiaries	(2,343,000)	(2,279,000)	–	–
Tax effect of non-taxable income	(282,000)	(1,143,000)	–	(7,345,000)
Tax effect of non-deductible expenses	837,814	1,302,920	240,000	1,045,000
Tax effect of double deduction relief	(128,000)	(88,000)	–	–
Tax saving from tax incentive	–	(1,123,000)	–	–
(Over)/Under provision of current tax in previous financial year	(241,536)	(213,579)	1,211	–
	13,236,278	10,263,341	1,211	–

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018 : 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.

Notes to The Financial Statements

For The Financial Year Ended 31 October 2019 (cont'd)

26. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

	The Group	
	2019 RM	2018 RM
Profit after tax attributable to owners of the Company	50,898,683	47,137,662

	2019 Units	2018 Units
Weighted average number of ordinary shares in issue:		
Ordinary shares at 1 November	219,905,010	214,897,910
Effect of exercise of warrants	2,230,203	4,666,783
Weighted average number of ordinary shares at 31 October	222,135,213	219,564,693
Basic earnings per ordinary share (Sen)	22.91	21.47

(b) Diluted earnings per ordinary share

	The Group	
	2019 RM	2018 RM
Profit after tax attributable to owners of the Company	50,898,683	47,137,662

	2019 Units	2018 Units
Weighted average number of ordinary shares for basic earnings per share	222,135,213	219,564,693
Shares deemed to be issued for no consideration:		
– Warrants	12,996,519	14,850,845
Weighted average number of ordinary shares for diluted earnings per ordinary share computation	235,131,732	234,415,538
Diluted earnings per ordinary share (Sen)	21.65	20.11

27. ACQUISITION OF NON-CONTROLLING INTERESTS

In April 2019, Poh Huat Furniture Industries (M) Sdn. Bhd. ("PHFIM"), a wholly-owned subsidiary of the Company, acquired 0.01% equity interest in Poh Huat Furniture Industries Vietnam Joint Stock Company ("PHFIV") for USD 1,833 (equivalent to RM 7,570) in cash, increasing its effective equity interest from 99.99% to 100%. The carrying amount of PHFIV's net assets in the Group's financial statements on that date was RM 133,955,508. The Group recognised a decrease in non-controlling interest of RM 9,508 and an increase in retained profit of RM 1,319.

The following summarises the effect of changes in the equity interest in PHFIV that is attributable to the owners of the Company.

	The Group
	2019 **RM**
Equity interest at 1 November	125,703,610
Effect of increase in the Company's ownership interest	9,508
Share post acquisition profit	21,908,880
Share of post acquisition other comprehensive income	911,161
Equity interest at 31 October	148,533,159

28. DEREGISTRATION OF A SUBSIDIARY

On 30 August 2019, an indirect subsidiary of the Company, Poh Huat International Furniture S.A. (Proprietary) Limited was deregistered from the Companies and Intellectual Property Registration Office.

The financial effect of the deregistration are summarised below:

	The Group
	2019 **RM**
Cash and bank balances	56,429
Non-controlling interest	(27,651)
Carrying amount of net assets deregistered	28,778
Foreign exchange translation reserve	958,692
Loss on deregistration	(987,470)
	–
Less : Cash and bank balances of subsidiary deregistered	(56,429)
Net cash outflow from the deregistration of subsidiary	(56,429)

Notes to The Financial Statements

For The Financial Year Ended 31 October 2019 (cont'd)

29. DIVIDENDS

	The Group and The Company	
	2019 RM	2018 RM
In respect of the financial year ended 31 October 2017		
Special dividend of 1 sen per ordinary share	–	19,420
Final dividend of 3 sen per ordinary share	–	6,597,151
In respect of the financial year ended 31 October 2018		
First interim dividend of 2 sen per ordinary share	–	4,398,100
Second interim dividend of 2 sen per ordinary share	–	4,398,100
Final dividend of 2 sen per ordinary share	4,427,221	–
In respect of the financial year ended 31 October 2019		
First interim dividend of 2 sen per ordinary share	4,468,239	–
Second interim dividend of 2 sen per ordinary share	4,575,562	–
Special dividend of 1 sen per ordinary share	2,287,781	–
	15,758,803	15,412,771

On 25 November 2019, the Company declared a first interim dividend of 1 sen per ordinary share amounting to RM 2,287,781 in respect of the financial year ending 31 October 2020, payable on 3 January 2020, to shareholders whose name appeared in the record of depositors on 16 December 2019. The financial statements for the current financial year do not reflect this interim dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 October 2020.

At the forthcoming Annual General Meeting, a final dividend of 2 sen per ordinary share in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for as a liability in the financial year ending 31 October 2020.

30. CASH FLOWS INFORMATION

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

	Trade bills RM	Hire purchase RM	Total RM
The Group			
2019			
At 1 November	18,485,177	160,856	18,646,033
Changes in financing cash flows			
Proceeds from drawdown	67,534,295	–	67,534,295
Repayment of borrowing principal	(73,609,387)	(326,295)	(73,935,682)
Repayment of borrowing interests	(693,789)	(14,730)	(708,519)
	(6,768,881)	(341,025)	(7,109,906)
Non-cash changes			
Foreign exchange adjustments	73,888	–	73,888
New hire purchase	–	520,000	520,000
Finance charges recognised in profit or loss	693,789	14,730	708,519
	767,677	534,730	1,302,407
At 31 October	12,483,973	354,561	12,838,534

Notes to The Financial Statements

For The Financial Year Ended 31 October 2019 (cont'd)

30. CASH FLOWS INFORMATION (CONT'D)

(a) Cont'd

	Term loan RM	Trade bills RM	Hire purchase RM	Total RM
The Group				
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

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

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deposits, bank and cash balances	133,078,581	89,887,631	4,611,175	9,081,866
Less : Fixed deposits pledged to a licensed bank	(4,839,101)	(4,501,607)	–	–
	128,239,480	85,386,024	4,611,175	9,081,866

31. 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	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Subsidiaries				
– Dividend income	–	–	–	(26,100,000)
– Advances to	–	–	–	4,503,370
Director				
– Rental	144,000	144,000	–	–
A firm in which a director of the Company is senior partner				
– Legal fee	–	38,969	–	–

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

(c) Key management personnel compensation

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

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For The Financial Year Ended 31 October 2019 (cont'd)

32. COMMITMENTS

(a) Capital commitment

	The Group	
	2019	2018
	RM	RM
Purchase of property, plant and equipment	1,049,000	2,923,000

(b) Lease commitment

The Group leases land under non-cancellable operating leases. The lease periods range from 41 to 43 (2018 : 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	
	2019	2018
	RM	RM
Not later than one year	653,215	639,557
Later than one year and not later than five years	2,612,860	2,558,229
Later than five years	13,888,484	14,237,537
	17,154,559	17,435,323

33. 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

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

	Revenue		Non-current assets	
	2019	2018	2019	2018
	RM	RM	RM	RM
Australia	–	–	27,612,043	28,819,599
South Africa	–	11,798	–	–
Vietnam	370,286,660	343,900,547	75,160,026	64,569,258
Malaysia	330,710,455	278,013,174	105,985,971	104,796,701
	700,997,115	621,925,519	208,758,040	198,185,558

33. OPERATING SEGMENTS (CONT'D)

(c) Major customers

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

	Revenue	
	2019 RM	2018 RM
Customer A	165,100,581	156,914,465
Customer B	60,535,797	62,161,327
Customer C	129,065,077	111,367,894
Customer D	83,780,691	58,949,391
	438,482,146	389,393,077

34. 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.

34.1 Financial risk management policies

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

(a) Market risk

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily Australian Dollar ("AUD"), Chinese Renminbi ("RMB"), Singapore Dollar ("SGD"), United States Dollar ("USD"), 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:

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 Financial risk management policies (cont'd)

(a) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

Foreign currency exposure

	AUD RM	RMB RM	SGD RM	USD RM	VND RM	RAND RM	RM RM	Others RM	Total RM
The Group									
2019									
Financial assets									
Trade and other receivables (N1)	254,214	1,318,945	591,898	45,976,016	2,186,698	5,726	1,468,988	–	51,802,485
Deposits, bank and cash balances	2,038,056	4,273,439	2,172	25,101,803	35,737,451	23,715	65,894,883	7,062	133,078,581
	2,292,270	5,592,384	594,070	71,077,819	37,924,149	29,441	67,363,871	7,062	184,881,066
Financial liabilities									
Trade and other payables (N2)	(26,916)	(62,318)	–	(11,802,300)	(36,216,943)	–	(38,253,773)	–	(86,362,250)
Bank borrowings	–	–	–	(12,483,973)	–	–	–	–	(12,483,973)
Hire purchase payables	–	–	–	–	–	–	(354,561)	–	(354,561)
Dividend payable	–	–	–	–	–	–	(6,863,343)	–	(6,863,343)
	(26,916)	(62,318)	–	(24,286,273)	(36,216,943)	–	(45,471,677)	–	(106,064,127)
Net financial assets	2,265,354	5,530,066	594,070	46,791,546	1,707,206	29,441	21,892,194	7,062	78,816,939
Less : Net financial assets denominated in the respective entities' functional currencies	(2,264,556)	(5,493,016)	–	–	(1,706,204)	–	(21,892,194)	–	(31,355,970)
Currency exposure	798	37,050	594,070	46,791,546	1,002	29,441	–	7,062	47,460,969

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 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										
2018										
Financial assets										
Trade and other receivables (N1)	160	–	2,250,840	979,115	42,204,739	1,443,023	2,003	2,548,971	–	49,428,851
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	84,544,051	7,415,638	77,664	38,030,049	8,520	139,316,482
Financial liabilities										
Trade and other payables (N2)	(17,796)	(35,584)	(63,000)	–	(27,661,794)	(15,227,884)	(1,402)	(36,166,215)	–	(79,173,675)
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)	–	(46,146,971)	(15,227,884)	(1,402)	(40,725,171)	–	(102,217,808)
Net financial assets/(liabilities)	1,695,828	(35,099)	6,479,360	984,091	38,397,080	(7,812,246)	76,262	(2,695,122)	8,520	37,098,674
Less : Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	(1,695,828)	–	(6,410,229)	–	–	7,812,246	(56,429)	2,695,122	–	2,344,882
Currency exposure	–	(35,099)	69,131	984,091	38,397,080	–	19,833	–	8,520	39,443,556

Notes to The Financial Statements

For The Financial Year Ended 31 October 2019 (cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 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			
2019			
Financial assets			
Other receivables (N1)	98,278	–	98,278
Cash and bank balances	–	4,611,175	4,611,175
	98,278	4,611,175	4,709,453
Financial liabilities			
Other payables	–	(88,000)	(88,000)
Dividend payable	–	(6,863,343)	(6,863,343)
	–	(6,951,343)	(6,951,343)
Net financial assets/(liabilities)	98,278	(2,340,168)	(2,241,890)
Less : Net financial liabilities denominated in the Company's functional currency	–	2,340,168	2,340,168
Currency exposure	98,278	–	98,278

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 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	–	(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

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 2019 (cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 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	
	2019 RM	2018 RM	2019 RM	2018 RM
Effects on profit after tax				
AUD / RM				
– strengthened by 5%	30	–	–	–
– weakened by 5%	(30)	–	–	–
EURO / RM				
– strengthened by 5%	–	(1,334)	–	–
– weakened by 5%	–	1,334	–	–
RMB / RM				
– strengthened by 5%	1,408	2,627	3,735	4,812
– weakened by 5%	(1,408)	(2,627)	(3,735)	(4,812)
SGD / RM				
– strengthened by 5%	22,575	37,395	–	–
– weakened by 5%	(22,575)	(37,395)	–	–
USD / RM				
– strengthened by 5%	1,778,079	1,459,089	–	–
– weakened by 5%	(1,778,079)	(1,459,089)	–	–
VND / RM				
– strengthened by 5%	38	–	–	–
– weakened by 5%	(38)	–	–	–
RAND / RM				
– strengthened by 5%	1,119	754	–	–
– weakened by 5%	(1,119)	(754)	–	–

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 Financial risk management policies (cont'd)

(a) Market risk (cont'd)

(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.

(b) Credit risk

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

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

(i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by four (2018 : three) customers which constituted approximately 58% (2018 : 59%) of its trade receivables at the end of the reporting period.

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

	The Group	
	2019 RM	2018 RM
Africa	196	197
Asia (excluding Malaysia)	1,046,299	1,211,824
North America	45,044,225	40,299,388
Europe	477,194	1,099,463
Malaysia	1,468,988	3,121,310
	48,036,902	45,732,182

Notes to The Financial Statements

For The Financial Year Ended 31 October 2019 (cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 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. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition were not material.

(iii) Assessment of impairment losses

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

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

Trade receivables

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

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

The Group considers any receivables having financial difficulty are deemed credit impaired.

The expected loss rates are based on the payment profiles of sales over a period of 210 days from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

Sales made are generally accompanies by letters of credit or advance payments and therefore, there is minimal exposure to credit risk. Furthermore, outstanding trade receivables are largely collected within the credit term.

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 Financial risk management policies (cont'd)

(b) Credit risk (cont'd)

(iii) Assessment of impairment losses (cont'd)

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

	The Group	
	2019 RM	**2018 RM**
Current (not past due)	45,706,739	43,379,572
1 to 30 days past due	2,328,712	2,352,578
31 to 60 days past due	1,451	32
	48,036,902	45,732,182

Other receivables

Other receivables are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial and hence, it is not provided for.

Fixed deposits with licensed banks, cash and bank balances

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

Amount owing by subsidiary (Non-trade balances)

The Company applies the 3-stage general approach to measuring expected credit losses for all inter-company balances. At the end of the reporting period, there was no indication that the advances to the subsidiary are not recoverable other than those which had already impaired in last financial year.

In the last financial year, the loss allowance on amount owing by subsidiaries was calculated under MFRS 139.

Financial guarantee contracts

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

Notes to The Financial Statements

For The Financial Year Ended 31 October 2019 (cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 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					
2019					
Non-derivative financial liabilities					
Trade and other payables (N1)	–	86,362,250	86,362,250	86,362,250	–
Bank borrowings					
– Trade bills	2.0 – 3.2	12,483,973	12,483,973	12,483,973	–
Hire purchase payables	4.6 – 6.3	354,561	370,041	245,285	124,756
Dividend payable	–	6,863,343	6,863,343	6,863,343	–
		106,064,127	106,079,607	105,954,851	124,756
2018					
Non-derivative financial liabilities					
Trade and other payables (N1)	–	79,173,675	79,173,675	79,173,675	–
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	–
		102,217,808	102,221,458	102,203,722	17,736

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 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			
2019			
Non-derivative financial liabilities			
Other payables	88,000	88,000	88,000
Dividend payable	6,863,343	6,863,343	6,863,343
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries*	–	12,838,534	12,838,534
	6,951,343	19,789,877	19,789,877
2018			
Non-derivative financial liabilities			
Other payables	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

N1 – Excluding deposit and certain payables

* The contractual undiscounted cash flows represent the outstanding credit facilities of the subsidiaries at the end of the reporting period. The financial guarantees have not been recognised in the financial statements since their fair value on initial recognition were not material.

Notes to The Financial Statements

For The Financial Year Ended 31 October 2019 (cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.2 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	
	2019 RM	**2018 RM**
Bank borrowings	12,483,973	18,485,177
Hire purchase payables	354,561	160,856
	12,838,534	18,646,033
Less : Fixed deposits with licensed banks	(9,071,170)	(8,751,408)
Less : Cash and bank balances	(124,007,411)	(81,136,223)
Excess funds	(120,240,047)	(71,241,598)
Total equity	362,151,463	317,027,649
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.

34. FINANCIAL INSTRUMENTS (CONT'D)

34.3 Classification of financial instruments

	2019	
	The Group RM	The Company RM
Financial assets		
Amortised cost		
Trade and other receivables (N1)	51,802,485	98,278
Deposits, bank and cash balances	133,078,581	4,611,175
	184,881,066	4,709,453
Financial liabilities		
Amortised cost		
Trade and other payables (N2)	86,362,250	88,000
Bank borrowings	12,483,973	–
Hire purchase payables	354,561	–
Dividend payable	6,863,343	6,863,343
	106,064,127	6,951,343

	2018	
	The Group RM	The Company RM
Financial assets		
Loans and receivables financial assets		
Trade and other receivables (N1)	49,428,851	126,626
Deposits, bank and cash balances	89,887,631	9,081,866
	139,316,482	9,208,492
Financial liabilities		
Other financial liabilities		
Trade and other payables (N2)	79,173,675	93,798
Bank borrowings	18,485,177	–
Hire purchase payables	160,856	–
Dividend payable	4,398,100	4,398,100
	102,217,808	4,491,898

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 2019 (cont'd)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.4 Gains or losses arising from financial instruments

	2019	
	The Group RM	The Company RM
Financial assets		
Fair value through profit or loss		
Net gains recognised in profit or loss	1,043,355	–
Amortised cost		
Net gains/(losses) recognised in profit or loss	1,773,370	(24,227)
Financial liabilities		
Amortised cost		
Net losses recognised in profit or loss	(769,259)	–

	2018	
	The Group RM	The Company RM
Financial assets		
Loans and receivables financial assets		
Net gains recognised in profit or loss	6,327,471	2,134,462
Fair value through profit or loss : held-for-trading		
Net gains recognised in profit or loss	1,253,859	–
Financial liabilities		
Other financial liabilities		
Net losses recognised in profit or loss	(886,563)	–

34. FINANCIAL INSTRUMENTS (CONT'D)

34.5 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					
2019					
Financial liabilities					
Hire purchase payables	–	354,077	–	354,077	354,561
2018					
Financial liabilities					
Hire purchase payables	–	160,751	–	160,751	160,856

The fair values of hire purchase payables, which are for disclosures purposes, 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	
	2019 %	2018 %
Hire purchase payables	2.6	2.6

List of Material Landed Properties

At 31 October 2019

Address/ Location	Description	Land Area (hectare)	Use	Tenure/ Age of Building	Net Book Value as at 31.10.2019 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/ 15 years	23,228	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/ 18 years	21,380	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/ 2 years	14,925	3.9.18 (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/ 14 years	12,543	21.10.03 (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/ 3 years	12,459	10.11.16 (Date of Acquisition)
No. 5, Jalan Cipta Serenia 1, Bandar Serenia, 43900 Sepang, Selangor.	1 plot of commercial land with 3 storey detached factory	0.48	Factory cum office-showroom	freehold/ 1 year	8,945	11.07.19 (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/ 6 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 31.10.2019 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/ 19 years	7,945	12.9.00 (Date of Acquisition)
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/ 5 years	6,169	26.12.13 (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/ 23 years	6,008	17.6.99 (Date of Acquisition)

Analysis of Shareholdings

As at 23 January 2020

Principal Statistics

Issued and Paid-up Share Capital	-	RM130,473,500
Class of Shares	-	Ordinary shares
No. of shares in Issue	-	230,533,005 shares
Voting Right	-	One vote per ordinary share at any
shareholders' meeting		
Number of Shareholders	-	4,449 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	125	2.81	6,399	0.00
100 to 1,000	683	15.35	368,965	0.16
1,001 to 10,000	2,604	58.53	12,623,081	5.48
10,001 to 100,000	899	20.21	25,754,225	1.17
100,001 to less than 5% of issued shares	135	3.03	95,629,659	41.48
5% and above of issued shares	3	0.07	96,150,676	41.71
TOTAL	**4,449**	**100.00**	**230,533,005**	**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	52,369,376	12,686,181 [a]	22.72	5.50
Lim Pei Tiam @ Liam Ahat Kiat	30,639,900	3,374,000 [b]	13.29	1.46
DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG Singapore for Pangolin Asia Fund	13,141,400	-	5.70	-

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)

Category	No. of Shares Held Direct	Deemed	% of Issued Share Capital Direct	Deemed
Tay Kim Huat	53,369,376	12,686,181[(a)]	22.72	5.50
Lim Pei Tiam @ Liam Ahat Kiat	30,639,900	3,374,000[(b)]	13.29	1.46
Toh Kim Chong	7,279,088	-	3.16	-
Tay Khim Seng	3,755,060	-	1.63	-
Tay Kim Hau	250,000	-	0.11	-
Boo Chin Liong	48,749	-	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
As At 23 January 2020

	Names	Shareholding	%
1	TAY KIM HUAT	52,369,376	22.72
2	LIM PEI TIAM @ LIAM AHAT KIAT	30,639,900	13.29
3	DB (MALAYSIA) NOMINEE (ASING) SDN BHD DEUTSCHE BANK AG SINGAPORE FOR PANGOLIN ASIA FUND	13,141,400	5.70
4	GOI MUI KHIM	7,831,000	3.40
5	TOH KIM CHONG	7,279,088	3.16
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	5,646,700	2.45
7	SIM SHEAU YUN	5,135,430	2.23
8	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	3,859,700	1.67
9	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIEW CHIENG SIEW (MK0111)	3,263,900	1.42
10	TAY YUAN SEN	2,996,108	1.30
11	LIM PAY KAON	2,690,900	1.17
12	AMANAHRAYA TRUSTEES BERHAD PB ISLAMIC SMALLCAP FUND	2,604,100	1.13
13	TAY KHIM SENG	2,456,660	1.07
14	YEO GEK CHENG	2,450,028	1.06
15	TAY LI PING	2,440,500	1.06
16	TAY LI CHIN	2,406,060	1.04
17	TAY LEE THING	2,392,485	1.04

Analysis of Shareholdings (cont'd)

As at 23 January 2020

	Names	Shareholding	%
18	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM PAY KAON	2,000,000	0.87
19	RONIE TAN CHOO SENG	2,000,000	0.87
20	LU CHIN POH	1,982,400	0.86
21	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIEW CHIENG SIEW (KUCHING-CL)	1,871,200	0.81
22	SU MING KEAT	1,490,000	0.65
23	MOHAMMED ARSHAD	1,394,700	0.60
24	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIEW CHIENG SIEW	1,358,000	0.59
25	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAY KHIM SENG	1,298,400	0.56
26	LIM SHU CHIAH	927,000	0.40
27	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RONIE TAN CHOO SENG	800,000	0.35
28	LIM SIAN MIN	780,000	0.34
29	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIEW CHIENG SIEW (E-PDG)	771,200	0.33
30	LIM SHU CHUEN	770,000	0.33
	Total	**167,046,235**	**72.46**

Analysis of Warrantholdings

As at 23 January 2020

Principal Statistics

Name of Warrants	-	Poh Huat Warrants 2015/2020
No. of Warrants in issue	-	36,275,032 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	-	2,159 warrantholders

Distribution of Warrantholdings

Category	Warrantholders	%	Warrantholdings	%
Less than 100	434	20.10	14,083	0.04
100 to 1,000	597	27.65	493,237	1.36
1,001 to 10,000	778	36.04	3,270,722	9.02
10,001 to 100,000	300	13.90	9,888,313	27.26
100,001 to less than 5% of warrants in issue	48	2.22	16,136,109	44.48
5% and above of warrants in issue	2	0.09	6,472,568	17.84
TOTAL	**2,159**	**100.00**	**36,275,032**	**100.00**

List Of Top Thirty (30) Largest Warrantholders

As At 23 January 2020

	Names	Warrantholding	%
1	TAY KIM HUAT	3,472,568	9.57
2	UOB KAY HIAN NOMINEES (ASING) SDN BHD Exempt AN For UOB Kay Hian Pte Ltd (A/C Clients)	3,000,000	8.27
3	RHB NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Wong Yee Hui	1,645,000	4.53
4	RHB NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Chiew Chieng Siew	1,562,000	4.31
5	HLB NOMINEE (TEMPATAN) SDN BHD Pledged Securities Account For Wong Yee Hui	1,317,900	3.63
6	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Kong Kok Choy (8092812)	1,030,000	2.84
7	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Chiew Chieng Siew (MK0111)	1,015,700	2.80
8	PUBLIC NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Chiew Chieng Siew (E-PDG)	691,100	1.91
9	RHB NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Toh Yew Peng	600,000	1.65
10	GEOFFREY LIM FUNG KEONG	416,800	1.15
11	AMANAHRAYA TRUSTEES BERHAD Public Islamic Opportunities Fund	396,450	1.09
12	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account For Chu Chee Leong (CHU0198C)	350,500	0.97
13	CHAW TECK LONG	336,000	0.93

Analysis of Warrantholdings (cont'd)

As at 23 January 2020

	Names	Warrantholding	%
14	GOI MUI KHIM	315,700	0.87
15	MAYBANK NOMINEES (ASING) SDN BHD Pledged Securities Account For Rustom Framroze Chothia	306,200	0.84
16	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Toh Yew Peng	300,000	0.83
17	KENANGA NOMINEES (TEMPATAN) SDN BHD Rakuten Trade Sdn Bhd for Voon Shao Wei	299,900	0.83
18	CHAW TECK LONG	297,000	0.82
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD Teo Sang Zen	250,000	0.69
20	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Tay Khim Seng	230,000	0.63
21	MAYBANK NOMINEES (TEMPATAN) SDN BHD Tan Chin Thong	216,600	0.60
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Hoo Yeek Foo	215,800	0.59
23	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Ng Hong Ming (Margin)	215,000	0.59
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Tan Boon Huat	207,400	0.57
25	TAY YUAN SEN	206,027	0.57
26	CHIEW CHIENG SIEW	200,200	0.55
27	TAY LI PING	200,125	0.55
28	ANG KAI CHAN	200,000	0.55
29	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Goalkey System Sdn Bhd (MY1461)	200,000	0.55
30	KOEK SEAM CHENG	200,000	0.55
	Total	**19,893,970**	**54.84**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Second (22nd) 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, 13 April 2020 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 2019 together with the Reports of the Directors and the Auditors thereon.

2. To approve the payment of Directors' fees up to RM800,000 for the financial year ending 31 October 2020 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 dividend of 2 sen per share in respect of the financial year ended 31 October 2019. **(Ordinary Resolution 2)**

4. To re-elect the following Directors who retire in accordance with Clause 90 of the Company's Constitution: -

   Mr Tay Khim Seng **(Ordinary Resolution 3)**
   Mr Boo Chin Liong **(Ordinary Resolution 4)**
   Mr Chua Syer Cin **(Ordinary Resolution 5)**

5. To re-appoint Crowe Malaysia PLT as Auditors of the Company and to authorise the Directors to determine their remuneration. **(Ordinary Resolution 6)**

AS SPECIAL BUSINESS

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

6. **Authority to Issue Shares pursuant to the Companies Act 2016 ("the Act")**

   THAT subject to the Act, the Constitution of the Company, and the approvals from Bursa Malaysia Securities Berhad ("Bursa Securities") and any relevant governmental/regulatory authority, the Directors of the Company be hereby empowered, pursuant to the Act, to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per cent (10%) of the total number of issued shares of the Company for the time being; AND THAT the Directors be also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities; AND FURTHER THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company. **(Ordinary Resolution 7)**

Notice of Annual General Meeting (cont'd)

7. **Continuing in Office as Independent Non-Executive Directors**

   (i) THAT authority be hereby given to Mr Boo Chin Liong, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company. **(Ordinary Resolution 8)**

   (ii) THAT authority be hereby given to Mr Chua Syer Cin, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company. **(Ordinary Resolution 9)**

8. To transact any other ordinary business of which due notice shall have been given.

Notice of Entitlement Date and Dividend Payment

NOTICE IS ALSO HEREBY GIVEN THAT the proposed final dividend of 2 sen per share in respect of the financial year ended 31 October 2019, if approved, will be paid on 15 May 2020 to depositors registered in the Record of Depositors of the Company at the close of business on 30 April 2020.

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 30 April 2020 in respect of ordinary transfers; or

b) Shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

BY ORDER OF THE BOARD

Pang Kah Man
SSM PC No.: 202008000183
MIA No.: 18831
Company Secretary

Muar, Johor Darul Takzim
28 February 2020

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 22nd 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 7 April 2020 shall be entitled to attend in person or appoint proxies to attend and/or vote on their behalf at the 22nd Annual General Meeting.*

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

Explanatory Notes to the Agenda

8. Item No. 1 of the Agenda
Audited Financial Statements

This Agenda item is meant for discussion only as provision of Section 340(1)(a) of the the Act does not require a formal approval of the shareholders and hence, is not put forward for voting.

9. Item No. 2 of the Agenda
Approval of Directors' fees for the financial year ending 31 October 2020

Directors' fees approved for the financial year ended 31 October 2019 was RM695,300. The Directors' fees proposed for the financial year ending 31 October 2020 are calculated based on the number of scheduled Board and Committee Meetings for 2020 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
Authority to Issue Shares pursuant to the Act

The proposed adoption of Ordinary Resolution 7 is for the purpose of granting a fresh general mandate ("General Mandate") and empowering the Directors of the Company, pursuant to the Act, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed ten per cent (10%) of the total number of issued shares of the Company for the time being.

The General Mandate, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. The General Mandate will provide flexibility to the Company for allotment of shares for any possible fundraising activities, including but not limited to placement of shares for the purpose of funding future investment project(s), working capital and/or acquisition(s).

11. Item No. 7 of the Agenda
Continuing in Office as Independent Non-Executive Directors

The proposed Ordinary Resolutions 8 & 9 relate to the approval by shareholders for the named directors to continue in office as Independent Non-Executive Directors. The Board has assessed the independence of each of the directors who has served as Independent Non-Executive Directors of the Company for a cumulative term of more than twelve (12) years. The Board is satisfied that each of these directors has met the independence guidelines as set out in Chapter 1 of the Listing Requirements. The length of their service does not interfere with their ability and exercise of independent judgement as Independent Directors.

Therefore, the Board has recommended that the approval of the shareholders be sought through a two-tier voting process for the continuing of office of Mr Boo Chin Liong and Mr Chua Syer Cin as Independent Non-Executive Directors of the Company.

12. Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Company's 22nd 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 22nd Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 22nd 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 22nd Annual General Meeting of the Company.

Form of Proxy

POH HUAT RESOURCES HOLDINGS BERHAD
[199701027671 (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 22nd 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, 13 April 2020 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 2020		
2	Declaration of a final dividend of 2 sen per share		
3	Re-election of Mr Tay Khim Seng as Director		
4	Re-election of Mr Boo Chin Liong as Director		
5	Re-election of Mr Chua Syer Cin as Director		
6	Re-appointment of Crowe Malaysia PLT as Auditors		
No.	**Ordinary Resolutions (Special Business)**		
7	Authority to Issue Shares Pursuant to the Companies Act 2016		
8	Retention of Mr Boo Chin Liong as Independent Director		
9	Retention of Mr Chua Syer Cin as Independent Director		

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 ____________ 2020

____
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 22nd 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 7 April 2020 shall be entitled to attend in person or appoint proxies to attend and/or vote on their behalf at the 22nd 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 22nd Annual General Meeting and any adjournment thereof.*

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STAMP/SETEM

Registered Office / Pejabat Berdaftar
POH HUAT RESOURCES HOLDINGS BERHAD
[199701027671 (443169-X)]

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

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POH HUAT RESOURCES HOLDINGS BERHAD 199701027671 (443169-X)

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