



# ANNUAL REPORT 2021



**SHH RESOURCES HOLDINGS BERHAD**  
Registration No: 199401018548 (304227-U)  
(Incorporated In Malaysia)

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## MISSION STATEMENT

“To constantly strive for excellence in production efficiency, product quality and competitive pricing to increase market share and maximise returns to shareholders.”

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Twenty-Seventh (27th) Annual General Meeting (“AGM”) of the Company will be conducted entirely through live streaming from the Broadcast Venue at Level 12, Menara Symphony, No 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan on 30th November 2021 at 11.00 a.m. or any adjournment thereof via online meeting platform at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC - D6A357657), for the transaction of the following businesses:-

## **AS ORDINARY BUSINESS**

1. To receive the Audited Financial Statements for the financial year ended 30th June 2021 together with the Reports of the Directors and the Auditors thereon.  
**(Please refer to Note A)**
2. To approve the payment of Directors’ fees up to RM440,000 for the financial year ending 30th June 2022 payable monthly in arrears after each month of completed service of the Directors during the subject financial year.  
**(Resolution 1)**
3. To re-elect following Directors who retires in accordance with Clause 90 of the Company’s Constitution:-  

(a) Datin Teo Chan Huat	<b>(Resolution 2)</b>
(b) Tan Siong Sun	<b>(Resolution 3)</b>
4. To re-elect following Director who retires in accordance with Clause 98 of the Company’s Constitution:-  

(a) Ng Sai Goey	<b>(Resolution 4)</b>
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5. To re-appoint Messrs Peter Chong & Co. as Auditors of the Company and to authorise the Directors to fix their remuneration.  
**(Resolution 5)**

# NOTICE OF ANNUAL GENERAL MEETING (cont'd)

## AS SPECIAL BUSINESSES

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

### 6. Authority to Issue Shares

“THAT subject to the Companies Act 2016 (the “Act”), the Constitution of the Company, the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and subject to the approvals of the relevant governmental/ regulatory authorities, the Directors be hereby authorised and empowered pursuant to Sections 75 and 76 of 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 to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company at any point in time (“10% General Mandate”);

AND THAT the Directors be hereby also empowered to obtain approval from Bursa Securities for the listing and quotation of the additional shares so issued pursuant to the 10% General Mandate on Bursa Securities; FURTHER THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.”

**(Resolution 6)**

### 7. Proposed Shareholders’ Mandate for Recurrent Related Party Transactions

“THAT, subject to the Companies Act 2016 (“the Act”), the Constitution of the Company and Bursa Malaysia Securities Berhad’s Main Market Listing Requirements, approval be hereby given to the Company and/or its subsidiaries to enter into all arrangements and/or transactions involving interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the Company and/or its subsidiaries (“Related Parties”), details of which are more particularly set out in Section 2 of the Circular to Shareholders dated 29th October 2021 (“the Shareholders’ Mandate”);

PROVIDED THAT such arrangements and/or transactions are:-

- a. recurrent transactions of a revenue or trading nature;
- b. necessary for the day-to-day operations;
- c. carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
- d. not to the detriment of minority shareholders.

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### 7. Proposed Shareholders' Mandate for Recurrent Related Party Transactions (cont'd)

THAT the Shareholders' Mandate, unless earlier revoked or varied by the Company in a general meeting, shall continue to be in force until the next Annual General Meeting ("AGM") of the Company or the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act);

AND THAT disclosure will be made in the annual report of the Company of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year;

FURTHER THAT the Directors of the Company be hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate."

(Resolution 7)

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

BY ORDER OF THE BOARD

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

Muar, Johor Darul Takzim  
29th October 2021

# NOTICE OF ANNUAL GENERAL MEETING (cont'd)

## Notes:-

- (A) This Agenda item is meant for discussion only as provision of Section 340(1)(a) of the Companies Act 2016 ("the Act") does not require a formal approval of the shareholders and hence, is not put forward for voting.
1. A proxy may but need not be a member of the Company pursuant to Section 334 of the Act.
  2. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless the member specifies the proportion of his/her shareholdings to be represented by each proxy.
  3. The Form of Proxy shall be executed under the hand of the appointer or his/her attorney duly authorised in writing or if such an appointer is a corporation, under its common seal or under the hand of its attorney.
  4. The Form of Proxy must be duly completed and deposited at the Registered Office of the Company at No. 2 (1st Floor), Jalan Marin, Taman Marin, Jalan Haji Abdullah, Sungai Abong, 84000 Muar, Johor Darul Takzim or submitted via email to [agm2021@shh.com.my](mailto:agm2021@shh.com.my) or lodged electronically via "Boardroom Smart Investor Portal" at <https://investor.boardroomlimited.com>, not less than twenty-four (24) hours before the time set for holding of the 27th AGM or any adjournment thereof as Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") requires all resolutions set out in the Notice of the 27th AGM to vote by poll.
  5. 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 27th AGM as his/her 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).
  6. Only members registered in the Record of Depositors as at 24th November 2021 shall be eligible to attend the 27th AGM or appoint a proxy to attend and vote on his/her behalf.
  7. 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 accounts ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
  8. The 27th AGM will be conducted fully virtual at the Broadcast Venue, the members are advised to refer to the Administrative Notes on the registration and voting process for the 27th AGM.

## Explanation Note on Special Business:-

9. The Ordinary Resolution proposed under Item 6 (Resolution 6) is to seek a general mandate to empower the Directors of the Company pursuant to Sections 75 and 76 of the Act, to issue and allot ordinary shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 10% of the total number of issued shares of the Company at any point of time ("10% General Mandate").

This 10% General Mandate, unless revoked or varied at a general meeting, will expire at the next AGM.

With this 10% General Mandate, the Company will be able to raise funds for the purpose of funding future investments, working capital and/or acquisitions. The Board, having considered the current and prospective financial position, needs and capacity of the Company, is of the opinion that the 10% General Mandate is in the best interest of the Company and its shareholders.

10. The Ordinary Resolution proposed under Item 7 (Resolution 7), if passed, will authorise the Company and/or its subsidiaries ("Group") to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company. Further details on the Shareholders' Mandate are provided in the Circular to Shareholders dated 29th October 2021.

## 11. Annual Report 2021

The Annual Report 2021 can be accessed from the website of Bursa Securities at [www.bursamalaysia.com](http://www.bursamalaysia.com). It can also be downloaded from the Company's website at [www.shh.com.my](http://www.shh.com.my). Shareholders who wish to receive the printed Annual Report 2021, please contact Boardroom Share Registrars Sdn Bhd at Tel no. 03-7890 4717 or email to [Mohammad.Helmi@boardroomlimited.com](mailto:Mohammad.Helmi@boardroomlimited.com).

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

## Details of individuals standing for election as directors

No individual is seeking election as a Director at the forthcoming Annual General Meeting of the Company.

## Name of Directors Standing for Re-appointment/Re-election

The Directors standing for re-appointment/re-election at the forthcoming Annual General Meeting are as follows:-

Pursuant to Clause 90 of the Company's Constitution:-

1. Datin Teo Chan Huat
2. Tan Siong Sun

Pursuant to Clause 98 of the Company's Constitution :-

1. Ng Sai Goey

## Details of Attendance of Directors at Board Meetings

Four (4) board meetings were held during the financial year ended 30th June 2021. Details of the attendance of Directors at the Board Meetings are as follows:-

Name	Attendance
Dato' Haji Obet bin Tawil	4/4
Dato' Teo Wee Cheng	4/4
Datin Teo Chan Huat	4/4
Dato' Tan Seng Hu	4/4
Tan Siong Sun	4/4
Ng Sai Goey (appointed on 22nd March 2021)	1/1
Lim Swee Chong (resigned on 29th December 2020)	0/2

## Date, Time and Place of the Annual General Meeting

Date : 30th November 2021

Time : 11.00 a.m.

Place : Broadcast Venue (Virtual AGM)  
Level 12, Menara Symphony,  
No.5, Jalan Prof. Khoo Kay Kim,  
Seksyen 13,  
46200 Petaling Jaya,  
Selangor Darul Ehsan.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING (cont'd)

## Details of Directors Standing for Re-appointment/Re-election

The details of Directors standing for re-appointment/re-election at the abovementioned Annual General Meeting are as follows:-

<b>Name</b>	<b>Datin Teo Chan Huat</b>
Profile of Director	As set out in the Profile of Directors on pages 10 to 12 of the Annual Report
Securities holding in the Company and its subsidiaries	Direct – 6,542,230 ordinary shares Indirect – 24,411,544 ordinary shares
<b>Name</b>	<b>Tan Siong Sun</b>
Profile of Director	As set out in the Profile of Directors on pages 10 to 12 of the Annual Report
Securities holding in the Company and its subsidiaries	Direct – nil Indirect – 3,024,000
<b>Name</b>	<b>Ng Sai Goey</b>
Profile of Director	As set out in the Profile of Directors on pages 10 to 12 of the Annual Report
Securities holding in the Company and its subsidiaries	Direct – 155,200 Indirect – Nil



# CORPORATE INFORMATION

## Board Of Directors

Dato' Haji Obet bin Tawil*	(Chairman)
Dato' Teo Wee Cheng	(Managing Director)
Datin Teo Chan Huat	(Deputy Managing Director)
Ng Sai Goey *	
Dato' Tan Seng Hu	
Tan Siong Sun	

### Audit Committee

Dato' Haji Obet bin Tawil*	(Chairman)
Ng Sai Goey *	
Tan Siong Sun	

### Nominating Committee

Ng Sai Goey*	(Chairman)
Dato' Haji Obet bin Tawil*	
Dato' Tan Seng Hu	

### Remuneration Committee

Dato' Haji Obet bin Tawil*	(Chairman)
Ng Sai Goey *	
Dato' Tan Seng Hu	

### Risk Management Committee

Tan Siong Sun	(Chairman)
Ng Sai Goey *	
Dato' Haji Obet bin Tawil*	

### Senior Independent Director

Dato' Haji Obet bin Tawil \*

\* Independent Non-Executive Director

### Company 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. :** 06 - 951 0223  
**Fax No. :** 06 - 950 1490

### Principal Place of Business

PLO 1, Kawasan Perindustrian Pagoh  
84600 Pagoh, Muar  
Johor Darul Takzim

### Registrar

Boardroom Share Registrars Sdn Bhd  
11th Floor, Menara Symphony  
No 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13, 46200 Petaling Jaya  
Selangor Darul Ehsan  
**Tel No. :** 03 - 78904700  
**Fax No. :** 03 - 78904670

### Auditors

Peter Chong & Co.  
Chartered Accountants  
SOHO Suites@KLCC  
Block A2, Level 31-3  
No. 20, Jalan Perak  
50450 Kuala Lumpur

### Principal Bankers

HSBC Bank Malaysia Berhad  
Malayan Banking Berhad  
United Overseas Bank (Malaysia) Berhad

### Solicitor

Khairin-Nisa' & Co.

### Stock Exchange Listing

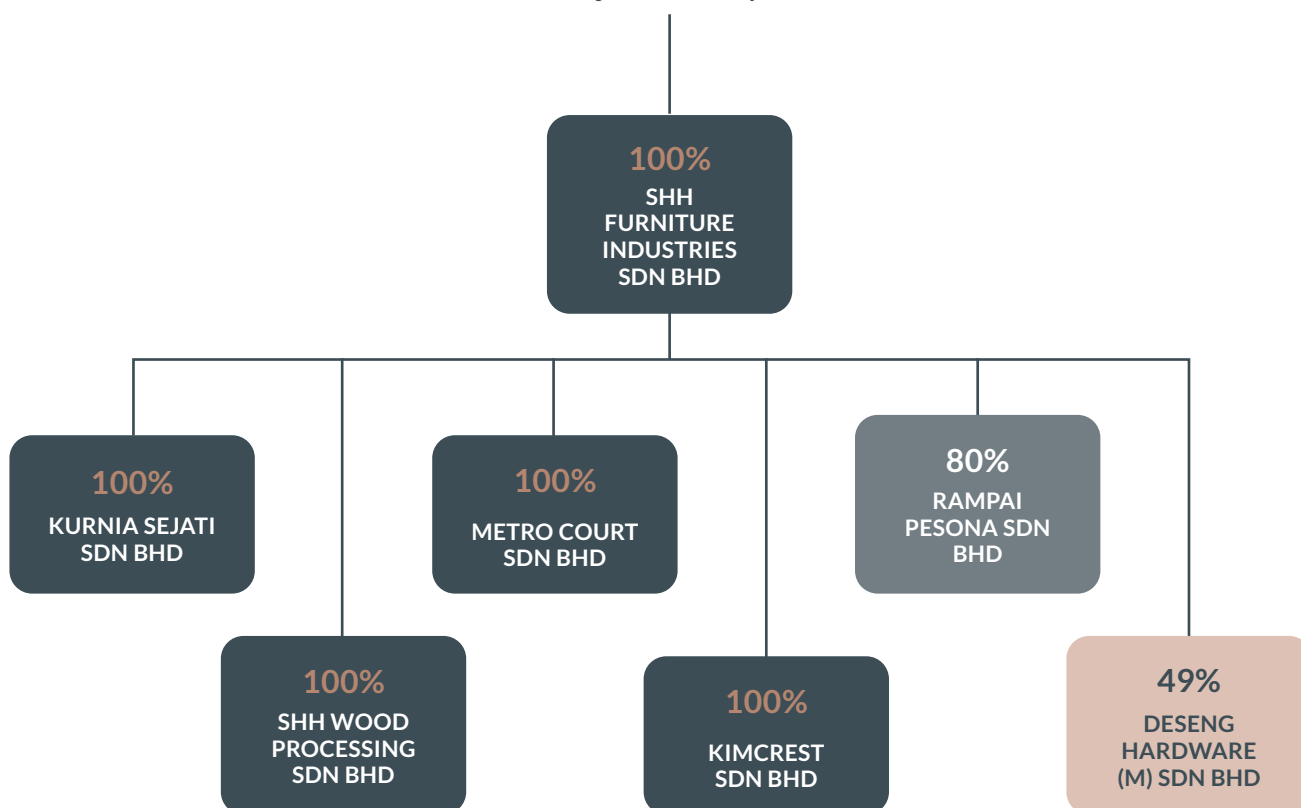
Main Market of the Bursa Malaysia Securities Berhad

# CORPORATE STRUCTURE



## SHH RESOURCES HOLDINGS BERHAD

Registration No: 199401018548 (304227-U)  
(Incorporated In Malaysia)



# PROFILE OF DIRECTORS

**Dato' Haji Obet bin Tawil**  
Chairman  
(Independent Non-Executive Director)

**Dato' Haji Obet Bin Tawil**, Malaysian, male, aged 67, was appointed to the Board of the Company on 31st March 2017 and is the Chairman of the Board and presently the Chairman of the Audit Committee and Remuneration Committee. He is also a member of the Risk Management Committee and Nominating Committee of the Company. He graduated from Universiti Kebangsaan Malaysia with a Bachelor of Economic Degree with Honours, majoring in Analytical Economics. Dato' Haji Obet was the State Secretary of Johor from March 2011 until April 2014 before his retirement on 9th April 2014. Prior to that, he was the Director of Johor Land and Mines Department. He has served in the public sector since 1979 in various government agencies, including the Land Offices of Mersing, Kluang and Muar. Dato' Haji Obet was a director of Johor Corporation and Universiti Teknologi Malaysia from 14th March 2011 until 9th April 2014.

He was previously a member of the Iskandar Regional Development Authority. Currently he is a director of Eco World Development Group Berhad. He is also a member of Nomination Committee of Eco World Development Group Berhad. He has no family relationship with any Director and/or major shareholder of the Company.

**Dato' Teo Wee Cheng**  
Managing Director  
(Non-Independent Executive Director)

**Dato' Teo Wee Cheng**, Malaysian, male, aged 63, was appointed to the Board of the Company on 3rd May 1996. He is presently the Managing Director of the Company. He started his career in Muar at the age of 15 as a sub-contractor for carpentry works for furniture shops. In 1981, he set up his own furniture manufacturing concern under Sin Heng Huat Trading Co which subsequently became SHH Furniture Industries Sdn Bhd, the main operating subsidiary of the SHH Group.

He has been involved in the furniture manufacturing industry for more than 40 years. He is currently responsible for the overall strategic direction, business development and operations management of the SHH Group. He is not a director of any other public company. He is the spouse of Datin Teo Chan Huat.

## PROFILE OF DIRECTORS (cont'd)

### Datin Teo Chan Huat

Deputy Managing Director  
(Non-Independent Executive Director)

**Datin Teo Chan Huat**, Malaysian, female, aged 61, was appointed to the Board of the Company on 3rd May 1996. She is presently the Deputy Managing Director of the Company. She completed her secondary education in 1978 and joined Sin Heng Huat Trading Co in 1982.

She has vast experience and skill in furniture manufacturing operations and has been in the furniture industry for more than 30 years. She is not a director of any other public company. She is the spouse of Dato' Teo Wee Cheng.

### Dato' Tan Seng Hu

Director  
(Non-Independent Non-Executive Director)

**Dato' Tan Seng Hu**, Malaysian, male, aged 45, was appointed to the Board of the Company on 16th December 2016. He is a member of the Nominating Committee and the Remuneration Committee of the Company. He graduated with a Bachelor of Arts degree in Business Administration and a minor in Human Resources from the Washington State University in 2001. He obtained his Master of Science in Economics from the University of Idaho in 2003.

He has been involved in the construction industry for more than 12 years and is currently managing his own project management company since 2006. He is also board member of several private limited companies. He has no family relationship with any Director and/or major shareholder of the Company.

## PROFILE OF DIRECTORS (cont'd)

### Tan Siong Sun

Director

*(Non-Independent Non-Executive Director)*

**Tan Siong Sun**, Malaysian, male, aged 46, was appointed to the Board of the Company on 16th December 2016. He is the Chairman of the Risk Management Committee and is a member of the Audit Committee of the Company. He obtained his Bachelor of Economics (Honours) from Universiti Kebangsaan Malaysia in 1999. He started his career as a research analyst with Premier Capital Securities Sdn Bhd in 1999.

He was part of the team involved in conducting research, collecting and analysing data, monitoring economic trends and developing forecasts in relation to investment environment. He later joined Premier Capital Management Sdn Bhd as an Account Manager in 2000. Subsequently in 2003, he joined UF Engineers Sdn Bhd as Business Development Manager. 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.

### Ng Sai Goey

Director

*(Independent Non-Executive Director)*

**Ng Sai Goey**, Malaysian, female, aged 54 was appointed to the Board of the Company on 22nd March 2021. She is the Chairman of the Nominating Committee and is a member of Audit Committee, Remuneration Committee and Risk Management Committee of the Company. She obtained her Bachelor of Economics (majoring in Accounting) from The University of Adelaide, Australia in 1990 and is a chartered member of the Malaysian Institute of Accountants.

She has a wide range of working experiences in professional and commercial practices. She worked in one of the Big Four international public accounting firms and a medium size accounting firm upon her graduation. She moved on to join several public listed companies in Malaysia where her job responsibilities were in the areas of, inter-alia accounting, financing/budgeting, taxation and corporate management. Her last position was as Group Financial Controller of a main board company listed on Bursa Malaysia. She is not a director of any other public company. She 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

## Teo Bok Yu Chief Executive Officer

**Teo Bok Yu**, Malaysian, male, aged 39 started his career in the interior design and renovation business in 1998 with a local company in Muar, Johor. Subsequently in 2004, he started his own property development and construction business. He joined SHH Furniture Industries Sdn Bhd in 2011 and assisted the Managing Director in the daily management of the production operations of the Group. He was subsequently promoted to Product Development Manager in 2015 and assumed his present position in December 2017. He is the son of Dato' Teo Wee Cheng and Datin Teo Chan Huat.

## Patrick Lim Seng Chye Chief Financial Officer

**Patrick Lim Seng Chye**, Malaysian, male, aged 53 joined the SHH Group as its Group Accountant in June 1998. He is a Chartered Accountant member of the Malaysian Institute of Accountants and a member of the Malaysian Institute of Certified Public Accountants. He started his career with Price Waterhouse in 1988 as an audit assistant and was promoted to assistant manager before joining the SHH Group in 1998. He was promoted to his present position in December 2017. 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.

## Tan Heng Ngee Chief Operating Officer

**Tan Heng Ngee**, Malaysian, male, aged 54 was appointed as the Chief Operating Officer of the Group in April 2018 and is responsible for the daily running of the Group's manufacturing operations. He started his career as a clerical staff with Hongkong Bank Malaysia Berhad in 1986 before joining SHH Furniture Industries Sdn Bhd on 2nd September 1994. He was the Manager of the Administration and Personnel Department of SHH Furniture Industries Sdn Bhd and was responsible for the payroll, general office maintenance and employees' welfare. He has no family relationship with any Director and/or major shareholder of the Company.

### CONFLICT OF INTEREST

None of the Key Senior Management has any conflict of interest with the Company.

### CONVICTION OF OFFENCE

None of the Key Senior Management has been convicted of any offence within the past 5 years.

# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of **SHH RESOURCES HOLDINGS BERHAD**, it is my pleasure to present to you the Annual Report and the Financial Statements of the Company and its subsidiaries for the financial year ended 30th June 2021.

## Operational Review

The 18 months old Covid-19 pandemic has disrupted lives across all countries and communities and negatively affected global economic growth. In 2020, the global economy has gone into the pandemic-induced recession with global trade down by as much as 20% by some estimates.

As we have reported previously, the US furniture market were initially badly affected by the movement restrictions imposed at the onset of the pandemic in March 2020. Similarly, our operations were halted by almost 1½ months following the 1st movement control order imposed by the Malaysian government in March 2020 (1st MCO).

We were fortunate that the US furniture trade recovered significantly following the first 3 months of the pandemic in 2020. To the surprise of many, US furniture market rebounded, driven by stronger demand for home and home-office furniture brought on by the stay at home and work from home movements. With the safety of our workers in mind, we resumed operations after the 1st MCO in May 2020 with new standard operating procedures to ensure safe, Covid-19 free working environment and gradually ramped up operations thereafter. Our operations for 1st quarter of the current financial year recovered to pre-pandemic level and we were busy fulfilling orders which were previously cancelled and rescheduled in the subsequent quarters.

Despite steady progress during the first 9 months of the financial year, our operations were again halted twice in the last quarter of the financial year, the first for 3 weeks from end April to mid May 2021 and the second from early June 2021 until mid September 2021 under the full movement control order implemented by the Malaysian government on 1st June 2021 (FMCO).

Despite the unprecedented challenges, we achieve a higher revenue of RM112.91 million in the current financial year, an 8.44% growth compared to the revenue of RM104.12 million recorded in the previous financial year. During the year, we experienced higher costs of most raw materials, driven by tighter supply, higher manufacturing costs and restrictive logistic circumstances. We focused on improving operational efficiency and minimise wastage to mitigate higher material costs and managed to negotiate some price revision with customers to mitigate raising costs. With these efforts, gross profit increased from RM14.72 million in the preceding year to RM18.52 million in the current year under review.

With the improved operational results and our efforts to contained administrative costs, we are happy to report that the Group recorded a profit after tax attributable to the owners of RM3.97 million in the current financial year against a loss of RM2.67 million in the previous year, a very commendable turnaround performance in these challenging times.

## Prospects

Global economic recovery is underway as vaccination increases and lockdowns are or have been lifted in many countries. In US, the recovery stimulus and the multi trillion US Dollar infrastructure packages proposed under the Biden Administration are expected to support

## CHAIRMAN'S STATEMENT (cont'd)

economic recovery and create jobs opportunities for Americans. The recent moderation of the US economy notwithstanding, low interest rates, continued easy fiscal policies and demand for more living space as people continue to work from home, will boost demand for housing and household furniture this year.

While Malaysia is progressing well on vaccinating its population, the recent FMCO has adversely affected our shipment and financial performance for the last quarter of 2021 and the first quarter of 2022. The Covid-19 pandemic has given rise to labour shortage, particularly in the wood-based industries which relies on foreign workers and has adversely impacted on our supply chain, production costs and capacity. The Covid-19 pandemic has also caused disruption in international trade and global logistics. Higher freight costs, shortages of shipping containers and Covid-19 related economic uncertainties may adversely impact our customers' decision in placing orders.

Given the uncertainties and challenges ahead, our priorities are now on balancing the safety and welfare of our staff while mitigating operational costs and constraints to ensure our business viability.

### **Bonus Issue**

During the year, the Company implemented a 1 for 1 Bonus Issue to increase the number of issued shares to reward the Shareholders by enabling them to have greater participation in the equity of the Company. The Bonus Issue was completed on 14th June 2021 and the Company now has 99,995,000 shares listed and traded on the Main Market of Bursa Securities. We hoped that the increased number of shares listed will improve trading liquidity and the more affordable share prices will attract a wider group of public shareholders and investors.

### **Acknowledgement**

On behalf of the Board of Directors, I also wish to extend our sincere gratitude and appreciation to our management team and employees who have shown strong dedication and commitment during these challenging times.

We also appreciate the long-standing support, co-operation and guidance of our valued customers, suppliers, business associates, bankers and regulatory authorities. To our business partners, we express our gratitude for your continuous and unwavering support. Lastly, to the shareholders of the Company, we thank you for your faith in us and for your continuous support to the Group.

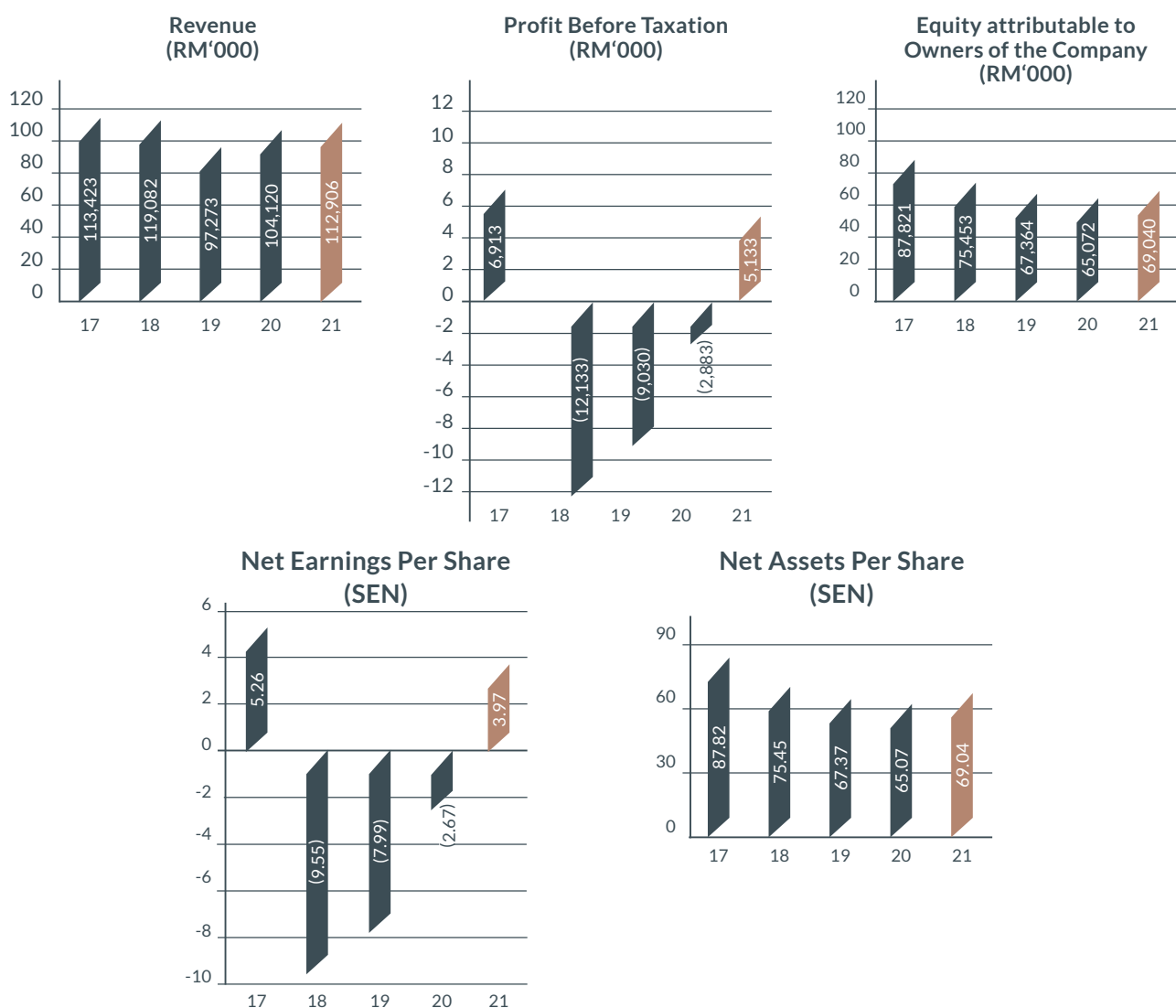
Thank you.

**Dato' Haji Obet bin Tawil**  
**Chairman**  
**Muar, Johor Darul Takzim**  
**18th October 2021**

# 5-YEARS FINANCIAL HIGHLIGHTS

Financial year ended 30th June	2017	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	113,423	119,082	97,273	104,120	112,906
Profit/(Loss) before taxation	6,913	(12,133)	(9,030)	(2,883)	5,133
Profit/(Loss) after taxation and attributable to Owners of the Company	5,259	(9,548)	(7,987)	(2,674)	3,968
Equity attributable to Owners of the Company	87,821	75,453	67,364	65,072	69,040
	sen	sen	sen	sen	sen
Net earnings/(loss) per share*	5.26	(9.55)	(7.99)	(2.67)	3.97
Net assets per share*	87.82	75.45	67.37	65.07	69.04

\* For comparative purpose, the net earnings per share and net assets per share of the Company for the financial years 2017 to 2020 have been retrospectively adjusted to reflect the Company's 1 for 1 Bonus Issue which was completed on 14th June 2021.



# MANAGEMENT DISCUSSION & ANALYSIS

## 1. INTRODUCTION

We are a Malaysian based manufacturer and exporter of wood furniture. Our founder, Dato' Teo Wee Cheng has his beginning in Muar, the heartland of Malaysian furniture industry, as one of the pioneers in the use of rubberwood as the main raw material for large-scale manufacturing of dining sets for the export market. In the early 1990s, Dato' Teo converted his sole proprietorship into SHH Furniture Industries Sdn Bhd which went on to become one of the major manufacturer and exporter of rubberwood dining sets in Malaysia. Building on our success, we expanded our operations to the manufacturing of bedroom sets under Kurnia Sejati Sdn Bhd which is now one of the main contributors to our revenue. Today, we manufacture a wide range of wood-based home furniture using a combination of renewable wood based materials, namely solid wood, MDF, particle boards and veneers.

### **Products and Markets**

We specialise in the manufacturing of American and European styled wood based home furniture. Our products can be divided into 2 categories, namely bedroom suites and dining furniture.

Our products comprise mainly wood home furniture for the medium segment of the North American market. We have also shipped some of our products to the Middle East.

Our bedroom suites comprise beds, dressers, mirrors, nightstands, chest of drawers and other bedroom fittings. Our products come in various styles including transitional as well as contemporary designs.

We also manufacture a wide range of dining sets comprises dining tables, chairs, servers, buffets and hutches. These are complemented by occasional items such as coffee, end and sofa tables.

The US market accounts for more than 90% of our export revenue. Our customers are mainly major US furniture importers, wholesalers and retailers.

In recent years, we have expanded our market reach to the Middle East through a major home furnishing chain in the Middle East.

# MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

## 1. INTRODUCTION (cont'd)

### Manufacturing Bases

Our manufacturing activities are carried out at the Pagoh Industrial Area located in the district of Muar, Johor.

Our main office and manufacturing facilities are strategically located adjacent to the Pagoh Toll of the North South Expressway. Our manufacturing facilities, comprises 5 blocks of factory buildings, situated on 14.05 hectares of industrial land.

Our manufacturing facilities have a total built up areas of about 114,750 sqm and are equipped with panel based wood-working machinery including automated panel saw, CNC machines, veneer joint machines, veneer presses, edge banding machines, lamination machines, turning machines, molding machines, sanding machines, conveyor towed pallet finishing lines and overhead conveyor finishing lines. We have a workforce of about 900 workers.

Our manufacturing operations are supplemented by Deseng (M) Hardware Sdn Bhd, our 49% associate, which operations are carried out in its own 3,750 sqm factory near our main manufacturing facilities in Pagoh, Muar, Johor.

## 2. OVERVIEW OF THE BUSINESS ENVIRONMENT

### Global Furniture Trade

High demand for branded home furniture coupled with rising spending capacity of consumers on home decor products are some of the driving factors for the growth of this market. Prior to the Covid-19 pandemic, the global furniture market was valued at USD609.7 billion in 2019 with an expected growth rate of 5.4% from 2020 to 2026. However, like all other industries, the furniture industry took a massive hit in the year 2020 due to the ever-rising Covid-19 pandemic. Demand however recovered following the initial months of pandemic lockdown in 2020 as demand for home and home office furniture grew in line with the staying and working from home movement and furniture supply channel found ways to fulfill this requirement. Although furniture trade for 2020 and 2021 is expected to contract due to Covid-19 pandemic, global demand for furniture will continue its growth once global economy recovers and reverts to normalcy.

China continues to take top position as the world's largest furniture manufacturer. Prior to the US-China trade war which started in mid-2018, China accounted for nearly 40 per cent (40%) of global production. USA, the second largest producer, accounted for 12 per cent (12%), followed some way behind by Germany (5%), Italy (4%), India (4%), Poland (3%), Japan (2%), Vietnam (2%), UK (2%) and Canada (2%). In 2018, China was the leading exporter of furniture to the rest of the world, with an export value of around US\$63.54 billion. Germany, ranked second, exported approximately US\$13.39 billion worth of furniture that year.

# MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

## 2. OVERVIEW OF THE BUSINESS ENVIRONMENT (cont'd)

### Global Furniture Trade (cont'd)

The US is the world's largest furniture market with a market value of US\$260 billion in 2019. Continued growth in building construction and rising disposable income levels have boosted the demand for furniture in the U.S. in recent years.

Demographics shifts, economic growth and environmental issues have given rise to a variety of influential furniture trends to watch, from growing interest in eco-friendly furniture to the rise of e-commerce.

#### 1. *Increased Interest in Eco-Friendly Furniture*

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

#### 2. *More Flexible Workspaces and Working from Homes*

As technology has evolved, employees are no longer tethered to their desks, and workplace designs and office furniture have changed significantly as well. Cubicles and private offices have given way to office and home environments with flexible workspaces where employees can work from home and in groups of different sizes. The devastating Covid-19 pandemic which necessitate social distancing has resulted in movement restriction and forced many to stay at and work from home. This gave rise to stronger demand for home and home-office furniture as people have to organise their daily activities mostly at home. Manufacturers are designing and producing furniture that are modular and flexible to accommodate shared workspace and home-offices.

#### 3. *The Growth of Online Furniture Sales*

The most notable and disruptive shift is the rise of e-commerce in the furniture industry. Projections cited in the report E-Commerce : United States Report expect furniture and furnishings to be the fastest-growing segment of e-commerce sales through 2022 as more and more millennials are starting new family and are more willing to buy items online because of costs and convenience. The Covid-19 pandemic brought about new normal, both in a way we carried out normal daily and business activities. Fear of infection and social distancing requirements have dramatically redirected the consumer's purchase path toward e-commerce, making online presence essential. Consumer behaviour was trending this way before the pandemic, and both demographic and lifestyle movements will ensure that trend continues even once a cure or vaccine is found.

# MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

## 2. OVERVIEW OF THE BUSINESS ENVIRONMENT (cont'd)

### US Furniture Market

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

Traditionally, US consumers want quality and durability when they purchase furniture. Consumers expect wall décor and wood furniture to have a longer comparative life span. While US shoppers care about quality more than price levels, millennials who are now entering the market have shown they are more price-sensitive than other age cohorts. Changes in demographics and with younger generation becoming consumer, online stores are becoming the fastest-growing channel.

Prior to the Covid-19 pandemic, the US furniture industry has been growing steadily at a CAGR of 5.7% in between 2010 to 2019. In 2019, the furniture market revenue in the U.S. amounted to approximately US\$260 billion. The US-China trade war which began in 2018 however has far-reaching repercussion on both the US economy and the furniture industry. The imposition of tariff has resulted in US importers having to pay 10% tax for imports from China arriving after September 2018. The subsequent escalation of the trade spat in 2019 brought about the imposition of a higher import duties of 25% on US\$200 billion worth of Chinese goods including furniture in August 2020. With tariffs imposed on Chinese sourced base materials and finished goods, the cost structure the US furniture industry were adversely affected resulted in higher price for consumers or lower profits for retailers. The above notwithstanding, demand for furniture is still robust as US furniture imports remain strong despite the added sourcing complexity and costs from the US-China trade war.

In the US, concerns about business continuity and job securities, from the prolonged Covid-19 pandemic and the impact of a global economic slowdown have impacted businesses and consumer sentiments considerably. The intensifying US-China relations and Covid-19 health and movement restrictions have adversely affected businesses and daily lives. These have led to fundamental changes in the both the sourcing and retailing of almost all sectors of the economy including the household and furniture.

Increasing adoption of modern furniture and the growing popularity of online distribution channels that offer convenience and time-saving during furniture purchase are anticipated to fuel growth. The Covid-19 pandemic brought about new normal, both in the way we carried out normal daily and business activities. Fear of infection and social distancing requirements have dramatically redirected the consumer's purchase path toward e-commerce. The COVID-19 shutdown certainly exposed retailers that didn't have an online retail presence. Many companies are putting more efforts towards their online retail stores, by adding benefits for consumers who shop online such as free delivery and installation and even same-day pick up.

# MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

## 2. OVERVIEW OF THE BUSINESS ENVIRONMENT (cont'd)

### US Furniture Market (cont'd)

Retailers also need to engage with the consumer not only wherever they shop, but wherever they learn, play or seek inspiration. Growing consciousness on climate changes and environmental issues, many vendors are developing eco-friendly furniture. This trend is driven by environmental concerns, such as the problem of deforestation. Although eco-friendly furniture is more expensive, the demand is on the rise, making it worthwhile for manufacturers and companies to offer these products.



## 3. BUSINESS OPERATIONS REVIEW

### FURNITURE

The 18 months old COVID-19 viral pandemic has disrupted lives across all countries and communities and negatively affected global economic growth. In 2020, the global economy has gone into the pandemic-induced recession with global trade down by as much as 20% by some estimates.

As we emerged from almost 1½ months of production halt from mid-March to end-April 2020, our immediate priority is to balance safety of all stakeholders with resumption of manufacturing activities to ensure business continuity. With these in mind, we enforced health screening measures and new standard operating procedures to ensure safe Covid-19 free working environment. One of our key focus is managing movement restrictions challenges in raw material sourcing, labour supply and logistics arrangements. We are fortunate that our staff and workers responded positively to the new regime and increased productions activities back to normal levels in subsequent months.

# MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

## 3. BUSINESS OPERATIONS REVIEW (cont'd)

### FURNITURE (cont'd)

We are also happy to report that global furniture trade recovered significantly following the drastic halt in almost all furniture retail and manufacturing activities in the first 3 months of the pandemic in 2020. During the 1st half of the financial year, we were busy fulfilling orders which were previously cancelled and rescheduled. Our shipment of furniture in the 1st quarter ended 30th September 2020 recovered to pre-pandemic level of more than RM30 million, a 2.3 folds increase against the shipment of about RM13 million in preceding quarter ended 30th June 2020. Our operations continued to improve with higher shipment of furniture in the subsequent quarters as the recovery in the US furniture market gathered strength, driven by stronger demand for home and home-office furniture brought on by the stay at home and work from home movements. Anticipating longer lead time, lower manufacturing capacity and increased consumers' demand, our customers placed more orders for delivery in the later months of 2020.

Despite steady progress since the 1st MCO in March 2020, we were again forced to halt production for 3 weeks from end April 2021 after several Covid-19 cases were detected amongst our workers. We worked closely with Malaysia's Health Ministry (KMM) to implement the mitigating steps to contain the spread of COVID-19 at our factories and ensured that the health and safety of all our employees are safeguarded. With the SOPs established during the 1st MCO in March 2020, we were able to contain the spread of the virus and successful resumed operations in mid May 2021 with minimum production interruption. The rapid spread of the Delta variant in May 2021 however has resulted in the Malaysian government implemented a total lockdown on 1st June 2021 (FMCO). In compliance with the FMCO, our operations again had to be halted and our factories remained closed until mid September 2021 after most of the employees are fully vaccinated.

The Covid-19 pandemic has also caused interruptions in movements of goods around the world. In around the end of 2020, it became apparent that disruptions in international trade globally have caused dislocation of shipping containers worldwide and disruption in availability of containers. We received feedbacks from customers on shortage of containers and rising costs of shipment and we experienced build-up of finished goods inventories which impacted our production schedule. The situation became more severe in 2021 and have resulted in delays in shipment of orders to our customers.

We also continued with our efforts in controlling manufacturing costs, particularly in material consumption and containing labour overtime. As the movement restrictions and economic uncertainties have impeded marketing and product development efforts, we focused more on the existing models as orders for these programmes continue to be strong while we continue to adjust production processes in line with new health and safety SOPs.

As mentioned in the previous year, we commenced proceedings to wind-up our furniture trading business in Australia, under Zillo & Co. Pty Ltd. We completed the liquidation of Zillo on 30 June 2021.

# MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

## 3. BUSINESS OPERATIONS REVIEW (cont'd)

### PROPERTY RELATED

The Group, via its 80% owned subsidiary Rampai Pesona Sdn Bhd, had in 2018 entered into an agreement to purchase a 2.02 hectare piece of land in Bangi, Selangor Darul Ehsan for residential development purposes. The purchase of the land has been completed in April 2020. While we have received the development order (Kebenaran Merancang) for development of 300 units of apartments thereon and has made preliminary arrangements to develop the project, changes in the Kuala Lumpur/Selangor property market, tightening of end-financing for properties and the Covid-19 related restrictions and uncertainties dictate that we relook our development plans. Nonetheless, we will continue to monitor the situation and look for opportunities to commence development once market conditions recover.

## 4. FINANCIAL REVIEW

### Revenue

We are happy to report that we managed to register a higher turnover of RM112.91 million in the current financial year, an 8.44% growth compared to the turnover of RM104.12 million recorded in the preceding year's corresponding period. Our revenue in absolute US Dollar for the financial year was approximately 9.65% higher at USD27.38 million compared to USD24.97 million for the same period in the previous year.

During the early months of the financial year, demand for home finishing and furniture in the US registered strong recovery as US emerged in the 1st Covid-19 lockdown. US furniture retailers enjoyed brisk sales both from the conventional brick-and-mortar and online retail channels from pent-up demand for home and home-office furniture following store closures from March to May 2020 and subsequently Covid-19 driven stay-at-home and work-from-home movement consistent with the health safety and social distance measures. Our revenue for the last quarter was again affected by a Covid-19 related production halts which have resulted in 6-7 weeks loss of production. While we have some buffer inventory, shipment was 35% lower than the preceding quarter.

During the year we focused managing production and shipment schedules to ensure backlogs are fulfilled after the initial supply interruptions toward the end of the previous financial year and thereafter ramped up production to fulfil orders on a timely manner. We also worked with our customer on price adjustments for certain products that were materially affected by rising raw materials and manufacturing costs.

# MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

## 4. FINANCIAL REVIEW (cont'd)

### Manufacturing Costs

During the year, costs of most raw materials, namely rubber wood, particle boards, MDF, hardware, carton boxes and finishing materials experienced several rounds of increases due to more tighter supply, restrictive manufacturing and logistic circumstances. We focused on improving yield and minimise wastage to mitigate higher material costs and managed to negotiate some price revision to mitigate raising costs. As before, we continued with our efforts in value engineering to improve utilisation of materials. In the area of raw material efficiency, we are happy to report that we are able to achieve slight improvement in material costs at 57.7% of sales compared to the already commendable 58.0% of sales achieved in the previous year.

We also managed to reduce direct labour from 19.9% of sale for the previous year to 18.5% of sale for the current year. The reduction in labour costs is again due to the efforts by the Group in improving labour efficiency and controlling overtime costs. Factory overheads, as a percentage of sales, were lower at 7.5% for the current year compare with 8.1% in the previous year due to the higher level of production and in line with our costs cutting efforts.

With our focus on cost reduction and efforts to improve manufacturing efficiency, we are happy to report that we recorded sustained improvement in gross profits from RM14.72 million in the preceding year to RM18.52 million in the current year under review. Gross profit margin improved from 14.1% in the previous year to 16.4% in the current year.

### Expenses

In line with higher sales, shipment of furniture, selling and distribution costs for the financial year were slightly higher at RM4.73 million compared to RM4.51 million recorded in the previous year. Total selling and distribution costs as a percentage of sale however decreased slightly from 4.3% in the previous year to 4.2% in the current year due to reduction in marketing related activities following Covid-19 restrictions.

Total administrative expenses reduced considerably from RM13.92 million in the previous year to RM9.10 million in the current financial year. While administrative expenses were generally lower across the board, the bulk of the savings came from loss on deconsolidation of Zillo incurred in the previous year and the reduced emoluments and administrative expenses, following the winding up of Zillo's operations.

During the year, the Group recorded a net surplus of RM0.92 million in Other Income compared to RM1.14 million in the previous year. Other income for the current year comprises mainly sundry income of RM0.53 million, rental income of RM0.19 million and interest income of RM0.10 million whereas the surplus in the previous year were from sundry income of RM0.58 million, rental income of RM0.32 million and interest income of RM0.19 million.

# MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

## 4. FINANCIAL REVIEW (cont'd)

### Finance costs

The Group recorded a slightly lower finance charges of RM0.31 million against RM0.39 million in the previous year. The lower finance charges were mainly due to the full repayment of US Dollar denominated revolving credit facilities during the current year.

### Taxation

The Group incurred a tax charge of RM1.16 million in the current year compared with a tax charge of RM0.41 million in the previous year. The income tax charge in the current year was higher due to higher profit from our Malaysian operations.

### Profit attributable to equity holders of the Company

Consistent with the improved operational and financial performance of the Group, we are happy to report that the Group recorded a significant turnaround in profitability. The profit after tax attributable to the owners of the Company swung from a loss of RM2.67 million in the previous year to a profit after tax attributable to owners of the Company of RM3.97 million in the current financial year.

### Liquidity and Capital Resources

For the year under review, we recorded a net cash from operating activities of RM2.92 million compared to a net cash use of RM1.17 million in the previous year. The significant reversal of cashflow is attributable mainly to higher net operating profit before working capital changes of RM7.82 million during the year compared to a net operating profit before working capital changes of RM2.61 million in the previous year. The sustained improvement in operational cashflow is attributable to the improved operational efficiency which has yield higher profit margins from manufacturing activities and reduced administrative expenses, especially from the cessation of our trading activities in Australia.

In terms of movement in working capital, the Group's inventory levels were higher at the end of the financial year due to the higher levels of raw materials as buffers for supply, logistics uncertainties and increased in orders from customers. The Group also made efforts to improvement collection from customers while managing suppliers' credits. During the year, Rampai Pesona expended approximately RM0.97 million mainly for professional fees, development charges and capitalisation of interest cost for its 2.02 hectares property development project in Bangi, Selangor.

During the year, the Group made tax payments amounting to RM0.92 million against a lower tax payment of RM0.24 million and a tax refund of RM1.85 million in the previous year.

## MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

### 4. FINANCIAL REVIEW (cont'd)

#### Liquidity and Capital Resources (cont'd)

To improve production efficiency, the Group invested approximately RM0.86 million in capital expenditure during the year. Given the improved operational results and cashflows during the year, the Group also repaid approximately RM1.00 million to retire its US Dollar denominated revolving credit facilities and reduced bankers' acceptance utilisation by RM0.15 million.

Given the positive net cash inflow for the year under review and the Group's net cash and cash equivalent position of RM14.77 million at the end of the current financial year, the Directors are of the opinion that the Group has sufficient cash and has available unused financial facilities from banks to meet the Group's operational and capital expenditure requirements for its existing furniture manufacturing as well as for its financial obligations for the foreseeable future.

#### Increase in Capital - Bonus Issue

The Company had on 1st April 2021 proposed to undertake 1 for 1 Bonus Issue to increase the Company's number of issued shares to reward the Shareholders by enabling them to have greater participation in the equity of the Company in terms of the number of shares they hold. The Bonus Issue was approved by the shareholders on 21st May 2021 and 49,997,500 bonus shares were listed and traded on the Main Market of Bursa Securities on 14th June 2021. We hoped that the increased number of shares listed will improve trading liquidity and the more affordable share prices will attract a wider group of public shareholders and investors.

#### Gearing

The Group's net borrowings decreased slightly from RM12.06 million at the end of the previous financial year to RM11.04 million at the end of the current financial year. The decrease in borrowing was mainly due to the full repayment of US Dollar denominated revolving credit facilities during the current year.

#### Dividend Payout

In terms of dividend payment, we balance our cash reserves, ability to generate cash from operations and availability of financing facilities with our operational and planned capital funding requirements and our shareholders' desired level of returns.

We do not have a fixed dividend policy or payout ratio but is committed to pay dividend so long as there is sufficient cash surplus or buffer after taking into consideration the above factors.

In view of the Group's financial performance for current financial and the operational and market uncertainties for the next financial year, the Director do not recommend the payment of any dividend for the current financial year.

# MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

## 5. FUTURE PROSPECTS

A global economic recovery is underway as vaccination increases and lockdowns are or have been lifted in many countries. With relaxation of movement restrictions and resumption of shipping economic and social activities, 3rd quarter of 2021 will likely show some strong GDP growth rates.

In US, the recovery stimulus and the work at home and stay-at-home movements gave rise to stronger demand for home and office furniture following the 1st movement restrictions in the 2nd quarter of 2020 as witnessed by the sustained orders from our US customers. The recent moderation of the US economy notwithstanding, low interest rates, continued easy fiscal policies and demand for more living space as people continue to work from home, will boost demand for housing and household furniture this year.

While demand remains strong, our operations were adversely affected by the worsening spread of the more contagious Delta variant of the Covid-19 virus. The rapid spread of the Delta variant in April and May 2021 had resulted in the Malaysian government implemented a total lockdown on 1st June 2021 (FMCO). The implementation of the nationwide FMCO has resulted in a 3½ months production interruption and had adversely affected shipment and financial performance of the Group for both the last quarter of 2021 and the 1st quarter of 2022. To-date, most of our workers of has been fully vaccinated and our factories in Muar have resumed full operations since mid September 2021.

While Malaysia is progressing well on vaccinating its population, certain restrictions under the FMCO remain in force in most parts of Malaysia. The Covid-19 pandemic has and will likely give rise to shortage of labour, particularly in the wood-based industries which rely on foreign workers. This has an impact on our production costs and capacity as these may lead to shortage of supply and higher material costs.



## MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

### 5. FUTURE PROSPECTS (cont'd)

The Covid-19 pandemic has also caused disruption in international trade and global logistics. Trade imbalances and dislocation of shipping containers worldwide have caused shortage of shipping containers and soaring shipment costs. Higher freight costs, uncertainties in shipping schedule and Covid-9 related economic uncertainties have adverse impact on customers' decision in placing orders.

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



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

This Statement is prepared in accordance with Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”) and the Malaysian Code on Corporate Governance (“MCCG”) issued by Securities Commission Malaysia.

This Statement gives the shareholders an overview of the corporate governance practices of the Group during financial year 2021. This Statement is to be read together with the Company’s Corporate Governance Report (“CG Report”) based on a prescribed format as outlined in the Main Market LR. This CG Report is available for reference at the Company’s website at [www.shh.com.my](http://www.shh.com.my) as well as on Bursa Securities Malaysia’s website ([www.bursamalaysia.com](http://www.bursamalaysia.com)).

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

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

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

### A1. *Board Responsibilities*

The Board’s role is to provide stewardship and control of the Group’s business and affairs on behalf of shareholders. The Board has overall responsibility for the proper conduct of the Company’s business in achieving the objectives and long-term goals of the Company.

The Board has adopted a Board Charter which 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### A1. *Board Responsibilities (cont'd)*

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 in with regard to policies and ethics standards to be adhere to in the conduct of the daily affairs and business of the Group.

The Board has adopted a Whistle Blowing Policy for the Group where all queries or concerns regarding the Group may be convey to the Senior Independent Director or the Company Secretary at the registered office of the Company. In line with Section 17A of the Anti-Corruption Commission Act 2009 (Amendment 2018) the Board has also adopted an Anti-Bribery & Corruption Policy for the Group in June 2020.

The Board Charter, Code of Conduct, Anti-Bribery & Corruption Policy and Whistle Blowing Policy are subject to periodical review to ensure consistency with the Board's strategic intent as well as relevant new regulations and standards of corporate governance that may have an impact in discharging the Board's responsibilities. Details of the Board Charter, Code of Conduct, Whistle Blowing Policy and Anti-Bribery & Corruption Policy can be found on the Company's website at [www.shh.com.my](http://www.shh.com.my).

### A2. *Board Composition*

The Board of Directors of the Company currently comprises six (6) members of whom two (2) are Executive Directors and four (4) are Non-Executive Directors. Out of the four (4) Non-Executive Directors, two (2) are independent.

The Managing Director and Deputy Managing Director are pioneers and have in-depth hands-on experience in large-scale export-oriented furniture manufacturing. The Non-Independent Non-Executive Directors have considerable experience in finance; property development and construction; and research and business development. The skillsets and experience of the Non-Independent Directors are complemented by the experience and independent views of the Independent Non-Executive Directors who are experienced in the fields of accountancy and public services. A brief profile of each individual director is presented in the Profile of Directors section of this Annual Report.

The Board has one (1) female Executive Director who is involved in the day-to-day management of the business of the Group. The Board has during the year appointed another female independent director to enhance gender diversity amongst its member and at the same time maintaining its priority in ensuring effective blend of competences, skills, capabilities, experience and qualification in the Board.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### A2. *Board Composition (cont'd)*

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

At present, the tenure of all the independent directors are less than 9 years. The above notwithstanding, the Board has in place a policy that it will seek annual shareholders' approval for the retention of independent directors whose has served the Board for more than 9 years. 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 position of the Chairman and Managing Director, being the chief executive responsible for the day-to-day management of the business of the Group are held by separate persons.

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 operational plans and targets and managing a team of executives responsible for the execution of the functions to attain the desired corporate and business outcomes as set by the Board. In the managing of the day-to-day operations of the Group, the Managing Director 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### A4. *Company Secretary*

Board and 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 minuted by the Company Secretary and signed by the Chairman of the meeting.

### A5. *Supply of Information*

All Board and 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, risk management, operating procedures and control systems; and
- Documents relating to material ad-hoc developments or issues impacting the Group.

### A6. *Board Meetings*

Four (4) board meetings were held during the financial year ended 30th June 2021. Details of the attendance of Directors at the Board Meetings are as follows:-

Name	Attendance
Dato' Haji Obet bin Tawil	4/4
Dato' Teo Wee Cheng	4/4
Datin Teo Chan Huat	4/4
Dato' Tan Seng Hu	4/4
Tan Siong Sun	4/4
Ng Sai Goey (appointed on 22nd March 2021)	1/1
Lim Swee Chong (resigned on 29th December 2020)	0/2

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

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

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

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

In respect of the assessment for the financial year ended 30th June 2021, the Board, Board Committees and individual Directors conducted self-assessment based on the following criteria:-

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

The Nominating Committee was satisfied that the Board members and Board committees have discharged their duties and responsibilities effectively. The Nominating Committee is 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.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### A8. *Directors' Training*

As part of its terms of reference, the Nominating Committee recommends relevant training programmes to enhance directors' skill and knowledge. Amongst the training programmes and seminars attended by the directors during the financial year include:-

Director	Training Attended
Dato' Haji Obet bin Tawil	"Managing Human Right – Why it important to corporation" organised by KPMG Board Leadership Centre
Dato' Teo Wee Cheng	Have not attended any formal training during the year but shall attend suitable course(s) in the near future.
Datin Teo Chan Huat	Have not attended any formal training during the year but shall attend suitable course(s) in the near future.
Dato' Tan Seng Hu	Have not attended any formal training during the year but shall attend suitable course(s) in the near future.
Tan Siong Sun	Have not attended any formal training during the year but shall attend suitable course(s) in the near future.
Ng Sai Goey	"Mandatory Accreditation Programme for Directors of Public Listed Companies" organised by Asia School of Business.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### A9. Remuneration

The Remuneration Committee is primarily responsible for matters relating to the remuneration of the Board and senior management, in order to motivate and retain executives 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.shh.com.my](http://www.shh.com.my).

In compliance with the Listing Requirements and MCCG practice, the details of the remuneration paid to each of the Directors of the Company for the financial year ended 30th June 2021, are as follows:-

	Salaries, bonuses and EPF (RM)	Fee/ Allowance (RM)	Benefits in kind (RM)	Total (RM)
<b>Received from Company</b>				
<b>Non-Executive Director</b>				
Ng Sai Goey	-	21,000	-	21,000
<b>Received from Subsidiary Companies</b>				
<b>Executive Directors</b>				
Dato' Teo Wee Cheng	790,606	-	17,400	808,006
Datin Teo Chan Huat	555,200	-	17,400	572,600
<b>Total</b>	1,345,806	-	34,800	1,380,606
<b>Non-Executive Directors</b>				
Dato' Hj Obet Bin Tawil	-	80,500	-	80,500
Dato' Tan Seng Hu	-	82,050	-	82,050
Tan Siong Sun	-	220,450	-	220,450
Lim Swee Chong	-	20,000	-	20,000
<b>Total</b>	-	403,000	-	403,000
<b>Grand Total</b>	1,345,806	424,000	34,800	1,804,606

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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### A9. *Remuneration (cont'd)*

As two of the top five senior management are Executive Directors, their detailed remuneration on named basis have been disclosed. The remuneration of the remaining 3 Senior Management on a no-name basis in successive bands of RM50,000 as follows:

RM200,001 to RM250,000	1
RM250,001 to RM300,000	1
RM350,001 to RM400,000	1

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

### B1. *Audit Committee*

The Audit Committee was established by the Board of Directors on 3rd May 1996 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 30th June 2021 are set out in the Audit Committee Report on pages 43 to 45 of this Annual Report.

The Audit Committee comprises of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The Board has appointed Ms Ng Sai Goey, who is a member of the Malaysian Institute of Accountants and a former Group Financial Controller of a listed company to replace Mr. Lim Swee Chong, the former Chairman of the Audit Committee. As a transitional measure, the Board has decided to appoint Dato' Hj Obet Bin Tawil as the Committee Chairman, while Ms Ng Sai Goey gains familiarity with the internal control systems, risk management and audit processes of the Group. With this arrangement, the members of the committee have a combination of accounting, business/economic tertiary qualifications and are financially literate and have experienced in the fields of accounting and finance, public administration and investment research and analysis. 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 three (3) years before being appointed as a member of the Audit Committee and such policy was incorporated in the terms of reference of the Audit Committee.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

### **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 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 30th June 2021.

### **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 46 to 50 of this Annual Report.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## 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 42 of this Annual Report.

The Board is assisted by the Audit Committee in the discharge of its duties on financial reporting and ensuring that the Group maintains a proper financial reporting process and a high quality financial reporting. A full Audit Committee Report detailing its composition and a summary of activities during the financial year is set out on pages 43 to 45 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 Malaysia Securities Berhad, circulars to shareholders and, where appropriate, ad-hoc press statements and interviews are the principal channels for dissemination of information to its investors, stakeholders and the public generally.

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

The Group has adopted a "Whistle Blowing Policy" and designated a Senior Independent Director to facilitate open communication with shareholders and all stakeholders. The details of the policy and contact persons are disclosed herein and made available Company's website at [www.shh.com.my](http://www.shh.com.my).

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

## PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

### C2. *Corporate Communication and Disclosures (cont'd)*

The Group also maintains a website at [www.shh.com.my](http://www.shh.com.my) 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](http://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 28 days before the said meeting. The notice of General Meeting provides information to shareholders with regard to details of the agendas to be presented at the General Meeting, shareholders' entitlement to attend the General Meeting and shareholders' rights and procedures relating to the appointment of proxies. The Constitution further entitles a member to vote in person, by corporate representative, by proxy or by attorney.

At the Company's Annual General Meetings, members of the Board, the Chief Financial Officer, 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.

The Company's 26th AGM held on 30th November 2020 was conducted entirely through live streaming from the Broadcast Venue at Level 12, Menara Symphony, No.5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan as part of the Company's effort to curb the spread of COVID-19.

Certain Directors and Senior Management of the Company attended the 26th AGM at the Broadcast Venue. While other Directors, save for Mr Lim Swee Chong due to unfit condition, attended remotely via Broadcast Video conferencing.

During the AGM, the Chairman conducted a brief presentation on the Group's performance for the year and its business outlook. Shareholders who participated at the 26th AGM were able to submit questions during the AGM for the Company to respond. Answers and clarifications, where appropriate, were provided by the Directors and Senior Management of the Company. The proceedings of the AGM and minutes of the meeting were recorded. The result of the shareholders voting on the resolutions tabled at the AGM were announced on Bursa Malaysia website.

# ADDITIONAL COMPLIANCE INFORMATION

## Utilisation of Proceeds

No proceeds were raised by the Company from any corporate exercise during the financial year.

## Audit and Non-Audit Fees

Audit and non-audit fees paid by the Group and the Company for the financial year ended 30th June 2021 were as follows:

	Group RM	Company RM
<b>Audit fees</b>		
- Peter Chong & Co	72,500	19,000
<b>Non- audit fee</b>		
- Peter Chong & Co	4,500	2,500
	<hr/> 77,000	<hr/> 21,500

## Financial Forecast

No profit forecast was issued by the Company during the financial year.

## Material Contracts Involving Directors'/Substantial Shareholders' Interests

There were no material contracts subsisting or entered into by the Company and its subsidiaries involving any Directors or substantial shareholders of the Company or any persons connected to a Directors or major shareholders of the Company during the financial year.



# RECURRENT RELATED PARTY TRANSACTIONS

During the financial year, the Recurrent Related Party Transactions conducted pursuant to the mandate granted by the shareholders of the Company on 30th November 2020 are as follows:-

Nature of Transaction	Transacting Companies	Related Parties	Value for the year ended 30th June 2021
Purchase of materials, furniture parts and provision of workmanship labour services	<p>SHH Furniture Industries Sdn. Bhd. (SHH Furniture) and Kurnia Sejati Sdn. Bhd. (Kurnia Sejati) purchase materials and furniture parts from Deseng Hardware (M) Sdn. Bhd. (DHSB).</p> <p>DHSB provides workmanship labour services to SHH Furniture and Kurnia Sejati.</p>	<p>SHH Furniture and Kurnia Sejati are wholly owned subsidiaries of the Company.</p> <p>The Company has a 49% equity interests in DHSB.</p> <p>Teo Bok Yu and Teo Jin Yuan are directors in Gerak Teras Sdn Bhd. They have a 100% equity interest in Gerak Teras Sdn Bhd which has a 51% equity interests in DHSB.</p> <p>Both Teo Bok Yu and Teo Jin Yuan are sons of Dato' Teo Wee Cheng and Datin Teo Chan Huat, the major shareholders and directors of the Company.</p>	<p>SHH Furniture RM6,058,837</p> <p>Kurnia Sejati RM162,951</p>

# 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 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 applicable approved accounting standards and comply with the provision of the Companies Act 2016. It is the duty of the Directors to review the appropriateness of the basis before adopting the financial statements and present 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 recorded. In preparing the financial statements, the Directors are required to exercise judgement to make 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.



# AUDIT COMMITTEE REPORT

The Board of Directors is pleased to present the report of the Audit Committee for the financial year ended 30th June 2021.

The Audit Committee was established by the Board of Directors on 3rd May 1996 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.shh.com.my](http://www.shh.com.my).

## MEMBERSHIP AND MEETINGS ATTENDANCES

The current members of the Committee are :-

1. ***Dato' Haji Obet bin Tawil***  
(Chairman of the Audit Committee)  
Independent, Non-executive Director
2. ***Ng Sai Goey***  
Independent, Non-executive Director
3. ***Tan Siong Sun***  
Non-independent, Non-executive Director

During the year ended 30th June 2021, the Audit Committee held four (4) meetings. Details of the attendance of members at the Audit Committee meetings are as follows:-

Name of Members	Attendance
Dato' Haji Obet bin Tawil	4/4
Ng Sai Goey (appointed 22nd March 2021)	1/1
Tan Siong Sun	4/4

## SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The main activities undertaken by the Audit Committee during the year ended 30th June 2021 included the followings:-

- reviewed the external auditors' scope of work and audit plans for the year;
- reviewed with the external auditors the results of the audit, the audit report, evaluation of the system of internal controls and the management letter, including management's response;

# AUDIT COMMITTEE REPORT (cont'd)

## SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR (cont'd)

The main activities undertaken by the Audit Committee during the year ended 30th June 2021 included the followings (cont'd):-

- considered and recommended to the Board for approval, the audit fees payable to the external auditors;
- reviewed the internal audit functions in terms of resources, programmes and plan for the financial year under review and the annual assessment of the effectiveness of the internal audit activities;
- reviewed the internal audit reports, recommendations and management's responses thereto;
- reviewed the quarterly unaudited financial results announcements before recommending them for the Board's review and approval;
- reviewed the annual report and the audited financial statements of the Company prior to submission to the Board for their consideration and approval; and
- reviewed the procedures relating to and the related party transactions entered into by the Group.

## 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 30th June 2022.

## INTERNAL AUDIT FUNCTION

The Company has employed a full time experienced internal audit personnel to undertake the internal audit function of the Group. The principal role of the Internal Auditor 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 Auditor 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 audit personnel, who reports directly to the Audit Committee, shall carry out the internal audit activities as prescribed in the internal audit plan and assessment on the adequacy, efficiency and effectiveness of the Group's internal control and management reporting system. The direct expenditure incurred for the internal audit function for the financial year ended 30th June 2021 is approximately RM50,492.

# AUDIT COMMITTEE REPORT (cont'd)

## INTERNAL AUDIT FUNCTION (cont'd)

During the financial year, the Internal Auditor evaluated the adequacy and effectiveness of key controls within the Group's operating units in responding to the risk within the Group's governance, operations and information systems regarding the:

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

During the financial year, the Internal Auditor conducted and had presented the Internal Audit Reports to the Audit Committee pursuant to his internal audit review of the following audit areas in the Internal Audit Plan as approved by the Audit Committee:

- Maintenance and Engineering Processes
- Information Technology System
- Environment, Safety and Health Processes
- Loading Processes
- Research and Development Processes and Sample Processes
- Purchasing Processes
- Costing Processes
- Human Resource Processes

There were no material weaknesses noted by the Internal Auditor 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 Auditor at the Board meeting following each of the AC 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 acknowledges that it is ultimately responsible for the Group’s system of risk management and internal controls.

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 which was established on 30th August 2017.

The Group has adopted a formal risk management framework which describes the manner in which the Group identify, assesses, monitors and manages risk. The risk management framework comprises the Group’s corporate mission, philosophy and strategies; governance and management structures; and operational and control processes which are covered in the Group’s Board Charter, Code of Conducts, Employees Handbook, standard operating policies and procedures (SOPs), Anti-Bribery & Corruption Policy and Whistleblowing Policy & Procedures.

The Board believes that the risk management framework will benefit the Group in terms of:-

- Effective strategic planning with due consideration of the opportunities and risks;
- 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 wishes to state that the adoption of a formal Risk Management Framework and the establishment of the Risk Management Committee are 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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

## Implementation of the Risk Management Processes

In the implementation of the risk management process, strategic, financial and operational risks that impact the Group are identified, evaluated and managed within its risk appetite. The implementation of the Group's Risk Management Processes entails the following:

- establishing and implementing across the group a formal risk management and internal control processes;
- identifying functions and related risks in key operating units which may impact upon the group;
- regularly monitoring and assessment of the performance and effectiveness of the risk management and internal control processes;
- constant communication between Executive Directors and Management (Heads of Department) through management of daily operations and regular scheduled management meetings and reports; and
- ensuring the risk management and internal control processes is overseen by the Risk Management Committee.

## Covid-19 Risks Assessment and Mitigation

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

### a) Contagious Disease Risk

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

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

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

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

## Covid-19 Risks Assessment and Mitigation (cont'd)

### b) Supply Chain Risks

The Covid-19 pandemic had resulted in unprecedented challenges in most businesses. The health precautions and movement restrictions has caused major disruption in the supply chains. The onerous health and safety requirements, production interruptions and manpower shortages have caused shortage of supply and higher production costs/prices for almost all primary, secondary/ semi-processed goods/parts and finished goods. We undertook the following measures to mitigate supply chain risks:-

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

### c) Market Risk

The Covid-19 pandemic and the preventive measures taken by governments worldwide to curb this pandemic have placed significant pressure on the well-being of people, businesses and economy of most countries. While the US economy, our main market, appears to have recovered from the Covid-19 driven slowdown, we remain cautious on the near-term prospects of the Group due to the continued risks or infections and challenges faced by supply chain, operations and logistics restrictions. Moderation of demand following last year's stay from home and work-from-home movement, higher consumer prices and logistic delay may affect customers' sourcing pattern.

## Internal Control and Internal Audit Function

The Internal Audit function is considered an integral part of the risk management framework and its primary objective is to provide assurance on the adequacy and effectiveness of the risk, control and governance framework of the Group.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

## 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 unauthorized use or disposition; and
- efficiency and effectiveness of the running of the businesses and operations
- compliance with laws and regulations.

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

- 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.

## Internal Audit Function

The principal role of the Internal Auditor 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 Auditor 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 Auditor provide the Audit Committee with independent and objective reports on the outcome and improvements recommended in each of the internal audit review assignments and present them in the Audit Committee Meeting. All Board members receive 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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

## Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG")<sup>3</sup>, 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 30th June 2021, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material aspects:

- (a) has not been prepared 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, or
- (b) is factually inaccurate.

AAPG3 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. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

## Conclusion

The Board is of the opinion that the existing risk management and internal control system put in place is operating satisfactorily to safeguard the interest of the stakeholders and the Group's assets.



# SUSTAINABILITY STATEMENT

The Group subscribes to business sustainability, stakeholder inclusivity and sound values of good corporate governance, all of which are embedded in the way we conduct our business. We believe in striking a balance between achieving operational profitability whilst simultaneously managing sustainability-related risks in the areas of economic, environmental and social to create long term value for our business and stakeholders.

The Board is pleased to present this Sustainability Statement (“Statement”) which sets out what the Board considers as material economic, environmental and social risks to and opportunities for the Group’s operations, hereinafter referred to as “Material Sustainability Matters” or “MSMs”, and how we manage these MSMs.

This Statement is prepared in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa”) and has incorporated considerations in the Sustainability Reporting Guide – 2nd Edition, including its accompanying Toolkits, issued by Bursa.

## SHH Group’s Governance Structure for Sustainability Management

The responsibility to promote and embed sustainability in Group’s business strategy lies with the Board of Directors. The Group’s business sustainability strategy and initiatives incorporate economic, environmental and social considerations which are deemed material to the Group. The Board is assisted by the Risk Management Committee, which is entrusted with the responsibility to establish adequate and effective policies and procedures to address the sustainability of the Group’s business. The Group’s Management is responsible for the implementation of the sustainability management process which includes the identification, assessment, prioritisation, management and reporting of the Group’s sustainability matters. The Group’s governance structure with regard to the management of the Group’s sustainability is illustrated as follows:

### BOARD

- Ultimately responsible for sustainability practices and performance
- Sets business strategy which incorporates Economic, Environmental and Social (“EES”) considerations

### RISK MANAGEMENT COMMITTEE

- Establish sustainability policies and procedures
- Review adequacy and effectiveness of sustainability processes
- Overseeing sustainability strategies and initiatives

### MANAGEMENT

- Identification, assessment, management and reporting of sustainability matters
- Oversee the management of EES performance
- Manage EES performance within each operation

# SUSTAINABILITY STATEMENT (cont'd)

## Scope and Approach to Materiality

The reporting scope of this Statement includes the Group's furniture manufacturing segment in Malaysia, which is the key operation segment of the Group and the main contributor of the Group's revenue.

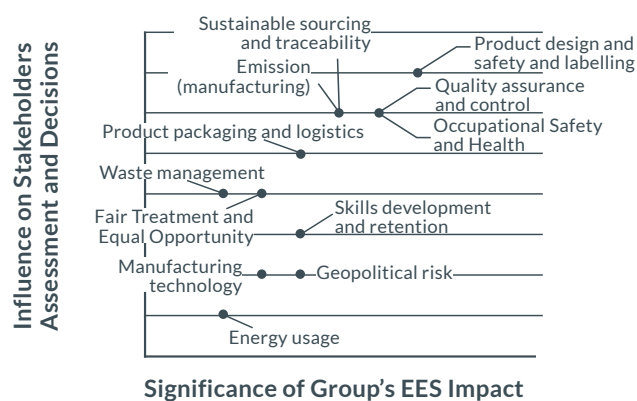
The Group's management of sustainability matters is built on the principle of materiality, where sustainability matters undergo a materiality assessment process, taking into consideration important sustainability issues from both the perspectives of the Group as well as its key stakeholders. Sustainability matters are considered material if they:

- Reflect the business' significant economic, environmental and social impacts; or
- Substantively influence the assessments and decisions of stakeholders

The process is in line with material sustainability matters as defined in Bursa Malaysia's Listing requirements. The Group has identified a list of sustainability matters relating to economic, environmental and social, taking into consideration, amongst others, the following:

- the nature of Group's products and business activities;
- international and local laws and regulations; and
- global and industrial trends.

Based on the relevant sustainability issues identified, we conducted a materiality analysis/risk assessment to understand the exposure and extent of the impact of most relevant MSMs (should risks materialise, or the costs of not pursuing opportunities). Subsequently, our assessment and the feedback/ responses from the relevant stakeholders were consolidated. The materiality matrix below highlights the assessed MSMs that are most relevant for the Group and our stakeholders and therefore represent our strategic sustainability priorities.



The above analysis of the most relevant MSMs led to the creation of our 5 sustainability strategic pillars as follows, and they are discussed in detail in the following section.

- Materials : Sustainable Sourcing, Use and Traceability
- Product Design and Safety
- Quality Assurance and Control
- Occupational Safety and Health
- Emission (Manufacturing)

# SUSTAINABILITY STATEMENT (cont'd)

## Risks Assessment and Stakeholders Engagement

For the current year, the Group focused and re-allocated of resources to manage Covid-19 related risks and issues rising thereon. The Group believes that the MSMs identified and prioritised in the previous year remain relevant and we continue to engage stakeholders with regard to these MSMs.

### 1. Materials Supply : Sustainable Sourcing, Use and Traceability

As a large-scale wooden furniture manufacturer, our main raw materials are timber-based products, including sawn timber fibreboard and plywood. The key to the long term viability or sustainability of our business is availability and efficient use of renewable materials to enable sustainable value creation for our business, customers, employees and the environment.

We are always mindful of efficient use or recovery of these materials in the manufacturing activities vis-à-vis scarcity and escalating cost of raw materials. More efficient use of raw materials also means less waste generated and greater value creation for the same amount of raw material utilised. In the manufacturing process, we continuously identify and implement measures to maximise production efficiency so that scarce resource is put to best use while maintaining productivity, costs and quality targets. We work together with our customers in exploring designs and construction methods during the product development stage and explore value re-engineering opportunities during the product life-cycle to achieve better use of renewable and environmentally friendly materials, as well as cost-efficiency.

We are committed to the use of renewable timber, as much as practically viable, from plantation wood species and engineered lumber and veneer to reduce the need for deforestation of natural forests. One of the more commonly used plantation woods use in our operations is rubberwood. Rubberwood is well accepted as an environmentally friendly source of timber as it is harvested at the end of the latex production cycle of a rubber tree, giving it a “second life”. Engineered lumber and veneer timber are also comparatively sustainable materials as they enable more efficient use of timber and better strength and durability.

Majority of the timber-based material used in our products are plantation wood, and this practice shall continue to be our philosophy for the development of sustainable products.

The major timber product used in our manufacturing operations is sawn-rubberwood which is 100% plantation wood. We source imported wood species such as pinewood, poplar and tupelo wood from FSC certified suppliers.

Similarly, most of our packaging materials are from recycled pulp-based products.

## SUSTAINABILITY STATEMENT (cont'd)

### 1. **Materials Supply : Sustainable Sourcing, Use and Traceability (cont'd)**

In terms of sustainable sourcing and traceability, we prefer to source from certified sustainable timber suppliers, as practical as possible. Our long-term aim is to increase our use of credible and ethically sourced timber and lumber based materials from verified well-managed forests under a Chain of Custody ("COC") program, namely the Forest Stewardship Council ("FSC") certification programme. The use of certified sustainable timber products promotes sustainable and equitable forest management as a means of reducing poverty, fostering responsible product manufacturing and consumption, and meeting international obligations to protect the environment and preserve biodiversity and natural resources. That said, our challenge is that the number of suppliers that have obtained such certifications remains small, particularly for local wood based materials.

For the financial under review, sourcing of the key raw materials became the focus due to challenges brought on by the Covid-19 pandemic. To ensure continuity of supply, we engaged suppliers with regard to availability and pricing of key raw materials, parts and supplies and co-ordinate logistics arrangement while adhering to Covid-19 prevention and healthy safety SOPs.

We also increase raw materials and finished good inventory as buffer to ensure the we have sufficient raw materials to support continuous production and to mitigate delays in shipment of orders. We now include our customers in discussions and co-ordination of material sourcing, production and delivery of orders as the entire supply chain is now impacted by Covid-19 related interruptions.

While we focused on the supply chain issues, we continue to monitor raw materials traceability. There were no major cases on breaches to the sourcing and traceability requirements of our customers.

### 2. **Product Design and Safety**

As a manufacturer of durable consumer products, we are required to manufacture products which are safe for use and help contribute to the welfare and advancement of humanity. Our products adhere to better practices in terms of safety and health standards, namely designs and construction safety features and compliance with hazardous emissions. As we supply mainly to US-based customers, we are guided by international better practices in terms of the design and safety of our products.

Products for the US market need to comply with the product safety standards of the American Standards for Testing and Materials ("ASTM") and Consumer Product Safety Commission ("CPSC"), on design safety considerations such as quality test, performance test, load test and anti-tipping tests. These standards are designed to ensure and protect the safety of consumers. For the development of our own products, we are guided by product safety standards set by the ASTM and CPSC and tests are conducted by independent external parties or by our own Research and Development team before the products are launched.

# SUSTAINABILITY STATEMENT (cont'd)

## 2. Product Design and Safety (cont'd)

As consumer products, the key health considerations in furniture are concerns surrounds formaldehyde emission and lead contents. Our products are guided by the US-based Toxic Substance Control Act 1976 ("TSCA") on formaldehyde emission levels, which is controlled by our manufacturing and sourcing processes. We require our suppliers to ensure that the adhesive materials use in materials such as panel boards and engineered boards contain safe levels of formaldehyde emission as per TSCA Title IV as minimal standard required by our US-based customers. In line with TSCA which has standardised the use of TSCA Title IV labels after 22 March 2019, we will continue to ensure adherence to the relevant TSCA requirements across our sourcing and manufacturing processes.

For the financial year under review, there are no non-compliance issues relating to non compliance with TSCA standards.

Another common concern in furniture manufacturing lies in the lead content of the paint used. Lead content in paint, even at low levels, can have an impact on human health, especially for children, causing behavioural or learning problems and even death in extreme cases. In this respect, we only source from reliable suppliers and we use an independent external laboratory for lead content sample-testings against the requirements prescribed by CPSC.

For the financial year under review, there are no product recall incidents concerning product safety.

## 3. Quality Assurance and Control

As a manufacturer serving international customers, maintaining the quality of our products is imperative to keep ourselves competitive in the international market.

For the said purpose, we have a dedicated Quality Control and Assurance Department ("QCAD") which plays the role of a gatekeeper. The QCAD is responsible for performing checking on every batch of delivery before shipment, looking into product quality such as aesthetics, function and durability, as well as ensuring the specifications comply with customer's requirements. Testing is performed on a sampling basis against a set of criteria. The results of testing are recorded and documented for further process improvement purpose to enhance the Group's operations and product quality moving forward.

In addition, all completed products may undergo a final inspection by our customers' representative(s) before packing and shipment.

## SUSTAINABILITY STATEMENT (cont'd)

### 3. **Quality Assurance and Control (cont'd)**

The Covid-19 pandemic has imposed additional health and social distancing requirements on inspections and quality control measures. We have designated specific inspection areas for buyers' final inspection and the health and safety SOPs are imposed on all external inspectors. Our sales coordinators now communicate virtually with customers and obtain their feedback on our products and services especially on quality-related matters.

The Covid-19 restrictions notwithstanding, we continue to conduct customer surveys to hear from customers directly to understand what we do best and where we can further improve. Our last customer survey was conducted in June 2021 and we target to conduct another one in June 2022.

### 4. **Occupational Safety and Health**

We are committed to providing a healthy and safe working environment. We ensure that our working environment provides good ventilation, suitable lighting and reasonable working temperature, particularly in our production areas. Our manufacturing facilities include basic amenities to ensure employees' health and well-being are being attended.

#### **(a) *Safety and Health Policy***

We place importance on the safety and health of our employees, and we have established processes and controls to manage this risk. The Group has established a group-wide Safety and Health Policy that guides safety practices and priorities during business operations.

A key component of the Group's safety controls is the establishment of a Safety and Health Committee, as well as a Safety Officer, which is responsible for ensuring safety procedures are in place and monitoring employees' compliance to the safety procedures. The Safety and Health Committee consists of management and operational personnel with the relevant background, knowledge and experience with regard to safety and health in operations.

#### **(b) *Safety and Health Training Programmes***

The Safety and Health Committee is also responsible for arranging safety trainings for our employees to raise awareness for occupational safety, as well as to guide employees on appropriate response when facing emergency situations. For the financial year, trainings are provided to employees on the following subjects, amongst others:

- PPE awareness training;
- forklift refreshment course;
- chemical and handling; and
- Standard operating procedures for Covid-19 awareness.

## SUSTAINABILITY STATEMENT (cont'd)

### 4. Occupational Safety and Health (cont'd)

#### (c) *Personal Protection equipment ("PPE")*

The nature of furniture manufacturing activities involves production employees working with sharp tools, heavy equipment and machinery which poses certain safety and health concerns to our production employees. That aside, employees may also be exposed to paint chemicals during paint spraying process or exposure to loud machinery noise in the work environment, which may potentially affect employees' health.

We provide necessary personal protection equipment ("PPE") to employees such as eye goggles, face masks, protective gloves, hearing protection as appropriate. PPE trainings are also conducted from time to time to ensure our employees use the PPE provided the right way. We also implement mitigative controls in our operations to reduce employees' exposure to hazardous air components such as dust and paint. For instance, we conduct regular maintenance and replacement of air filters in our paint spray systems to reduce exposure to spray paint, apart from requiring employees to wear face masks during the paint spraying process. We also have an integrated dust collection system to remove saw dust produced during the manufacturing process.

#### (d) *Monitoring and Reporting*

From time to time, the Safety and Health Committee conducts safety audits to ensure the Group's safety policies and procedures are adhered to. Any non-compliance or weaknesses in controls will be formally documented and necessary disciplinary or remedial actions will be undertaken to prevent recurrence. Similarly, our customers may also conduct audits on our operation activities, focusing on amongst others, safety and health matters.

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

	FY2020	FY2021
Fatality	0	0
Serious Injury Cases	3	2
Minor Injury Cases	4	3

We have encountered 2 cases of serious injury during the financial year, on which an internal review had been conducted. It was noted that safety procedures were not adhered to during the occurrence of accident, and Management has since taken additional efforts in increasing safety awareness and monitoring compliance with safety procedures.

# SUSTAINABILITY STATEMENT (cont'd)

## 4. Occupational Safety and Health (cont'd)

### (d) *Monitoring and Reporting (cont'd)*

#### **Covid-19 pandemic prevention and safety measures**

The Covid-19 pandemic has also put to test the Group's safety and health policies and responses to managing a health-related crisis. Guided by government's guidelines and global best practices, we have established the following SOPs to curb the spread of the Covid-19 pandemic.

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

We promote vaccination among our employees. As at 15th October 2021, almost all our employees have been fully vaccinated.

## 5. Environment and Emissions & Waste Management

As a large-scaled furniture manufacturer, one of the largest by-products of our manufacturing process is the emission of saw dust and smoke from our manufacturing processes. Saw dust emission may pose a hazard to people and affect the air quality of the surrounding environment.

Saw dust generated in the operation floor is collected by a dust collector system, which is maintained and monitored periodically including regular replacement of the filter. This ensures a dust-free working environment and minimises pollution of the surrounding environment. We perform regular monitoring and checking of the stack to ensure the filtration system remain well maintained and operating appropriately.

Saw dust collected via our dust collection system, together with wood waste from manufacturing operations, is transferred to our boilers for energy generation or incinerators for incineration of wood wastes. Our boilers and incinerators are installed with air pollution control and monitoring devices to ensure carbon monoxide (CO), particulate matter (PM) and other air pollutant emissions are within permitted limits, thus minimising our manufacturing footprint on the environment. Emissions from our boilers stack are monitored and independent certified/reported by a registered air quality monitoring laboratory bi-annually and are in compliance with the Environment Quality Act 1974.

## SUSTAINABILITY STATEMENT (cont'd)

### 5. Environment and Emissions & Waste Management (cont'd)

Other by-products generated in our manufacturing process include paint and glue sludge from our finishing lines. Paint sludge is classified as hazardous waste classified as a hazardous substance by the Malaysian Department of Environment (DOE) and has to be sent to a waste treatment plant for proper treatment and disposal. Paint, solvent and adhesive sludge produced in our manufacturing processes are collected and contained in solid waste drums and are disposed by solid waste disposal contractors in compliance with the Fifth Schedule of the Environment Quality (Scheduled Wastes) Regulation 2005.

### 6. Conclusion

As the Group aims to deliver long-term value beyond profitability to its stakeholders, it will continue to consider business strategies and operations alongside economic, environmental and social risks and opportunities. Where necessary, the Group will review and develop new policies and procedures and implement initiatives to facilitate the delivery of sustainable value.

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# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30th June 2021.

## PRINCIPAL ACTIVITY

The principal activity of the Company is that of an investment holding company.

There has been no significant change in the nature of the Company's principal activity during the financial year.

## SUBSIDIARY COMPANIES

The details of the subsidiary companies and their business activities are disclosed in Note 7 to the financial statements.

The auditors' report on the financial statements of the subsidiary companies did not contain any qualification.

There have been no significant changes in the nature of the subsidiary companies' principal activities during the financial year.

## FINANCIAL RESULTS

	Group RM	Company RM
Profit/ (Loss) for the year	3,968,976	(272,174)
Profit/ (Loss) attributable to:		
Owners of the Company	3,967,720	(272,174)
Non-controlling interests	1,256	-
	3,968,976	(272,174)

## DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividend in respect of the current financial year.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

# DIRECTORS' REPORT (cont'd)

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased the number of its ordinary shares by way of bonus issue of 49,997,500 ordinary shares on the basis of one (1) new ordinary share for every one (1) existing ordinary share.

These new ordinary shares are fully paid, at nil consideration and without capitalisation from the Company's reserves and ranked pari passu in all respects with the existing ordinary shares of the Company.

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

## SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

## DIRECTORS IN OFFICE

The Directors who have held office since the date of the last report are:

### Directors of SHH Resources Holdings Berhad

Dato' Haji Obet bin Tawil

Dato' Teo Wee Cheng

Datin Teo Chan Huat

Dato' Tan Seng Hu

Tan Siong Sun

Ng Sai Goey (Appointed on 22nd March 2021)

Lim Swee Chong (Resigned on 29th December 2020)

In accordance with the Company's Constitution, Datin Teo Chan Huat and Mr Tan Siong Sun retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Ms. Ng Sai Goey who was appointed to the Board since the last Annual General Meeting retires under the Constitution and being eligible, offers herself for re-election.

## DIRECTORS' REPORT (cont'd)

### DIRECTORS IN OFFICE (cont'd)

Directors of subsidiary companies of SHH Resources Holdings Berhad

Dato' Haji Obet bin Tawil

Dato' Teo Wee Cheng

Datin Teo Chan Huat

Dato' Tan Seng Hu

Tan Siong Sun

Lau Ngee Chung

Lim Swee Chong (Resigned on 29th December 2020)

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit 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 other than those disclosed in Note 23 to the financial statements and any deemed benefits arising from related party transactions as disclosed in Note 25 to the financial statements.

During and at the end of the financial year, no arrangements subsisted to which the Company or a related corporation was a party, whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### DIRECTORS' INTEREST

According to the register of Directors' shareholdings, the interest of Directors in office at the end of the financial year in shares of the Company and its related corporations were as follows:

Shareholding in the Company	Balance as at 01.07.2020/ Date of appointment	Number of ordinary shares			Balance as at 30.06.2021
		Bought	Bonus issue	Sold	
<b>Direct</b>					
Dato' Teo Wee Cheng	12,205,772	-	12,205,772	-	24,411,544
Datin Teo Chan Huat	2,125,307	1,145,808	3,271,115	-	6,542,230
Dato' Tan Seng Hu	1,499,000	-	1,499,000	-	2,998,000
Ng Sai Goey	77,600	-	77,600	-	155,200
<b>Indirect</b>					
Dato' Teo Wee Cheng	2,125,307	1,145,808	3,271,115	-	6,542,230
Datin Teo Chan Huat	12,205,772	-	12,205,772	-	24,411,544
Tan Siong Sun	1,512,000	-	1,512,000	-	3,024,000

## DIRECTORS' REPORT (cont'd)

### DIRECTORS' INTEREST (cont'd)

By virtue of their interest in shares of the Company, Dato' Teo Wee Cheng and Datin Teo Chan Huat are deemed to be interested in the shares of all subsidiary companies to the extent the Company has an interest.

None of the other Directors in office at the end of the financial year held or dealt in shares in the Company or its related corporations during the financial year.

### OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:

- a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of impairment on debts, and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment; and
- b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values 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:

- a) which would render the amount written off for bad debts or the amount of the allowance for impairment in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- b) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year to secure the liability 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.

# DIRECTORS' REPORT (cont'd)

## OTHER STATUTORY INFORMATION (cont'd)

No contingent or other liability 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 as and when they fall due.

In the opinion of the Directors,

- a) the results of the Group's and the Company's operations during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and
- b) 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 to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made.

## INDEMNITIES TO DIRECTORS OR OFFICERS

No indemnity has been given or insurance premium paid, during or since the end of the financial year, for any person who is or has been Directors or officers of the Company.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 32 to the financial statements.

## AUDITORS

Auditors' remuneration is set out in Note 22 to the financial statements. No payment has been made to indemnify auditors during or since the financial year.

The auditors, Messrs. Peter Chong & Co., Chartered Accountants, have indicated their willingness to accept re-appointment.

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

**DATO' TEO WEE CHENG**  
Director

**DATIN TEO CHAN HUAT**  
Director

Muar, Johor Darul Takzim  
Dated: 15th October 2021

# STATEMENT BY DIRECTORS

## Pursuant to Section 251(2) of the Companies Act 2016

The Directors of **SHH RESOURCES HOLDINGS BERHAD** state that, in the opinion of the Directors, the financial statements set out on pages 74 to 174 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 at 30th June 2021 and of their financial performance and cash flows of the Group and of the Company for the financial year ended on that date.

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

**DATO' TEO WEE CHENG**  
Director

**DATIN TEO CHAN HUAT**  
Director

Muar, Johor Darul Takzim  
Dated: 15th October 2021

# STATUTORY DECLARATION

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

I, **PATRICK LIM SENG CHYE** (MIA No. CA 14840), being the Officer primarily responsible for the financial management of **SHH RESOURCES HOLDINGS BERHAD**, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 74 to 174 are correct.

And I make this solemn declaration, conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the	)
abovenamed <b>PATRICK LIM SENG CHYE</b>	)
at <b>MUAR</b> in the State of <b>JOHOR DARUL</b>	) <b>PATRICK LIM SENG CHYE</b>
<b>TAKZIM</b> on 15th October 2021	)
	)

Before me

Commissioner for Oaths  
Tan Bee Ten  
No 208

# INDEPENDENT AUDITORS' REPORT

## To The Members Of SHH Resources Holdings Berhad

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **SHH RESOURCES HOLDINGS BERHAD**, which comprise the statements of financial position as at 30th June 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 74 to 174.

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 30th June 2021, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

#### Basis for Opinion

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

#### Independence and Other Ethical Responsibilities

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

# INDEPENDENT AUDITORS' REPORT

## To The Members Of SHH Resources Holdings Berhad (cont'd)

### 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 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.

#### 1) Valuation of inventories

Refer to Note 2(f) – Significant accounting policies on inventories; Note 4(ii) – Significant accounting estimates and judgements on inventories valuation; and Note 9 – Inventories.

#### Background:

The inventories of wooden furniture are significant and represent material component of assets of the Group amounting to RM29,090,563, representing 29.64% of the total assets as at 30th June 2021.

Inventories are stated at the lower of cost and net realisable value. The cost of work-in-progress and finished goods comprises raw materials, direct labour, other direct costs and an appropriate proportion of production overheads. The valuation of inventories is our main focus as it involves significant judgement and estimates in the allocation of the production overheads. This arises on the types and complexities in the costing involved in the production of wooden furniture.

#### Our response:

Our audit procedures included, but not limited to, the following:

- Assessed the effectiveness and adequacy of the Group's internal control on inventories.
- Test checked the cost of raw materials have been properly accounted for.
- Reviewed the basis and adequacy on overhead costs allocation for work-in-progress and finished goods.
- Reviewed subsequent sales of the selected items to establish the estimated net realisable value is fairly stated.
- Discussed and ascertained with the management on the appropriateness of bases used for the allocation of production overheads and management's pricing policy in the assessment of net realisable value of inventories.

There is no key audit matter to be communicated in respect of the audit of the financial statements of the Company.

# INDEPENDENT AUDITORS' REPORT

## To The Members Of SHH Resources Holdings Berhad (cont'd)

### Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Statements

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

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

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

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

# INDEPENDENT AUDITORS' REPORT

## To The Members Of SHH Resources Holdings Berhad (cont'd)

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

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

- Identify and assess the 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 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.

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.

# INDEPENDENT AUDITORS' REPORT

## To The Members Of SHH Resources Holdings Berhad (cont'd)

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current 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 subsidiary company of which we have not acted as auditors, are disclosed in Note 7 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.

**Peter Chong & Co.**

No. AF 0165

Chartered Accountants

**Tee Yik Bee**

No. 02938/10/2022 J

Chartered Accountant

Kuala Lumpur

Dated: 15th October 2021

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2021

	Note	2021 RM	2020 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	35,703,202	37,283,751
Right-of-use assets	6	177,358	267,915
Investment in an associated company	8	504,935	710,882
		<u>36,385,495</u>	<u>38,262,548</u>
<b>Current assets</b>			
Inventories			
- Wooden furniture	9	29,090,563	22,850,121
- Development properties	9	11,971,490	11,002,823
Receivables	10	4,640,147	8,985,663
Financial assets at fair value through profit or loss			
- Derivative financial instruments	11	-	16,333
Tax assets	12	541,632	370,765
Deposits, cash and bank balances	13	15,531,591	14,499,099
		<u>61,775,423</u>	<u>57,724,804</u>
<b>TOTAL ASSETS</b>		<u>98,160,918</u>	<u>95,987,352</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	14	49,997,500	49,997,500
Reserves	15	19,042,556	15,074,836
		<u>69,040,056</u>	<u>65,072,336</u>
Non-controlling interests	16	98,760	97,504
<b>Total equity</b>		<u>69,138,816</u>	<u>65,169,840</u>

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### AS AT 30TH JUNE 2021 (cont'd)

		2021 RM	2020 RM
<b>Non-current liabilities</b>	<b>Note</b>		
Borrowings	17	6,116,737	6,241,017
Lease liabilities	18	93,362	186,175
Deferred taxation	19	1,469,541	1,054,556
		<u>7,679,640</u>	<u>7,481,748</u>
<b>Current liabilities</b>			
Payables	20	16,305,990	17,411,463
Borrowings	17	4,920,095	5,817,630
Lease liabilities	18	92,814	88,297
Tax liabilities	12	23,563	18,374
		<u>21,342,462</u>	<u>23,335,764</u>
<b>Total liabilities</b>		<u>29,022,102</u>	<u>30,817,512</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>98,160,918</u>	<u>95,987,352</u>

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

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021

		2021 RM	2020 RM
REVENUE	Note 21	112,906,161	104,119,545
COST OF SALES	21	(94,390,286)	(89,395,612)
GROSS PROFIT		18,515,875	14,723,933
OTHER OPERATING INCOME		915,440	1,137,586
SELLING AND DISTRIBUTION COSTS		(4,728,242)	(4,513,414)
ADMINISTRATIVE EXPENSES		(9,103,595)	(13,920,929)
OPERATING PROFIT/ (LOSS)	22	5,599,478	(2,572,824)
FINANCE COSTS	24	(312,173)	(388,129)
SHARE OF (LOSS)/ PROFIT IN AN ASSOCIATED COMPANY		(153,947)	78,228
PROFIT/ (LOSS) BEFORE TAXATION		5,133,358	(2,882,725)
TAXATION	12	(1,164,382)	(409,680)
PROFIT/ (LOSS) FOR THE FINANCIAL YEAR		3,968,976	(3,292,405)

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

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

	Note	2021 RM	2020 RM
<b>OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>			
Item that may be reclassified subsequently to profit or loss			
- Foreign currency translation		-	608,627
<b>TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE FINANCIAL YEAR</b>		<b>3,968,976</b>	<b>(2,683,778)</b>
<b>PROFIT/ (LOSS) ATTRIBUTABLE TO:</b>			
OWNERS OF THE COMPANY		3,967,720	(2,673,918)
NON-CONTROLLING INTERESTS		1,256	(618,487)
		<b>3,968,976</b>	<b>(3,292,405)</b>
<b>TOTAL COMPREHENSIVE INCOME/ (LOSS) ATTRIBUTABLE TO:</b>			
OWNERS OF THE COMPANY		3,967,720	(2,292,050)
NON-CONTROLLING INTERESTS		1,256	(391,728)
		<b>3,968,976</b>	<b>(2,683,778)</b>
<b>EARNINGS/ (LOSS) PER SHARE (SEN)</b>			
- Basic and diluted	26	3.97	(2.67) *

\* For comparative purpose, the earnings/ (loss) per share for the year ended 30th June 2020 had been adjusted to reflect the bonus issue of 1 bonus share for every 1 existing ordinary share which was completed on 14th June 2021.

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021

	Attributable to owners of the Company					
	Distributable		Non-Distributable			
	Share capital	Foreign currency translation reserve	Retained profits	Non-controlling interests	Total	Total equity
	RM	RM	RM	RM	RM	RM
As at 1st July 2019	49,997,500	(381,868)	17,748,754	(1,936,037)	67,364,386	65,428,349
Loss for the financial year	-	-	(2,673,918)	(618,487)	(2,673,918)	(3,292,405)
Other comprehensive income						
- Foreign currency translation	-	381,868	-	226,759	381,868	608,627
Total comprehensive loss	-	381,868	(2,673,918)	(391,728)	(2,292,050)	(2,683,778)
Effect of deconsolidation of a subsidiary company	-	-	-	2,425,269	-	2,425,269
As at 30th June/ 1st July 2020	49,997,500	-	15,074,836	97,504	65,072,336	65,169,840
Total comprehensive income	-	-	3,967,720	1,256	3,967,720	3,968,976
As at 30th June 2021	49,997,500	-	19,042,556	98,760	69,040,056	69,138,816

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021

	Note	2021 RM	2020 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit/ (Loss) before taxation</b>		5,133,358	(2,882,725)
Adjustments for:			
Allowance for impairment loss on trade receivables			
- Addition		-	238,260
- Reversal		-	(14,500)
Depreciation of property, plant and equipment		2,437,656	2,445,623
Depreciation of right-of-use assets		90,557	97,343
Expenses relating to short-term lease		3,600	267,902
Gain on disposal of property, plant and equipment		(52,200)	(30,000)
Gain on derecognition of right-of-use assets		-	(127)
Interest expenses		187,848	235,634
Interest expenses on lease liabilities		11,304	15,941
Interest income		(95,817)	(190,796)
Inventories written down to net realisable value		3,252	-
Loss on deconsolidation of a subsidiary company		-	2,438,038
Net changes in fair value on derivative financial instruments		-	(16,333)
Share of loss/ (profit) in an associated company		153,947	(78,228)
Unrealised (gain)/ loss on foreign exchange		(52,803)	87,622
Operating profit before working capital changes		7,820,702	2,613,654
Inventories			
- Wooden furniture		(6,191,694)	(1,371,555)
- Development properties		(968,667)	(11,002,823)
Receivables		4,378,207	3,021,960
Payables		(1,114,324)	4,289,900
Derivative financial instruments		16,333	-
<b>Cash generated from/ (used in) operations</b>		<b>3,940,557</b>	<b>(2,448,864)</b>

The above consolidated statement of cash flows is to be read in conjunction with the notes to the financial statement.

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

	Note	2021 RM	2020 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES (cont'd)</b>			
Cash generated from/ (used in) operations		3,940,557	(2,448,864)
Interest received		95,817	190,796
Interest paid		(187,848)	(235,634)
Tax paid	12	(915,075)	(240,731)
Tax refunded	12	-	1,847,802
Payment of interest of lease liabilities		(11,304)	(15,941)
Short-term lease payment		(3,600)	(267,902)
<b>Net cash generated from/ (used in) operating activities</b>		<b>2,918,547</b>	<b>(1,170,474)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net cash outflow on deconsolidation of a subsidiary company	7(ii)	-	(78,076)
Purchase of property, plant and equipment		(857,108)	(561,416)
Proceeds from disposal of property, plant and equipment		52,201	30,000
<b>Net cash used in investing activities</b>		<b>(804,907)</b>	<b>(609,492)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Drawdown of term loan		127,800	6,241,017
Net movements in short-term borrowings		(1,149,615)	(2,077,469)
Increase in fixed deposit pledged to bank		(20,268)	(736,710)
Repayment of principal portion of lease liabilities		(88,296)	(90,659)
<b>Net cash (used in)/ generated from financing activities</b>		<b>(1,130,379)</b>	<b>3,336,179</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		983,261	1,556,213
Effect of exchange rate changes		28,963	119,522
		1,012,224	1,675,735
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>			
		13,762,389	12,187,901
Effect of exchange rate changes		-	(101,247)
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	27	<b>14,774,613</b>	<b>13,762,389</b>

The above consolidated statement of cash flows is to be read in conjunction with the notes to the financial statement.

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

The reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities is as follows:

	Short-term borrowings (Note 17) RM	Term loan (Note 17) RM	Lease liabilities (Note 18) RM
As at 1st July 2019	7,860,224	-	373,984
Cash flows	(2,077,469)	6,241,017	(90,659)
Non-cash changes	-	-	(8,853)
Unrealised loss on foreign exchange	34,875	-	-
As at 30th June/ 1st July 2020	5,817,630	6,241,017	274,472
Cash flows	(1,149,615)	127,800	(88,296)
As at 30th June 2021	4,668,015	6,368,817	186,176

The above consolidated statement of cash flows is to be read in conjunction with the notes to the financial statement.

# STATEMENT OF FINANCIAL POSITION

## AS AT 30TH JUNE 2021

	Note	2021 RM	2020 RM
<b>ASSETS</b>			
<b>Non-current asset</b>			
Investment in subsidiary companies	7	70,748,998	70,748,998
<b>Current assets</b>			
Receivables	10	1,000	1,000
Deposits, cash and bank balances	13	18,270	5,304
		19,270	6,304
<b>TOTAL ASSETS</b>		70,768,268	70,755,302
<b>EQUITY AND LIABILITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	14	49,997,500	49,997,500
Reserves	15	17,103,190	17,375,364
<b>Total equity</b>		67,100,690	67,372,864
<b>Current liability</b>			
Payables	20	3,667,578	3,382,438
<b>Total liability</b>		3,667,578	3,382,438
<b>TOTAL EQUITY AND LIABILITY</b>		70,768,268	70,755,302

The attached notes form an integral part of these financial statement.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021

	Note	2021 RM	2020 RM
REVENUE		-	-
ADMINISTRATIVE EXPENSES		(272,255)	(150,087)
OPERATING LOSS	22	(272,255)	(150,087)
FINANCE COSTS	24	81	(27)
LOSS BEFORE TAXATION		(272,174)	(150,114)
TAXATION	12	-	-
LOSS FOR THE FINANCIAL YEAR		(272,174)	(150,114)
OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		-	-
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY		(272,174)	(150,114)

The attached notes form an integral part of these financial statement.

# STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021

	Attributable to owners of the Company		
	Share capital RM	Retained profits RM	Total RM
As at 1st July 2019	49,997,500	17,525,478	67,522,978
Total comprehensive loss	-	(150,114)	(150,114)
As at 30th June/ 1st July 2020	49,997,500	17,375,364	67,372,864
Total comprehensive loss	-	(272,174)	(272,174)
As at 30th June 2021	49,997,500	17,103,190	67,100,690

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

# STATEMENT OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021

	Note	2021 RM	2020 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation and working capital changes		(272,174)	(150,114)
Payables		43,140	19
Net cash used in operating activities		(229,034)	(150,095)
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>			
Advances from a subsidiary company		242,000	151,000
Net cash generated from investing activity		242,000	151,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		12,966	905
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		5,304	4,399
CASH AND CASH EQUIVALENTS CARRIED FORWARD	27	18,270	5,304

The above statement of cash flows is to be read in conjunction with the notes to the financial statement.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021

### 1. GENERAL INFORMATION

The principal activity of the Company is that of an investment holding company.

The activities of its subsidiary companies are as described in Note 7.

There have been no significant changes in the nature of these principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, listed on the Main Market of Bursa Malaysia Securities Berhad.

The address of the registered office of the Company is 2 (1st Floor), Jalan Marin, Taman Marin, Jalan Haji Abdullah, Sungai Abong, 84000 Muar, Johor Darul Takzim.

The principal place of business of the Company is at Plo 1, Kawasan Perindustrian Pagoh, 84600 Pagoh, Muar, Johor Darul Takzim.

The Board has authorised the issuance of the financial statements on 15th October 2021.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

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

The financial statements have been prepared under the historical cost convention, except as disclosed in this summary of significant accounting policies.

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency unless otherwise indicated.

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and the Company's accounting policies. Although these estimates and judgement are based on Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (a) Basis of preparation (cont'd)

The new accounting standards, amendments and improvements to published standards and interpretations that are effective and applicable for the Group and Company's financial year beginning on or after 1st July 2020 are as follows:

- Amendments to MFRS 9, MFRS 139 and MFRS 7 "Interest Rate Benchmark Reform"
- Amendments to MFRS 16 "Covid-19 Related Rent Concessions"
- Amendments to MFRS 101 and MFRS 108 "Definition of Material"
- Amendments to IC Interpretation 19 "Extinguishing Financial Liabilities With Equity"
- Amendments to IC Interpretation 22 "Foreign Currency Transaction and Advance Consideration"

The adoption of amendments listed above did not have any impact on the current financial year or any prior financial year and is not likely to affect future financial years.

#### (b) Basis of consolidation

Subsidiary companies are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the reporting date. The financial statements of the subsidiary companies are prepared for at the same reporting date as the Company.

Financial statements of subsidiary companies are consolidated using the predecessor method of accounting in accordance with Malaysian Accounting Standard No. 2 'Accounting for Acquisitions and Mergers' prevailing at that time, except for subsidiary companies as disclosed in Note 7 which are consolidated using the purchase method of accounting.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

##### (i) Predecessor method of accounting

Under the predecessor method of accounting, the results of subsidiary companies are presented as if the merger had been effected throughout the current and previous years.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a reserve.

Any resulting debit difference is adjusted against reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to the share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other reserves.

The Group has taken advantage of the exemption provided by MFRS 1 to not restate business combinations that occurred before the date of transition to MFRS i.e. 1st July 2011. Accordingly, business combinations entered into prior to the transition date have not been restated.

##### (ii) Purchase method of accounting

Under the purchase method of accounting, a subsidiary company is fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition, irrespective of the extent of any non-controlling interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

##### (ii) Purchase method of accounting (cont'd)

In preparing consolidated financial statements, intra-group balances and transactions and the resulting unrealised profits are eliminated on consolidation. Unrealised losses are eliminated on consolidation and the relevant assets are assessed for impairment. Uniform accounting policies are adopted in the consolidated financial statements for transactions and events in similar circumstances.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of its net assets as at the date of disposal including the cumulative amount of any foreign exchange differences that relate to the subsidiary. This amount is recognised in the consolidated profit or loss in the year of disposal.

##### (iii) Non-controlling interests

Non-controlling interests are presented within equity in the consolidated statement 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.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Transactions with non-controlling interests that do not result in loss in control are accounted as equity transactions – that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is deducted from equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recognised in equity.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (c) Associated company

An associated company is an entity in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investment in associated company is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associated company is carried in the consolidated statement of financial position at cost, adjusted for post-acquisition changes in the Group's share of net assets of the associated company. The Group's share of the net profit or loss of the associated company is recognised in the profit or loss. Where there has been a change recognised directly in other comprehensive income of the associate, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associated company are eliminated to the extent of the Group's interest in the associated company. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associated company. The associated company is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associated company. Where necessary, in applying the equity method, adjustments are made to the financial statements of the associated company to ensure consistency of accounting policies with the Group.

Goodwill relating to an associated company is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associated company's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associated company equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (d) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

The lands and buildings have not been revalued since the date of the revaluation exercise as stated in Note 5. The Directors have not adopted a policy of regular revaluations of such assets and no later valuation has been recorded. Upon the adoption of MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards, the Group elected to measure these assets at the date of transition to MFRSs at its fair value and use that fair value as its deemed cost at that date.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation is computed on a straight line basis to write off the cost of assets to their residual values over the following estimated useful lives:

	Number of years
Leasehold land	60
Buildings	10 - 50
Plant and machinery	10
Motor vehicles	6¼
Furniture and fittings	10
Office equipment	10

Land held on long lease is held on a lease with an unexpired period of 50 years or more. A lease of less than 50 years is described as a short lease.

The residual value and useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the net carrying amount of the item and recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

#### (e) Investments

Investments in subsidiary companies and associated company are shown at deemed cost less accumulated impairment, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer Note 2(g) on impairment of non-financial assets.

On disposal of such investment, the difference between the net disposal proceeds and their carrying amount is included in profit or loss.

#### (f) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories are represented by the following:

##### (i) Wooden furniture

Cost is determined using the first-in, first-out method. The cost of raw material comprises the original cost of purchase plus the cost of bringing the inventories to their intended location and condition. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and an appropriate proportion of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less cost of completion and selling expenses.

##### (ii) Land held for property development

Land held for property development is stated at cost less accumulated impairment losses. Costs associated with the acquisition of land included the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

Such asset is transferred to property development costs when development activities have commenced and when it can be demonstrated that the development activities can be completed within the normal operating cycle.

On disposal of land held for property development, the difference between the net disposal proceeds and its carrying amount is charged or credited to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (f) Inventories (cont'd)

##### (iii) Property development costs

Property development costs are stated at lower of cost and net realisable value. Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities including borrowings costs.

The property development costs on development units sold are recognised as an expense in the period in which they are incurred to match the attributable revenue recognised. If estimates of costs to complete property development (including costs to be incurred over the defects liability period) indicate loss, the expected loss is recognised as an expense immediately in the period in which it is identified.

Property development costs expected to be incurred on property development are based on estimates of total property development costs at completion. These estimates are reviewed and revised periodically throughout the lives of the property development and adjustments to costs resulting from such revisions are recorded in the accounting period in which the revisions are made.

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

The carrying amount of the Group's assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (g) Impairment of non-financial assets (cont'd)

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised in the profit or loss in the period in which it arises. Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

#### (h) Financial instruments

##### (i) Financial assets

###### (a) Recognition and initial measurement

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and Company's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (h) Financial instruments (cont'd)

##### (i) Financial assets (cont'd)

###### (a) Recognition and initial measurement (cont'd)

Trade receivables that do not contain a significant financing component or if the period between performance and payment is 1 year or less under practical expedient of MFRS 15, are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refer to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place ("regular way trades") are recognised on the trade date, that is the date that the Group and the Company commit to purchase or sell the asset.

###### (b) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- (a) Financial assets at amortised cost (debt instruments)
- (b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- (c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- (d) Financial assets at fair value through profit or loss

The financial assets of the Group and the Company are subsequently measured under (a) financial assets at amortised cost and (d) financial assets at fair value through profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (h) Financial instruments (cont'd)

##### (i) Financial assets (cont'd)

##### (b) Subsequent measurement (cont'd)

###### **Financial assets at amortised cost**

This is the category most relevant to the Group and the Company. The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- (i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

###### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debts instruments to be classified at amortised cost or at fair value through OCI, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (h) Financial instruments (cont'd)

##### (i) Financial assets (cont'd)

##### (b) Subsequent measurement (cont'd)

##### **Financial assets at fair value through profit or loss (cont'd)**

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity instruments which the Group and the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity instruments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

##### (c) Derecognition

A financial asset is derecognised when:

- (i) The rights to receive cash flows from the asset have expired, or
- (ii) The Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - (a) The Group and the Company have transferred substantially all the risks and rewards of the asset; or
  - (b) The Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (h) Financial instruments (cont'd)

##### (i) Financial assets (cont'd)

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

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company would require to repay.

##### (ii) Financial liabilities

##### (a) Recognition and initial measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables and loans and borrowings.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (h) Financial instruments (cont'd)

##### (ii) Financial liabilities (cont'd)

##### (b) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

##### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Company that are not designated as hedging instruments in the hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (h) Financial instruments (cont'd)

##### (ii) Financial liabilities (cont'd)

##### (b) Subsequent measurement (cont'd)

###### **Payables, loans and borrowings**

This is the category most relevant to the Group and the Company. After initial recognition, payables, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

##### (c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

##### (iii) 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 incurred because a specified debtor failed to make payment when payment was due.

Financial guarantee contracts are recognised initially as a liability at fair value. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due to the Group 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 expected credit losses ("ECL") allowance and the amount initially recognised less any cumulative amount of income/ amortisation recognised.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (h) Financial instruments (cont'd)

##### (iv) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

##### (v) Impairment of financial assets

The Group and the Company assess on a forward looking basis the ECL associated with its debt instruments carried at amortised cost and fair value through OCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Company have the following financial instruments that are subject to the ECL model:

- Trade receivables
- Other receivables
- Deposits

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the estimated impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (h) Financial instruments (cont'd)

##### (v) Impairment of financial assets (cont'd)

###### (a) Simplified approach for trade receivables

The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Note 10 sets out the measurement details of ECL.

###### (b) General 3-stage approach for financial assets other than trade receivables

As of the end of each reporting period, the Group and the Company evaluate whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. It considers available reasonable and supportive forward-looking information, where available. Note 10 sets out the measurement details of ECL.

##### Significant increase in credit risk

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. They consider available reasonable and supportable forward-looking information, where available.

A significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment.

##### (vi) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (i) Taxation and deferred taxation

Income tax on the results for the financial year comprises current and deferred tax. Current tax is the expected amount of income tax payable in respect of the taxable profits for the financial year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax liabilities and assets are provided using the liability method in respect of all temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base including unused tax losses and capital allowances.

Deferred tax liabilities and assets are measured at the tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each reporting date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient future taxable profit will be available, such reductions will be reversed.

#### (j) Functional and foreign currencies

##### (i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated statement of financial position is presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (j) Functional and foreign currencies (cont'd)

##### (ii) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses arising from operations are included in arriving at the operating profit.

The principal closing rate used in translating foreign currency amount is as follows:

	2021	2020
	RM	RM
United States Dollar ("USD")	4.15	4.28

##### (iii) Foreign currency translation

The results and financial position of all entities within the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each statement of financial position presented are translated at the closing rate of the reporting date.
- (b) income and expenses for each profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).
- (c) all resulting exchange differences are recognised as a separate component of equity.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (j) Functional and foreign currencies (cont'd)

##### (iii) Foreign currency translation (cont'd)

- (d) The closing rate per unit of functional foreign currency used in the translation of the subsidiary (foreign currency) into Ringgit Malaysia is as follows:

	2021	2020
	RM	RM
Australian Dollar	N/A	2.63

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is disposed of or sold, such exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

#### (k) Leases

##### (i) Definition of a lease

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (k) Leases (cont'd)

##### (ii) The Group as lessee

Leases are recognised as right-of-use ("ROU") asset and a corresponding lease liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on its relative stand-alone prices. However, for leases of properties for which the Group is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

##### (a) Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities, as disclosed in Note 2(k)(ii)(d).

##### (b) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (k) Leases (cont'd)

##### (ii) The Group as lessee (cont'd)

##### (b) ROU assets (cont'd)

ROU assets, leasehold lands that are classified as property, plant and equipment are stated at deemed cost less accumulated depreciation and impairment loss as disclosed in Note 2(d).

ROU assets are subsequently measured at cost, less accumulated depreciation and impairment loss. The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

The ROU assets are depreciated over the useful lives as follows:

Forklifts	5 years
Land	6 years

##### (c) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the Group is reasonably certain to exercise that option; and
- Penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate is used. This is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (k) Leases (cont'd)

##### (ii) The Group as lessee (cont'd)

##### (c) Lease liabilities (cont'd)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Group presents the lease liabilities as a separate line item in the consolidated statement of financial position. Interest expense on the lease liability is presented within the finance cost in the consolidated statement of profit or loss.

##### (d) Remeasurement of lease liabilities

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

##### (e) Short-term leases and leases of low-value assets

The Group has elected not to recognise ROU assets and lease liabilities for short-term leases with a lease term of 12 months or less and leases of low-value assets. Payments associated with these leases are recognised on a straight-line basis as an expense in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (k) Leases (cont'd)

##### (iii) The Group as lessor

The Group classified its leases as either operating leases or finance leases. Leases where the Group retains substantially all the risks and rewards of ownership of the leased assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

If the Group transfers substantially all the risks and rewards incidental to ownership of the leased assets, leases are classified as finance leases and are capitalised at an amount equal to the net investment in the lease.

#### (l) Provisions

A provision is recognised when the Group or the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### (m) Revenue and other revenues recognition

##### (i) Revenue from contracts with customers

The Group recognises revenue from contracts with customers for the sale of goods based on the five-step model as set out in MFRS 15 Revenue from Contracts with Customers:

- (a) Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- (b) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- (c) Determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (m) Revenue and other revenues recognition (cont'd)

##### (i) Revenue from contracts with customers (cont'd)

- (d) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- (e) Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time if the Group's performance:

- (a) Does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to-date; or
- (b) Creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) Provides benefits that the customer simultaneously receives and consumes as the Group performs.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Performance obligations are as follows:

##### (a) Sales of goods

Revenue from sales of goods is recognised at the point in time when control of the goods is transferred to the customers, generally upon delivery of goods.

In determining the revenue for the sales of goods, the effects of variable consideration, the existence of significant financing component, non-cash consideration, and consideration payable to the customer, etc. are taken into consideration.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (m) Revenue and other revenues recognition (cont'd)

##### (ii) Other revenues

- (a) Interest income is recognised on an accrual basis using effective interest method.
- (b) Rental income from operating leases (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease terms.

#### (n) Employee benefits

##### Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leaves are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leaves are recognised when the absences occur.

##### Defined contribution plans

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

#### (o) Borrowing costs

Borrowing costs incurred to finance the construction of property, plant and equipment are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use. Borrowing costs incurred to finance property development activities and construction contracts are accounted for in a similar manner. All other borrowing costs are expensed.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (p) **Contingent liabilities and contingent assets**

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstances where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

#### (q) **Earnings per share**

The Group presents basic and diluted (where applicable) earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period (net of treasury shares, if any). Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. No adjustment is made for anti-dilutive potential ordinary shares.

#### (r) **Segment reporting**

Operating segments are defined as components of the Group that:

- (i) Engage in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- (ii) Whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and
- (iii) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (r) Segment reporting (cont'd)

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

- (i) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.
- (ii) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:
  - (a) the combined reported profit of all operating segments that did not report a loss; and
  - (b) the combined reported loss of all operating segments that reported a loss.
- (iii) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring losses, such as goodwill impairment.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment assets exclude tax assets and assets used primarily for corporate purposes.

Segment liabilities exclude tax liabilities and unallocated liabilities. Even though loans and borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors (e.g. funding requirements).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (s) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts 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.

#### (t) Fair value measurement

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's 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 30TH JUNE 2021 (cont'd)

### 3. MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRSs") AND AMENDMENTS TO MFRSs

Amendment to MFRSs which have been issued but not yet effective and relevant to the Group and the Company:

<u>Amendments to MFRSs</u>	<u>Effective dates</u>
Amendments to:	
- MFRS 3	Reference to the Conceptual Framework (Amendments to MFRS 3 - Business Combinations)
- MFRS 9	Financial Instruments (Annual Improvement to MFRS Standards 2018 - 2020)
- MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform - Phase 2
- MFRS 16	Covid-19 - Related Rent Concessions beyond 30th June 2021
- MFRS 16	Leases (Annual Improvement to MFRS Standards 2018 - 2020)
- MFRS 101	Classification of Liabilities as Current or Non-current
- MFRS 101	Disclosure of Accounting Policies
- MFRS 108	Disclosure of Accounting Estimates
- MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
- MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract

It is anticipated that the adoption of the abovementioned Standards and amendments will not have significant impact on the financial statements of the Group and the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements involved making certain estimates, judgements, and assumptions concerning the future. They affect the accounting policies applied, amount of assets, liabilities, income and expenses reported and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Changes in these estimates and assumptions by management may have an effect on the balances as reported in the financial statements. Significant accounting estimates and judgements, where used, have been disclosed in the relevant notes to the financial statements.

The key assumptions 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 are discussed below:

#### (i) Impairment on investment in subsidiary companies

The Group reviews the investment in subsidiary companies for impairment when there is an indication of impairment. The recoverable amount of investment in subsidiary companies is assessed by reference to the higher of its carrying amount and its value in use of the respective investment in subsidiary companies. The value in use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiary companies discounted at an appropriate discount rate. Such a discounted cash flow method involves the use of estimated future results and a set of assumptions to reflect their income and cash flows. Judgement was also used to determine the discount rate for their cash flows and the future growth of the business of the subsidiary companies. The impairment assessment is disclosed in Note 7.

#### (ii) Inventories valuation

The cost of work-in-progress and finished goods comprises raw materials, direct labour, other direct costs and an appropriate proportion of production overheads. Management analyses the types and complexities involved in the production when making the judgement in proportioning the production overheads. Any under or overstatement of production overheads will impact the carrying amount of the inventories. The carrying amount of inventories is as disclosed in Note 9.

#### (iii) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives. The Group estimates the useful lives of these assets to be within 3 to 60 years. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment as at 30th June 2021 are as disclosed in Note 5.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

#### (iv) Income taxes

Significant judgement is required in determining the capital allowances, reinvestment allowance and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of the business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Further details are disclosed in Note 12.

#### (v) Goodwill on investment in associated company

The Group and the Company determine whether goodwill relating to investment in associated company is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are disclosed in Note 8.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

## 5. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Short-term leasehold land RM	Buildings RM	Factory buildings RM	Plant and machinery RM	Motor vehicles RM	Furniture and fittings RM	Office equipment RM	Total RM
<b>Cost/ Deemed cost</b>									
As at 1st July 2019	152,653	10,246,102	1,399,412	50,625,259	37,303,957	3,254,834	2,823,696	4,893,833	110,699,746
Additions	-	-	-	-	357,700	186,543	-	17,173	561,416
Disposals	-	-	-	-	-	(448,060)	-	-	(448,060)
Foreign exchange differences	-	-	-	-	-	-	(28,130)	(6,442)	(34,572)
Effect of deconsolidation of a subsidiary company	-	-	-	-	-	-	(326,608)	(62,756)	(389,364)
<b>As at 30th June/ 1st July 2020</b>	<b>152,653</b>	<b>10,246,102</b>	<b>1,399,412</b>	<b>50,625,259</b>	<b>37,661,657</b>	<b>2,993,317</b>	<b>2,468,958</b>	<b>4,841,808</b>	<b>110,389,166</b>
Additions	-	-	-	-	321,044	380,303	-	155,761	857,108
Disposals	-	-	-	-	-	(542,501)	-	-	(542,501)
Written off	-	-	-	(401,295)	-	-	-	(4,254)	(405,549)
<b>As at 30th June 2021</b>	<b>152,653</b>	<b>10,246,102</b>	<b>1,399,412</b>	<b>50,223,964</b>	<b>37,982,701</b>	<b>2,831,119</b>	<b>2,468,958</b>	<b>4,993,315</b>	<b>110,298,224</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Freehold land RM	Short-term leasehold land RM	Buildings RM	Factory buildings RM	Plant and machinery RM	Motor vehicles RM	Furniture and fittings RM	Office equipment RM	Total RM
<b>Accumulated depreciation</b>									
As at 1st July 2019	-	4,266,591	508,273	25,596,784	32,775,526	2,212,924	2,499,291	3,432,261	71,291,650
Depreciation	-	171,053	27,986	912,033	777,470	252,092	64,256	240,733	2,445,623
Disposals	-	-	-	-	-	(448,060)	-	-	(448,060)
Foreign exchange differences	-	-	-	-	-	-	(11,369)	(845)	(12,214)
Effect of deconsolidation of a subsidiary company	-	-	-	-	-	-	(160,700)	(10,884)	(171,584)
As at 30th June/ 1st July 2020	-	4,437,644	536,259	26,508,817	33,552,996	2,016,956	2,391,478	3,661,265	73,105,415
Depreciation	-	171,053	27,986	912,033	772,557	305,020	13,959	235,048	2,437,656
Disposals	-	-	-	-	-	(542,500)	-	-	(542,500)
Written off	-	-	-	(401,295)	-	-	-	(4,254)	(405,549)
As at 30th June 2021	-	4,608,697	564,245	27,019,555	34,325,553	1,779,476	2,405,437	3,892,059	74,595,022

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

## 5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Freehold land RM	Short-term leasehold land RM	Buildings RM	Factory buildings RM	Plant and machinery RM	Motor vehicles RM	Furniture and fittings RM	Office equipment RM	Total RM
Net carrying amounts									
As at 30th June 2021									
- At cost	80,000	82,525	744,365	14,058,167	3,657,148	1,051,643	63,521	1,101,256	20,838,625
- At deemed cost	72,653	5,554,880	90,802	9,146,242	-	-	-	-	14,864,577
	152,653	5,637,405	835,167	23,204,409	3,657,148	1,051,643	63,521	1,101,256	35,703,202
As at 30th June 2020									
- At cost	80,000	84,952	768,719	14,558,470	4,108,661	976,361	77,480	1,180,543	21,835,186
- At deemed cost	72,653	5,723,506	94,434	9,557,972	-	-	-	-	15,448,565
	152,653	5,808,458	863,153	24,116,442	4,108,661	976,361	77,480	1,180,543	37,283,751

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

- (i) The land and buildings of the Group were valued by a firm of independent professional valuers based on the "open market value" method of valuation in 1994. This was later revised, and the revision approved by the Securities Commission, in 1996.
- (ii) The carrying amounts of the Group's revalued assets that would have been included in the financial statements at cost less accumulated depreciation are as follows:

	Group	
	2021 RM	2020 RM
Freehold land	73,000	73,000
Short-term leasehold land	3,333,202	3,435,840
Buildings	91,361	95,010
Factory buildings	6,129,004	6,406,260
	<hr/> 9,626,567	<hr/> 10,010,110

- (iii) Net carrying amounts of assets pledged to banks for banking facilities as disclosed in Note 17(ii) are as follows:

	Group	
	2021 RM	2020 RM
Short-term leasehold land	1,104,184	1,138,172
Factory buildings	5,348,165	5,531,998
	<hr/>	<hr/>

- (iv) The leasehold land generally has lease term for 60 years and does not have renewal option. The leasehold land has an unexpired lease period of less than 50 years.

No lease liability on leasehold land has been recognised as the Group has settled its lease obligation prior to the date of initial application of MFRS 16.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

#### 6. RIGHT-OF-USE ASSETS

Group	Forklifts RM	Land RM	Warehouse RM	Total RM
<b>Cost</b>				
As at 1st July 2019	268,308	90,164	15,512	373,984
Derecognition	-	-	(15,512)	(15,512)
As at 30th June/ 1st July 2020/ 30th June 2021	268,308	90,164	-	358,472
<b>Accumulated depreciation</b>				
As at 1st July 2019	-	-	-	-
Depreciation	74,876	15,681	6,786	97,343
Derecognition	-	-	(6,786)	(6,786)
As at 30th June/ 1st July 2020	74,876	15,681	-	90,557
Depreciation	74,876	15,681	-	90,557
As at 30th June 2021	149,752	31,362	-	181,114
<b>Net carrying amounts</b>				
As at 30th June 2021	118,556	58,802	-	177,358
As at 30th June 2020	193,432	74,483	-	267,915

The additional information about its leasing activities are as follows:

	Forklifts		Land	
	2021	2020	2021	2020
(i) Lease term	5 years	5 years	3 years	3 years
(ii) Renewal option	No	No	3 years	3 years
(iii) Termination option	Yes	Yes	Yes	Yes
(iv) Restriction imposed	No	No	No	No
(v) Lease term determined by the management	5 years	5 years	6 years	6 years

The maturity analysis of lease liabilities is presented in Note 18.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 7. INVESTMENT IN SUBSIDIARY COMPANIES

	2021 RM	Company 2020 RM
Unquoted shares, at deemed cost	70,748,998	70,748,998

The details of the subsidiary companies are as follows:

Subsidiary company of the Company	Country of incorporation	Gross equity interest		Principal activities
		2021 %	2020 %	
SHH Furniture Industries Sdn. Bhd.	Malaysia	100	100	Investment holding and manufacturing of wooden furniture
<b>Subsidiary companies of SHH Furniture Industries Sdn. Bhd.</b>				
Kurnia Sejati Sdn. Bhd.	Malaysia	100	100	Manufacturing of wooden furniture
Kimcrest Sdn. Bhd.	Malaysia	100	100	Property investment
SHH Wood Processing Sdn. Bhd.	Malaysia	100	100	Ceased business operations
Metro Court Sdn. Bhd.	Malaysia	100	100	Ceased business operations
Rampai Pesona Sdn. Bhd.	Malaysia	80	80	Construction and property development
Zillo & Co Pty Ltd*	Australia	-	70	Wound up

\* The financial statement of this company is examined by auditor other than Peter Chong & Co. The winding-up process was completed during the financial year.

- (i) The subsidiary companies were consolidated under the predecessor method of accounting except for Metro Court Sdn. Bhd. and Rampai Pesona Sdn. Bhd. which were consolidated under the purchase method of accounting.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 7. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

- (ii) Zillo & Co Pty Ltd, 70% owned subsidiary of the Group had on 20th May 2020 been placed under members' winding-up. During the financial year ended 30th June 2020, the Group has written off of RM240,240, the investment in Zillo & Co. Pty Ltd. The winding-up process was completed during the financial year ended 30th June 2021.

The loss on deconsolidation of the investment is as follows:

	Group 2020 RM
Property, plant and equipment	217,780
Inventories	793,431
Receivables	207,824
Tax assets	1,391
Cash and bank balances	78,076
Payables	(9,382,734)
Non-controlling interest	<u>2,425,269</u>
Net liabilities deconsolidated	(5,658,963)
Amount due from subsidiary not recoverable	8,139,311
Reclassification of exchange translation reserve to profit or loss	(42,310)
Loss on deconsolidation	<u>(2,438,038)</u>
Consideration received	-
Less: Cash and bank balances deconsolidated	<u>(78,076)</u>
Net cash outflow on deconsolidation	<u>(78,076)</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 7. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

#### (iii) Key assumptions used in value-in-use calculations

Certain subsidiary companies have made losses during the financial year. The Directors have carried out a review and assessed the underlying value of the investment in subsidiary companies to ensure it is fairly stated. This is established by the adoption of its accounting policy stated in Note 2(g). The value-in-use is based on management's cash flows and profit forecast and projections for five (5) financial years from 2022 to 2026. The key assumptions used in the calculation of value-in-use are as follows:

- (a) The projected annual revenue growth over the next 5 years is approximately 5% (2020: 5%) per annum;
- (b) The projected gross profit margin over the next 5 years is approximately 15% (2020: 15%);
- (c) A pre-tax discount rate of 6% (2020: 6%) per annum; and
- (d) It is assumed that the foreign exchange fluctuation will not be more than 10% throughout the forecast and projection periods.

#### Sensitivity to changes in assumptions

With regard to the assessment of value-in-use, the Directors believes that no reasonable possible change in any of the above key assumptions would cause the carrying values to materially exceed their recoverable amounts.

### 8. INVESTMENT IN AN ASSOCIATED COMPANY

	Group	
	2021 RM	2020 RM
Unquoted shares, at deemed cost	315,386	315,386
Add: Share of post acquisition reserves	189,549	395,496
	<hr/> 504,935	<hr/> 710,882
<b>Represented by:</b>		
Goodwill	315,386	315,386
Share of net assets	189,549	395,496
	<hr/> 504,935	<hr/> 710,882

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 8. INVESTMENT IN AN ASSOCIATED COMPANY (cont'd)

The associated company, which was incorporated in Malaysia, is as follows:

	Gross equity interest		Principal activity
	2021	2020	
	%	%	
<b>Associated company of SHH Furniture Industries Sdn. Bhd.</b>			
Deseng Hardware (M) Sdn. Bhd.	49	49	Manufacturing of furniture components

The summarised financial statements of the associated company are as follows:

	Group	
	2021	2020
	RM	RM
Current assets	1,398,160	1,987,767
Non-current assets	1,948,269	2,045,266
<b>Total assets</b>	<b>3,346,429</b>	<b>4,033,033</b>
Current liabilities	2,315,952	2,582,254
<b>Total liabilities</b>	<b>2,315,952</b>	<b>2,582,254</b>
Revenue	6,426,270	6,414,329
(Loss)/ Profit for the financial year	(420,301)	116,792

There are no capital commitments or contingencies relating to the Group's interest in associated company at the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 8. INVESTMENT IN AN ASSOCIATED COMPANY (cont'd)

#### Key assumptions used in value-in-use calculations

The Directors have carried out a review and assessed the underlying value of the investment in associated company to ensure it is fairly stated. This is established by the adoption of its accounting policy stated in Note 2(g). The value-in-use is based on management's cash flows and profit forecast and projections for five (5) financial years from 2022 to 2026. The key assumptions used in the calculation of value-in-use are as follows:

- (a) The projected annual revenue growth over the next 5 years is approximately 3% (2020: 3%);
- (b) The projected gross profit margin over the next 5 years is approximately 7% (2020: 6%); and
- (c) A pre-tax discount rate of 6% (2020: 6%) per annum.

#### Sensitivity to changes in assumptions

With regard to the assessment of value-in-use, the Directors believes that no reasonable possible change in any of the above key assumptions would cause the carrying values to materially exceed their recoverable amounts.

### 9. INVENTORIES

	Group	
	2021	2020
	RM	RM
<b>Wooden furniture</b>		
<b>At cost</b>		
Raw materials	15,134,859	10,730,097
Work-in-progress	6,888,334	5,471,947
Finished goods	6,894,019	6,648,077
<b>At fair value less cost to sell</b>		
Finished goods	173,351	-
	<hr/> 29,090,563	<hr/> 22,850,121
<b>Development properties</b>		
<b>At cost</b>		
Land held for development and development cost	11,971,490	11,002,823
	<hr/> 41,062,053	<hr/> 33,852,944
Recognised in profit or loss and included in cost of sales:		
- Inventories recognised as expenses	65,167,015	60,407,956
- Inventories written down to net realisable value	3,252	-
	<hr/>	<hr/>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 9. INVENTORIES (cont'd)

- (i) Land held for development and development cost

	Freehold land held for development RM	Development cost RM	Total RM
<b>Current</b>			
<b>At cost</b>			
As at 1st July 2019	-	-	-
Transfer from deposits	4,094,640	-	4,094,640
Cost incurred during the financial year	6,141,960	766,223	6,908,183
At 30th June/ 1st July 2020	10,236,600	766,223	11,002,823
Cost incurred during the financial year	-	968,667	968,667
At 30th June 2021	10,236,600	1,734,890	11,971,490

- (ii) Included in the development cost is the borrowing cost capitalised amounting to RM388,145 (2020: RM99,057).

- (iii) The development land is pledged to a bank for banking facilities as disclosed in Note 17(ii).

### 10. RECEIVABLES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Trade receivables	3,340,228	7,937,842	-	-
Less: Allowance on impairment loss	-	(238,260)	-	-
	3,340,228	7,699,582	-	-
Other receivables	42,304	61,294	-	-
Deposits	470,256	495,026	1,000	1,000
Prepayments	787,359	729,761	-	-
	4,640,147	8,985,663	1,000	1,000

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 10. RECEIVABLES (cont'd)

- (i) The currency exposure profile of receivables (excluded prepayments) is as follows:

	Group	
	2021	2020
	RM	RM
Ringgit Malaysia	580,709	609,557
United States Dollar	3,272,079	7,644,990
Australian Dollar	-	1,355
	<u>3,852,788</u>	<u>8,255,902</u>

- (ii) The Group's normal trade receivables credit periods range from 14 to 90 days (2020: 14 to 90 days).
- (iii) As at the reporting date, the Group is exposed to a significant concentration of credit risk whereby a substantial balance of the total trade receivables is due from three (3) (2020: two (2)) major receivables, representing approximately 77% (2020: 59%) of the total trade receivables of the Group.
- (iv) The Group's historical experience in collection of trade receivables falls within the recorded credit period and the management believes that no additional credit risk for collection losses is inherent in the Group's trade receivables. The Group does not hold any collateral over these balances.
- (v) Ageing of trade receivables is as follows:

	Group	
	2021	2020
	RM	RM
Neither past due nor impaired	3,200,421	7,699,582
Past due but not impaired		
- 1 to 30 days	101,332	-
- 31 to 60 days	15,407	-
- 61 to 90 days	21,431	-
- 90 days and above but less than 1 year	1,637	-
	<u>3,340,228</u>	<u>7,699,582</u>
Impaired	-	238,260
	<u>3,340,228</u>	<u>7,937,842</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 10. RECEIVABLES (cont'd)

- (v) Ageing of trade receivables is as follows (cont'd):

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the financial year.

- (vi) **Measurement of expected credit losses ("ECL") – simplified approach**

The Group applies the MFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The expected loss rates are based on historical credit losses experienced by the Group. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

As at the current financial year end, there is no significant increase in credit risk for trade receivables since initial recognition. The allowance account in respect of the trade receivables is used to record individual impairment loss. The movement of the allowance for impairment loss is as follows:

	Group	
	2021	2020
	RM	RM
<b>Allowance for impairment loss - Trade receivables</b>		
As at 1st July	238,260	14,500
Addition	-	238,260
Reversal	-	(14,500)
Written off	(238,260)	-
As at 30th June	-	238,260

Trade receivables that are individually determined to be credit impaired at the financial year end related to trade receivables who are in significant financial difficulties and have defaulted on payments.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 10. RECEIVABLES (cont'd)

#### (vii) Measurement of ECL – general 3-stage approach

Other financial assets include other receivables and deposits.

The Group considers the probability of default upon initial recognition of asset and whether there has been any significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information, where available.

Based on the above, loss allowance is measured on either 12-month ECL or lifetime ECL.

#### **Other receivables**

Other receivables represent sundry receivables, which is unsecured, interest-free and repayable upon demand. Allowance for impairment loss is assessed for other receivables individually. The estimated impairment loss was immaterial.

#### **Deposits**

Deposits mainly represents deposit paid for premises occupied and utility. They will be received at the end of the leasing terms or upon termination of utility. No allowance for impairment loss is recognised.

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# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

#### Derivative financial instruments

	Group	
	2021	2020
	RM	RM
<b>Non-hedging derivatives:</b>		
<b>Current</b>		
Contract amount for:		
Forward currency contract		
- Contract value	-	649,804
- Fair value	-	633,471
- Assets	-	16,333

The Group uses forward currency contracts to manage some of its transaction exposure. These contracts are not designated as cash flow or fair value hedges and are not entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts are used to hedge the Group's sales denominated in United States Dollar ("USD") for which firm commitments exist at the reporting date. The notional principal amount of the outstanding forward currency contract as at 30th June 2021 is USD Nil (2020: USD148,008).

The effective period for the forward currency contracts were from May 2020 to August 2020, at contractual rates ranging from RM4.277 to RM4.418.

The Group recognised a gain of RM43,981 (2020: loss of RM149,640) arising from fair value changes of derivative assets. The fair value changes are attributable to changes in foreign exchange spot and forward rate. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 30.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 12. TAXATION

	Group	
	2021	2020
	RM	RM
Net tax assets as at 1st July	352,391	2,125,990
Income taxation		
- charge for the financial year	(749,700)	(143,300)
- over/ (under) provision in prior year	303	(21,837)
Payment made during the financial year	915,075	240,731
Tax refunded	-	(1,847,802)
Effect of deconsolidation of a subsidiary company	-	(1,391)
Net tax assets as at 30th June	518,069	352,391
<b>Disclosed as:</b>		
Tax assets	541,632	370,765
Tax liabilities	(23,563)	(18,374)
	518,069	352,391
<b>Taxation expenses comprise:</b>		
<b>Current</b>		
- Income taxation	749,700	143,300
- Deferred taxation (Note 19)	388,745	275,745
<b>Non-current</b>		
- Income taxation	(303)	21,837
- Deferred taxation (Note 19)	26,240	(31,202)
	1,164,382	409,680

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# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 12. TAXATION (cont'd)

Reconciliation of tax expenses with accounting profit/ (loss):

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Profit/ (Loss) before taxation and share of (loss)/ profit in an associated company	5,287	(2,961)	(272)	(150)
Tax at current income tax rate at 24%	1,269	(711)	(65)	(36)
Tax effects in respect of:				
- Depreciation of non-qualifying property, plant and equipment	146	151	-	-
- Non-allowable expenses	186	308	65	36
- Non-taxable income	(7)	(7)	-	-
- Crystallisation of deferred tax on revaluation surplus	(43)	(43)	-	-
- Loss on deconsolidation of a subsidiary company	-	585	-	-
Deferred tax assets not recognised	24	498	-	-
Utilisation of deferred tax not recognised in prior year	(437)	(362)	-	-
Adjustment in respect of prior years				
- Income taxation	-	22	-	-
- Deferred taxation	26	(31)	-	-
	1,164	410	-	-

Tax savings arising from the utilisation of unused capital allowances and unused tax losses of the Group during the financial year amounted to approximately RM816,000 (2020: RM1,101,000).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 12. TAXATION (cont'd)

The Group have the following that are available to set off against future taxable profits:

	Group	
	2021	2020
	RM	RM
Unused tax losses	10,266,000	19,039,000
Unused capital allowances	1,358,000	1,356,000
Reinvestment allowances	2,059,000	2,059,000
	<u>13,643,000</u>	<u>22,454,000</u>

Pursuant to new law gazetted under the Budget 2019, the ability to carry forward unused tax losses is restricted to a maximum period of seven consecutive Year of Assessment ("YA"), effective YA 2019.

The unused tax losses, unused capital allowances and unutilised reinvestment allowances of the Group are available for offsetting against future taxable profits, as follows:

	Group	
	2021	2020
	RM	RM
Utilisation period		
Indefinite	3,417,000	3,415,000
Within 5 years	10,226,000	-
Within 6 years	-	17,139,000
Within 7 years	-	1,900,000
	<u>13,643,000</u>	<u>22,454,000</u>

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# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 13. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Fixed deposits with licensed bank	2,942,382	2,919,095	-	-
Cash and bank balances	12,589,209	11,580,004	18,270	5,304
	15,531,591	14,499,099	18,270	5,304

- (i) The interest rates for the Group's fixed deposits with licensed banks during the financial year is at 1.40% to 2.60% (2020: 1.70% to 3.10%) per annum and have a maturity period of one year or less (2020: one year or less).
- (ii) Included in fixed deposits with licensed banks are deposits of RM756,978 (2020: RM736,710) pledged as securities for banking facilities granted to the Group as disclosed in Note 17(ii).
- (iii) The Group is exposed to a significant concentration risk relates to the deposits, cash and bank balances whereby 98% (2020: 98%) of the total cash and bank balances of the Group is placed in one (1) (2020: one (1)) financial institutions.
- (iv) The currency exposure profile of the deposits, cash and bank balances is as follows:

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Ringgit Malaysia	11,524,810	12,444,909	18,270	5,304
United States Dollar	4,006,595	2,054,004	-	-
Other currencies	186	186	-	-
	15,531,591	14,499,099	18,270	5,304

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# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 14. SHARE CAPITAL

Group and Company	2021 No. of shares	2020 No. of shares	2021 RM	2020 RM
<b>Issued and fully paid</b>				
Ordinary shares with no par value				
- As at 1st July	49,997,500	49,997,500	49,997,500	49,997,500
- Bonus issue	49,997,500	-	-	-
- As at 30th June	99,995,000	49,997,500	49,997,500	49,997,500

On 21st May 2021, the Company obtained shareholders' approval at its Extraordinary General Meeting for a bonus issue of 49,997,500 new ordinary shares on the basis of 1 bonus share for every 1 existing ordinary share. The bonus issue was completed on 14th June 2021.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

The new ordinary shares are issued as fully paid, at nil consideration and without capitalisation from the Company's reserves and ranked pari passu in all respects with the existing ordinary shares of the Company.

#### Capital management

The primary objective of the Group's capital management is to ensure that entities of the Group are able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's and the Company's overall strategy remain unchanged from that in the financial years ended 30th June 2021 and 30th June 2020.

The Group reviews the capital structure on an annual basis and the Directors consider the cost of capital and the risk associated with the capital. The Group manages its capital structure and makes adjustments to address changes in the economic environment, regulatory requirements and risk characteristics in the business operations of the Group in light of economic conditions.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 14. SHARE CAPITAL (cont'd)

#### Capital management (cont'd)

The Group monitors capital using a debts-to-equity ratio, which is total debts divided by total equity. Total debts represent total lease liabilities and borrowings of the Group. Equity represents equity attributable to the owners of the Company.

	Group	
	2021	2020
	RM	RM
Total debts	11,223,008	12,333,119
Total equity	69,138,816	65,169,840
Total debts-to-equity ratio	16%	19%

There are no changes made to the capital management, policies and procedures of the Group and the Company during the financial year.

### 15. RESERVES

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
<b>Distributable</b>				
Retained profits	19,042,556	15,074,836	17,103,190	17,375,364

#### Retained profits

The Company will be able to distribute dividends out of its entire retained profits as at 30th June 2021 under the single tier tax system.

Subject to agreement by the Inland Revenue Board, the Company has RM53,015,930 (2020: RM53,015,930) in tax exempt account to frank the payment of dividends out of its retained profits as at 30th June 2021.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 16. NON-CONTROLLING INTERESTS

The Group's subsidiary companies that have material non-controlling interests ("NCI") are as follows:

	Zillo & Co Pty Ltd RM	Immaterial subsidiary RM	Total RM
<b>2021</b>			
NCI percentage of ownership interest and voting interest	30%	20%	
Carrying amount of NCI	-	98,760	98,760
Profit allocated to NCI	-	1,256	1,256
<b>2020</b>			
NCI percentage of ownership interest and voting interest	30%	20%	
Carrying amount of NCI	-	97,504	97,504
Loss allocated to NCI	(617,373)	(1,114)	(618,487)

	Zillo & Co Pty Ltd	
	2021 RM	2020 RM
<b>Year ended 30th June</b>		
Revenue	-	3,295,750
Loss for the year	-	(2,057,913)
Total comprehensive loss	-	(1,302,049)
Cash flow from operating activities	-	(1,188,810)
Cash flow from investing activities	-	34,572
Cash flow from financing activities	-	(507,049)
Net decrease in cash and cash equivalents	-	(1,661,287)

The winding-up process on Zillo & Co Pty Ltd has been completed during the financial year as disclosed in Note 7(ii).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 17. BORROWINGS

	Group	
	2021	2020
	RM	RM
<b>Current</b>		
<b>Secured</b>		
Term loan	252,080	-
<b>Unsecured</b>		
Bankers' acceptance	4,668,015	4,822,530
Revolving credits	-	995,100
	4,668,015	5,817,630
	4,920,095	5,817,630
<b>Non-current</b>		
<b>Secured</b>		
Term loan	6,116,737	6,241,017
<b>Total</b>	11,036,832	12,058,647

(i) The currency exposure profile of borrowings is as follows:

	Group	
	2021	2020
	RM	RM
Ringgit Malaysia	11,036,832	11,063,547
United States Dollar	-	995,100
	11,036,832	12,058,647

(ii) The bank borrowings are secured by certain landed properties, inventories, fixed deposits with licensed bank and assets of subsidiary companies as disclosed in Note 5(iii), Note 9(iii) and Note 13(ii).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 17. BORROWINGS (cont'd)

(iii) Interests charged are as follows:

- bankers' acceptance – 1.89% to 4.51% (2020: 2.05% to 4.49%) per annum.
- revolving credits – 1.39% to 1.49% (2020: 2.56% to 3.77%) per annum.
- term loan – 0.75% (2020: 0.75%) per annum on monthly rest above the bank's base lending rate.

(iv) The term loan as at the end of the financial year is repayable as follows:

	Group	
	2021	2020
	RM	RM
Not later than 1 year	252,080	-
Between 1 to 2 years	1,056,125	99,057
Between 2 to 5 years	3,678,766	2,486,150
More than 5 years	1,381,846	3,655,810
	<u>6,368,817</u>	<u>6,241,017</u>

### 18. LEASE LIABILITIES

	Group	
	2021	2020
	RM	RM
<b>Lease liabilities:</b>		
- Current	92,814	88,297
- Non-current	93,362	186,175
	<u>186,176</u>	<u>274,472</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 18. LEASE LIABILITIES (cont'd)

(i) Lease obligations:

	Group	
	2021	2020
	RM	RM
Minimum lease payments:		
- not later than 1 year	99,600	99,600
- between 1 to 2 years	65,600	99,600
- between 2 to 5 years	31,500	97,100
	196,700	296,300
Less: Unexpired term charges	(10,524)	(21,828)
	186,176	274,472
Present value of lease obligations:		
- not later than 1 year	92,814	88,297
- between 1 to 2 years	63,135	92,814
- between 2 to 5 years	30,227	93,361
	186,176	274,472

(ii) There is no expense relating to variable lease payments not included in the measurement of lease liabilities.

(iii) The corresponding right-of-use assets of the lease liabilities are as disclosed in Note 6.

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# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 19. DEFERRED TAXATION

	Group	
	2021	2020
	RM	RM
As at 1st July	1,054,556	810,013
Recognised in profit or loss		
- Current (Note 12)	388,745	275,745
- Non-current (Note 12)	26,240	(31,202)
As at 30th June	1,469,541	1,054,556

Presented after appropriate offsetting as follows:

	Balance as at 1.7.2020 RM	Recognised in profit or loss RM	Balance as at 30.6.2021 RM
<b>Group</b>			
Deferred tax assets (before offsetting)			
- temporary difference arising from unused tax losses and allowances	1,745,000	(262,698)	1,482,302
Offsetting	(1,745,000)	262,698	(1,482,302)
Deferred tax assets (after offsetting)	-	-	-
Deferred tax liabilities (before offsetting)			
- property, plant and equipment	(1,707,000)	(232,302)	(1,939,302)
- revaluation surplus	(1,146,556)	42,015	(1,104,541)
- others	54,000	38,000	92,000
	(2,799,556)	(152,287)	(2,951,843)
Offsetting	1,745,000	(262,698)	1,482,302
Deferred tax liabilities (after offsetting)	(1,054,556)	(414,985)	(1,469,541)

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 19. DEFERRED TAXATION (cont'd)

Presented after appropriate offsetting as follows: (cont'd)

	Balance as at 1.7.2019 RM	Recognised in profit or loss RM	Balance as at 30.6.2020 RM
<b>Group</b>			
Deferred tax assets (before offsetting)			
- temporary difference arising from unused tax losses and allowances	1,996,219	(251,219)	1,745,000
Offsetting	(1,996,219)	251,219	(1,745,000)
Deferred tax assets (after offsetting)	-	-	-
Deferred tax liabilities (before offsetting)			
- property, plant and equipment	(1,617,000)	(90,000)	(1,707,000)
- revaluation surplus	(1,189,232)	42,676	(1,146,556)
- others	-	54,000	54,000
	(2,806,232)	6,676	(2,799,556)
Offsetting	1,996,219	(251,219)	1,745,000
Deferred tax liabilities (after offsetting)	(810,013)	(244,543)	(1,054,556)

The potential deferred tax assets that have not been recognised are as follows:

	<b>Group</b>	
	<b>2021 RM</b>	<b>2020 RM</b>
Temporary differences arising from		
- property, plant and equipment	(6,109,000)	(5,800,000)
- unused capital allowances	1,358,000	1,356,000
- unused reinvestment allowance	2,059,000	2,059,000
- unused tax losses	10,226,000	19,039,000
	7,534,000	16,654,000
Potential deferred tax asset not recognised calculated at 24%	1,808,000	3,997,000

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 19. DEFERRED TAXATION (cont'd)

Deferred tax assets of the companies in the Group are only recognised to the extent where it is probable that future taxable profit will be available against which deductible temporary differences can be utilised. The balance of the deferred tax assets has not been recognised as it is not probable that sufficient future taxable profits will be available to offset against the unrecognised deferred tax assets.

### 20. PAYABLES

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Trade payables	13,162,880	12,140,092	-	-
Other payables and accruals	3,112,850	4,208,199	64,903	21,763
Due to an associated company				
- Trade	30,260	1,063,172	-	-
Due to subsidiary companies				
- Non-trade	-	-	3,602,675	3,360,675
	<u>16,305,990</u>	<u>17,411,463</u>	<u>3,667,578</u>	<u>3,382,438</u>

(i) The currency exposure profile of payables is as follows:

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Ringgit Malaysia	15,193,806	16,547,392	3,667,578	3,382,438
United States Dollar	1,112,184	864,071	-	-
	<u>16,305,990</u>	<u>17,411,463</u>	<u>3,667,578</u>	<u>3,382,438</u>

(ii) The normal trade credit periods granted to the Group range from 7 to 90 days (2020: 7 to 90 days) or such other period as negotiated with the suppliers.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 20. PAYABLES (cont'd)

- (iii) The Group's normal trade credit period granted by the associated company is 30 days (2020: 30 days). The indebtedness is unsecured and interest-free.
- (iv) The amount due to subsidiary companies is unsecured, interest-free and repayable upon demand.
- (v) Included in other payables and accruals is an amount of RM1,201,528 (2020: RM1,020,528) owing to corporate shareholder of a subsidiary company, Urbanberry Sdn. Bhd. The amount is unsecured, interest-free and repayable upon demand.
- (vi) The related party transactions are disclosed in Note 25.

### 21. REVENUE AND COST OF SALES

#### REVENUE

	2021 RM	Group 2020 RM
Revenue from sale of furniture	112,906,161	104,119,545

Disaggregation of the Group's revenue from contracts with customers:

	2021 RM	2020 RM
<b>Geographical market</b>		
Local	6,203,454	3,831,991
Overseas	106,702,707	100,287,554
	112,906,161	104,119,545
<b>Timing of revenue recognition</b>		
At point in time	112,906,161	104,119,545

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 21. REVENUE AND COST OF SALES (cont'd)

#### REVENUE (cont'd)

The following information reflects the typical transactions of the Company:

Nature of goods and services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable elements in consideration
Sales of furniture, furniture and components	Revenue is recognised when the goods: - are delivered to the shipping carrier for export sales.  - are accepted by the customers for local sales.	Credit period ranging from 14 to 30 days from bill of lading.  Credit period ranging from 14 to 30 days from invoice date.	N/A  Right of return is given to customers for faulty goods.

#### COST OF SALES

Cost of sales represents materials costs, direct labour cost, other direct costs and changes in inventories of finished goods and work in progress.

### 22. OPERATING PROFIT/ (LOSS)

The following items have been charged/ (credited) in arriving at operating profit/ (loss):

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Auditors' remuneration				
- Statutory audit	72,500	72,500	19,000	19,000
- Other services	4,500	4,500	2,500	2,500
Other auditors				
- Other services	-	3,396	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

#### 22. OPERATING PROFIT/ (LOSS) (cont'd)

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Allowance for impairment loss on trade receivables				
- Addition	-	238,260	-	-
- Reversal	-	(14,500)	-	-
Directors' remuneration (Note 23)	1,769,806	1,841,396	21,000	-
Loss/ (Gain) on foreign exchange:				
- Realised	597,991	10,276	-	-
- Unrealised	(52,803)	87,622	-	-
Loss on deconsolidation of a subsidiary company	-	2,438,038	-	-
Interest income	(95,817)	(190,796)	-	-
Inventories written down to net realisable value	3,252	-	-	-
Items relating to short-term lease	3,600	267,902	-	-
Net changes in fair value on derivative financial instruments				
- Realised	(43,981)	149,640	-	-
- Unrealised	-	(16,333)	-	-
Property, plant and equipment				
- Depreciation	2,437,656	2,445,623	-	-
- Gain on disposal	(52,200)	(30,000)	-	-
Rental income	(189,000)	(324,000)	-	-
Right-of-use assets				
- Depreciation	90,557	97,343	-	-
- Gain on derecognition	-	(127)	-	-
Staff costs:				
- Salaries, bonuses and allowances	22,126,091	23,045,251	-	-
- Employees' Provident Fund	774,936	897,031	-	-
- Other employee benefits	2,021,443	2,606,117	-	-

The number of employees (excluding Directors) at the end of the financial year was 867 (2020: 992).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 23. DIRECTORS' REMUNERATION

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
<b>Directors of the Company</b>				
- Salaries, bonuses and allowances	1,635,250	1,486,750	21,000	-
- Employees' Provident Fund	134,556	122,868	-	-
	1,769,806	1,609,618	21,000	-
<b>Director of subsidiary company</b>				
- Salaries, bonuses and allowances	-	211,669	-	-
- Employees' Provident Fund	-	20,109	-	-
	-	231,778	-	-
<b>Total Directors' remuneration</b>	<b>1,769,806</b>	<b>1,841,396</b>	<b>21,000</b>	<b>-</b>
The estimated monetary value of other benefits not included in the above received by:				
- Directors of the Company	34,800	34,800	-	-

This represents remuneration received or receivable by the following Directors:

Directors of the Company:

Present

- Dato' Haji Obet bin Tawil
- Dato' Teo Wee Cheng
- Datin Teo Chan Huat
- Dato' Tan Seng Hu
- Tan Siong Sun
- Ng Sai Goey

Former

- Lim Swee Chong

Director of certain subsidiary company:

Former

- Melissa Tantuccio

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 24. FINANCE COSTS

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Interests on:				
- bank overdraft	-	11,284	-	-
- bankers' acceptance	182,692	151,913	-	-
- lease liabilities	11,304	15,941	-	-
- revolving credits	5,156	72,437	-	-
	199,152	251,575	-	-
Bank charges				
- current year	113,127	136,554	25	27
- over provision in prior year	(106)	-	(106)	-
	312,173	388,129	(81)	27

### 25. RELATED PARTY DISCLOSURES

In addition to related party disclosures mentioned elsewhere in the financial statements, the other related party relationships and significant transactions are set out as follows:-

#### (a) Related party relationships

Parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence.

The Company has related party relationship with the following:-

- (i) Subsidiary companies as disclosed in Note 7.
- (ii) Deseng Hardware (M) Sdn. Bhd. ("Deseng"), an associated company of SHH Furniture Industries Sdn. Bhd., where its Directors have close family relationship with the Directors of the Group.
- (iii) Urbanberry Sdn. Bhd., a corporate shareholder of a subsidiary company, Rampai Pesona Sdn. Bhd., in which the Director of a subsidiary company, Lau Ngee Chung is Director and has financial interest.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 25. RELATED PARTY DISCLOSURES (cont'd)

#### (a) Related party relationships (cont'd)

- (iv) Key management personnel are referred as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The Group and the Company define its Directors, Chief Executive Officer, Chief Financial Officer and Chief Operating Officer as key management.

#### (b) Significant related party transactions

In the normal course of business, the Group and Company undertake on agreed terms and prices, the following significant transactions with its related parties:

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
SHH Furniture Industries Sdn. Bhd.				
- advances from	-	-	242,000	151,000
Deseng Hardware (M) Sdn. Bhd.				
- purchase of goods	6,133,931	6,016,903	-	-
- workmanship charges	87,857	108,500	-	-
Rampai Persona Sdn. Bhd.				
- advances from shareholders	181,000	281,600	-	-

Information regarding outstanding balances arising from related party transactions as at 30th June 2021 and 30th June 2020 are disclosed in Note 20.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 25. RELATED PARTY DISCLOSURES (cont'd)

#### (c) Compensation of key management personnel

The key management's remuneration includes fees, salaries, bonuses, allowances and other benefits computed based on the costs incurred by the Group. The compensation paid/payable to key management personnel (other than executive and non-executive Directors whose remuneration are disclosed in Note 23) were as follows:

	Group	
	2021	2020
	RM	RM
Salaries, bonuses and allowances	780,800	805,100
Employees' Provident Fund	87,306	91,368
	<u>868,106</u>	<u>896,468</u>
The estimated monetary value of other benefits not included in the above received by:		
- key management personnel	<u>8,550</u>	<u>9,625</u>

### 26. EARNINGS/ (LOSS) PER SHARE

#### (i) Basic Earnings/ (Loss) Per Share

The earnings/ (loss) per share of the Group is calculated based on the profit/ (loss) attributable to shareholders divided by the weighted average number of ordinary shares in issue as follows:

	Group	
	2021	2020
		(Restated)
Profit/ (loss) attributable to owners of the Company (RM)	<u>3,967,720</u>	<u>(2,673,918)</u>
Number of ordinary shares in issue as at 1st July	49,997,500	49,997,500
Bonus issue	<u>49,997,500</u>	<u>49,997,500</u>
Weighted average number of ordinary shares in issue as at 30th June	<u>99,995,000</u>	<u>99,995,000</u>
Earnings/ (Loss) per share (sen)	<u>3.97</u>	<u>(2.67)</u>

The related basic Earnings Per Share for the previous financial year was arrived at after reflecting the retrospective adjustments as required by MFRS 133: Earnings Per Share arising from the Company's bonus issue of 49,997,500 ordinary shares which was completed during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 26. EARNINGS/ (LOSS) PER SHARE (cont'd)

#### (ii) Diluted Earnings Per Share

The diluted earnings per share of the Group for the financial year ended 30th June 2021 and 30th June 2020 are same as the basic earnings per share of the Group as the Group has no dilutive potential ordinary shares.

### 27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Represented by:				
Deposits, cash and bank balances (Note 13)	15,531,591	14,499,099	18,270	5,304
Less:				
Deposits pledged to bank (Note 13)	(756,978)	(736,710)	-	-
	<u>14,774,613</u>	<u>13,762,389</u>	<u>18,270</u>	<u>5,304</u>

### 28. CORPORATE GUARANTEE

#### Unsecured

The Company has provided corporate guarantees totalling RM64,363,000 (2020: RM64,363,000) to certain licensed banks for banking facilities granted to its subsidiary companies. As at 30th June 2021, the amount utilised under the corporate guarantee is RM3,703,015 (2020: RM5,817,630).

The Directors are of the view that the chances of the licensed banks call on the corporate guarantee are remote. Please refer to accounting policy Note 2(h)(iii).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 29. FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

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

- (i) Financial assets and liabilities measured at amortised cost ("AC")
- (ii) Financial assets at fair value through profit or loss ("FVTPL")
  - Mandatorily required by MFRS 9

	Carrying amount RM	AC RM	FVTPL RM
<b>Group</b>			
<b>2021</b>			
<b>Financial assets</b>			
Receivables *	3,852,788	3,852,788	-
Deposits, cash and bank balances	15,531,591	15,531,591	-
	<u>19,384,379</u>	<u>19,384,379</u>	<u>-</u>
<b>Financial liabilities</b>			
Borrowings	11,036,832	11,036,832	-
Lease liabilities	186,176	186,176	-
Payables	16,305,990	16,305,990	-
	<u>27,528,998</u>	<u>27,528,998</u>	<u>-</u>
<b>2020</b>			
<b>Financial assets</b>			
Receivables *	8,255,902	8,255,902	-
Derivative financial assets	16,333	-	16,333
Deposits, cash and bank balances	14,499,099	14,499,099	-
	<u>22,771,334</u>	<u>22,755,001</u>	<u>16,333</u>
<b>Financial liabilities</b>			
Borrowings	12,058,647	12,058,647	-
Lease liabilities	274,472	274,472	-
Payables	17,411,463	17,411,463	-
	<u>29,744,582</u>	<u>29,744,582</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 29. FINANCIAL INSTRUMENTS (cont'd)

#### (a) Categories of financial instruments (cont'd)

	Carrying amount RM	AC RM
<b>Company</b>		
<b>2021</b>		
<b>Financial assets</b>		
Receivables	1,000	1,000
Deposits, cash and bank balances	18,270	18,270
	<u>19,270</u>	<u>19,270</u>
<b>Financial liability</b>		
Payables	<u>3,667,578</u>	<u>3,667,578</u>
<b>2020</b>		
<b>Financial assets</b>		
Receivables	1,000	1,000
Deposits, cash and bank balances	5,304	5,304
	<u>6,304</u>	<u>6,304</u>
<b>Financial liability</b>		
Payables	<u>3,382,438</u>	<u>3,382,438</u>

\* Receivables exclude prepayments as they do not meet the definition of a financial instrument.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 29. FINANCIAL INSTRUMENTS (cont'd)

#### (b) Net (gains) and losses arising from financial instruments

	Group	
	2021	2020
	RM	RM
Net (gains)/ losses on:		
Fair value through profit or loss		
- Mandatorily required by MFRS 9	(43,981)	133,307
Financial assets at amortised cost	(95,817)	32,964
Financial liabilities at amortised cost	199,152	251,575
	<hr/>	<hr/>
	59,354	417,846

#### (c) Financial risk management

The Group's financial risk management objective is to ensure that there are adequate financial resources available to meet its operating requirements and managing the associated risks effectively. The Group does not trade in financial instruments or engage in speculative transactions.

##### (i) Credit risk

Credit risk is the risk of a financial loss to the Group that may arise on outstanding financial instrument should a counterparty default on its obligation. The Group is exposed to credit risk mainly from trade and other receivables, deposits, cash and bank balances and financial guarantees.

##### Trade and other receivables and deposits

The Group's exposure to credit risk in relation to its receivables, should all its receivables fail to perform their obligations as of reporting date, is the carrying amount of these receivables as disclosed in the statements of financial position. The Group extends credit to its receivables based upon careful evaluation of the receivables' financial condition and credit history.

Analysis of the Group's credit risk on trade and other receivables and deposits are reflected in Note 10.

##### Deposits, cash and bank balances

Management believes that the Group's exposure in credit risk of bank balances is limited as it is placed with credit worthy financial institution.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 29. FINANCIAL INSTRUMENTS (cont'd)

#### (c) Financial risk management (cont'd)

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

###### Financial guarantee

The Group provides unsecured financial guarantee to banks in respect of banking facilities granted to subsidiary companies. The Group monitors on an ongoing basis the results of the subsidiary companies and the repayment made by the subsidiary companies. As at the reporting date, there is no indication that the subsidiary companies would default on repayment. The financial guarantees have not been recognised since the fair value on initial recognition is not material.

##### (ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group is exposed to the interest rate risk mainly from its borrowings and fixed deposits with licensed banks. The Group borrows principally on a floating rate basis for working capital purposes.

The interest rate risk is monitored on an on-going basis and the Group endeavours to keep the exposure at an acceptable level. The Group considers interest rate risk exposure as minimal, and hence, sensitivity analysis is not presented.

##### (iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and other prices that will affect the Group's financial position or cash flows.

###### **Foreign currency risk**

The Group incurs foreign currency risks on sales that are denominated in a currency other than Ringgit Malaysia. Foreign currency risk is monitored closely and managed to an acceptable level.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 29. FINANCIAL INSTRUMENTS (cont'd)

#### (c) Financial risk management (cont'd)

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

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

The net carrying amounts of financial assets and financial liabilities stated at currencies other than the functional currencies are as follows:

	Group	
	2021 RM	2020 RM
<b>United States Dollar</b>		
Deposits, cash and bank balances	4,006,595	2,054,004
Derivative financial instruments	-	(649,804)
Receivables	3,272,079	7,644,990
Payables	(1,112,184)	(864,071)
Borrowings	-	(995,100)
<b>Australian Dollar</b>		
Receivables	-	1,355
<b>Net exposure in the consolidated statement of financial position</b>	<b>6,166,490</b>	<b>7,191,374</b>

A 5% (2020: 5%) weakening of the Malaysian Ringgit ("RM") against the US Dollar ("USD") at the end of the reporting period would have increased equity and profit net of tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group	
	2021 RM	2020 RM
<b>RM against USD, weakened by 5% (2020: 5%)</b>		
- Increase in profit, net of tax	282,406	297,869
- Increase on equity	282,406	297,869

Conversely, a 5% (2020: 5%) strengthening of RM against the USD at the end of the reporting period would have the equal but opposite effect on the above currency to the amounts shown above assuming that all other variables remained constant.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 29. FINANCIAL INSTRUMENTS (cont'd)

#### (c) Financial risk management (cont'd)

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

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

The Group assessed its exposure to AUD, the estimated impact was immaterial.

The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

##### (iv) Liquidity risk

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

The Group practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirements of working capital.

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# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 29. FINANCIAL INSTRUMENTS (cont'd)

#### (c) Financial risk management (cont'd)

##### (iv) Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Contractual interest rate/					
	Carrying amount RM	Discount rate %	Contractual cash flows RM	Under 1 year RM	1 - 5 years RM	
						More than 5 years RM
2021						
Borrowings	11,036,832	1.89 - 6.15	12,384,266	5,330,132	5,893,680	1,160,454
Lease liabilities	186,176	5.00	196,700	99,600	97,100	-
Payables	16,305,990	-	16,305,990	16,305,990	-	-
	27,528,998		28,886,956	21,735,722	5,990,780	1,160,454
2020						
Borrowings	12,058,647	2.05 - 7.40	14,082,727	6,375,065	5,129,494	2,578,168
Lease liabilities	274,472	5.00	296,300	99,600	196,700	-
Payables	17,411,463	-	17,411,463	17,411,463	-	-
	29,744,582		31,790,490	23,886,128	5,326,194	2,578,168

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 29. FINANCIAL INSTRUMENTS (cont'd)

#### (c) Financial risk management (cont'd)

##### (iv) Liquidity risk (cont'd)

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM
<b>Company</b>				
<b>2021</b>				
Payables	3,667,578	-	3,667,578	3,667,578
Financial guarantee contracts	-	-	3,703,015	3,703,015
	<u>3,667,578</u>		<u>7,370,593</u>	<u>7,370,593</u>
<b>2020</b>				
Payables	3,382,438	-	3,382,438	3,382,438
Financial guarantee contracts	-	-	5,817,630	5,817,630
	<u>3,382,438</u>		<u>9,200,068</u>	<u>9,200,068</u>

##### (v) Cash flow risk

The Group is actively managing its operating cash flow to ensure all commitments and funding needs are met. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

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# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 30. FAIR VALUE AND ASSETS AND LIABILITIES

#### (a) Fair value information

The carrying amounts of the financial assets and liabilities of the Group classified as current assets and current liabilities as at 30th June 2021 and 30th June 2020 approximate their fair values due to the relatively short-term maturity of these financial instruments. The method and assumptions used to determine the fair value of other financial assets and liabilities are as follows:

- (i) The Group provides corporate guarantees to banks and financial companies for credit facilities extended to certain subsidiary companies. The fair value of such corporate guarantees is not expected to be material as the probability of the subsidiary companies defaulting on the credit lines is remote.
- (ii) The fair value of borrowings which are long term financial liabilities are estimated based on future contractual cash flows discounted at current market assessments of the time value of money and the risks specific to the liabilities.
- (iii) The fair value of derivative financial instruments is the estimated amounts that the Group would expect to pay or receive to terminate the instrument at the reporting date.

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# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 30. FAIR VALUE AND ASSETS AND LIABILITIES (cont'd)

#### (b) Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group.

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Carrying amount RM
<b>As at 30th June 2021</b>					
<b>Asset carried at fair value</b>					
There is no such category for the financial year ended 30th June 2021.					
<b>Liability not carried at fair value</b>					
Term loan (Note 17)	-	6,116,737	-	6,116,737	6,116,737
<b>As at 30th June 2020</b>					
<b>Asset carried at fair value</b>					
Derivative financial instruments:					
- Forward currency contract (Note 11)	-	16,333	-	16,333	16,333
<b>Liability not carried at fair value</b>					
Term loan (Note 17)	-	6,241,017	-	6,241,017	6,241,017

As at 30th June 2021 and 30th June 2020, there were no transfers between fair value measurement hierarchy.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 31. SEGMENTAL INFORMATION

SHH Resources Holdings Berhad and its subsidiary companies are principally engaged in manufacture and trading wooden furniture for the local and overseas markets and property development.

The Group is organised into two (2) (2020: two (2)) reportable segments as follows:

<u>Reportable segments</u>	<u>Operations</u>
(i) Wooden furniture	Manufacture and trading of wooden furniture
(ii) Property development	Construction and property development

The management monitors the operating results of its reportable segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which is the most relevant to the evaluation of results of the segments.

The accounting policies of operating segments are the same as those described in the significant accounting policies.

The subsidiary located and operated in Australia has been wound up during the financial year. No operating segment for Australia is disclosed for the current financial year.

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# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 31. SEGMENTAL INFORMATION (cont'd)

Business segment				
Group 2021	Wooden furniture RM	Property development RM	Elimination RM	Consolidated RM
Revenue from external customer	112,906,161	-	-	112,906,161
<b>Results</b>				
Segment results	5,511,538	(9,117)	1,240	5,503,661
Interest income	75,381	20,436	-	95,817
Finance costs	(312,070)	(103)	-	(312,173)
Share of loss in an associated company	(153,947)	-	-	(153,947)
Profit before taxation				5,133,358
Taxation	(1,159,447)	(4,935)	-	(1,164,382)
Profit for the financial year				3,968,976
<b>Assets</b>				
Segment assets	84,671,469	12,842,882	(400,000)	97,114,351
Investment in an associated company	504,935	-	-	504,935
Unallocated assets				541,632
				98,160,918

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

#### 31. SEGMENTAL INFORMATION (cont'd)

##### Business segment (cont'd)

Group 2021	Wooden furniture RM	Property development RM	Elimination RM	Consolidated RM
<b>Liabilities</b>				
Segment liabilities	10,330,118	5,975,872	-	16,305,990
Borrowings	4,668,015	6,368,817	-	11,036,832
Lease liabilities	186,176	-	-	186,176
Unallocated liabilities				1,493,104
Total liabilities				29,022,102
<b>Capital expenditure</b>	857,108	-	-	857,108
<b>Non-cash items</b>				
Depreciation of property, plant and equipment	2,437,656	-	-	2,437,656
Depreciation of right-of-use assets	90,557	-	-	90,557
Gain on disposal of property, plant and equipment	(52,200)	-	-	(52,200)
Inventories written down to net realisable value	3,252	-	-	3,252
Unrealised gain foreign exchange	(52,803)	-	-	(52,803)

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 31. SEGMENTAL INFORMATION (cont'd)

Business segment (cont'd)	Wooden furniture				Property development	
	Malaysia RM	Australia RM	Elimination RM	Total RM	Malaysia RM	Consolidated RM
Group 2020						
Revenue from external customer	100,823,795	3,295,750	-	104,119,545	-	104,119,545
Inter-segment revenue	63,806	-	(63,806)	-	-	-
	100,887,601	3,295,750	(63,806)	104,119,545	-	104,119,545

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 31. SEGMENTAL INFORMATION (cont'd)

Business segment (cont'd)	←		Wooden furniture		→		Property development	
	Malaysia RM	Australia RM	Elimination RM	Total RM	Malaysia RM	Elimination RM	Consolidated RM	
Group 2020								
Results								
Segment results before amount due from subsidiary company								
written off	1,733,190	(2,056,194)	519	(322,485)	(5,593)	2,496	(325,582)	
Amount due from subsidiary company								
written off	(8,139,311)	-	8,139,311	-	-	-	-	
Loss on deconsolidation of a subsidiary company								
	-	-	(2,438,038)	(2,438,038)	-	-	(2,438,038)	
Segment results	(6,406,121)	(2,056,194)	5,701,792	(2,760,523)	(5,593)	2,496	(2,763,620)	

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 31. SEGMENTAL INFORMATION (cont'd)

Business segment (cont'd)	Wooden furniture				Property development	
	Malaysia	Australia	Elimination	Total	Malaysia	Consolidated
Group 2020	RM	RM	RM	RM	RM	RM
Segment results	(6,406,121)	(2,056,194)	5,701,792	(2,760,523)	(5,593)	(2,763,620)
Interest income	189,155	1,494	-	190,649	147	190,796
Finance costs	(384,823)	(3,213)	-	(388,036)	(93)	(388,129)
Share of profit in an associated company	78,228	-	-	78,228	-	78,228
Loss before taxation						(2,882,725)
Taxation	(409,649)	-	-	(409,649)	(31)	(409,680)
Loss for the financial year						(3,292,405)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

## 31. SEGMENTAL INFORMATION (cont'd)

Business segment (cont'd)	Wooden furniture					Property development	
	Malaysia RM	Australia RM	Elimination RM	Total RM	Malaysia RM	Elimination RM	Consolidated RM
<b>Assets</b>							
Segment assets	83,515,265	-	-	83,515,265	11,790,440	(400,000)	94,905,705
Investment in an associated company	710,882	-	-	710,882	-	-	710,882
Unallocated assets							370,765
Total assets							95,987,352
<b>Liabilities</b>							
Segment liabilities	12,349,011	-	-	12,349,011	5,062,452	-	17,411,463
Borrowings	5,817,630	-	-	5,817,630	6,241,017	-	12,058,647
Lease liabilities	274,472	-	-	274,472	-	-	274,472
Unallocated liabilities							1,072,930
Total liabilities							30,817,512

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 31. SEGMENTAL INFORMATION (cont'd)

Business segment (cont'd)	Wooden furniture				Property development	
	Malaysia RM	Australia RM	Elimination RM	Total RM	Malaysia RM	Consolidated RM
<b>Group 2020</b>						
<b>Non-cash items</b>						
Amount due from subsidiary company						
written off	8,139,311	-	(8,139,311)	-	-	-
Allowance on impairment loss on trade receivables						
- Addition	238,260	-	-	238,260	-	238,260
- Reversal	-	(14,500)	-	(14,500)	-	(14,500)
Depreciation of property, plant and equipment	2,393,021	52,602	-	2,445,623	-	2,445,623
Depreciation of right-of-use assets	97,343	-	-	97,343	-	97,343

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 31. SEGMENTAL INFORMATION (cont'd)

Business segment (cont'd)	Wooden furniture					Property development	
	Malaysia RM	Australia RM	Elimination RM	Total RM	Malaysia RM	Elimination RM	Consolidated RM
<b>Group 2020</b>							
<b>Non-cash items (cont'd)</b>							
Gain on disposal of property, plant and equipment	(30,000)	-	-	(30,000)	-	-	(30,000)
Gain on derecognition of right-of-use assets	(127)	-	-	(127)	-	-	(127)
Loss on deconsolidation of a subsidiary company	-	-	2,438,038	2,438,038	-	-	2,438,038
Net changes in fair value on derivative financial instruments	(16,333)	-	-	(16,333)	-	-	(16,333)
Unrealised loss on foreign exchange	87,622	-	-	87,622	-	-	87,622

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 31. SEGMENTAL INFORMATION (cont'd)

#### Major customers

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

		Revenue			
		2021		2020	
	Segment	Percentage	RM'000	Percentage	RM'000
		%		%	
Customer #1	Malaysia	48	54,427	30	31,741
Customer #2	Malaysia	-	-	14	14,547
Customer #3	Malaysia	-	-	11	11,661
Customer #4	Malaysia	17	19,004	-	-
		65	73,431	55	57,949
Others		35	39,475	45	46,171
Total		100	112,906	100	104,120

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# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021 (cont'd)

### 32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

#### (a) Covid-19 pandemic

On 15th June 2021, the Malaysian government announced the National Recovery Plan ("NRP") as an exit strategy to assist Malaysia in recovering from the pandemic and is currently implementing the National Covid-19 Immunisation Programme ("PICK"). Although the Malaysian economy is on the road to recovery from Covid-19, the recovery from the impact of Covid-19 pandemic may take longer time, thus at this juncture, the risks remain from the on-going Covid-19 pandemic.

The effects of Covid-19 would impact the judgements and assumptions used in the preparation of the financial statements for the financial year ended 30th June 2021, such as expected credit losses of financial assets, fair value measurements of financial instruments, write down of inventories to net realisable values and impairment assessments of assets (property, plant and equipment). The Group and the Company have assessed the impact of Covid-19 and there was no material impact noted arising from the effects of Covid-19 as of 30th June 2021.

#### (b) Bonus issue

On 1st April 2021, the Company announced Proposed bonus issue of 49,997,500 new ordinary shares on the basis of one bonus share for every one existing share held on 11th June 2021 (entitlement date).

Approval from Bursa Malaysia Securities Berhad was obtained on 27th April 2021 and shareholders' approval via an Extraordinary General Meeting held on 21st May 2021. On 14th June 2021, the Board announced the listing and quotation for 49,997,500 bonus shares, marking the completion of bonus issue.

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# LIST OF LANDED PROPERTIES

The Group's policy on revaluation of landed properties is as stated in Note 2(d) to the Financial Statements.

Location	Description	Land Area (ha)	Use	Tenure/Age of Building	Value as at 30.06.2021 RM'000	Date of Revaluation/ Acquisition
<b>SHH Furniture Industries Sdn Bhd</b>						
Lot PLO Nos. 1, 4, 5 & 6 Kawasan Perindustrian Pagoh, Muar Johor Darul Takzim	4 plots of industrial land with factories, office buildings and ancillary structures	5.47	Office and furniture manufacturing facilities	60 years leasehold expiring in 2055/ 27 - 29 years	11,690	8.9.1994 Revaluation
Lot No. 4036 Mukim of Jorak Muar Johor Darul Takzim	1 plot of residential land with 3 blocks of workers' quarters	0.51	Workers' quarters	Freehold/ 28 years	484	7.4.1994 Revaluation
Lot PLO Nos. 45, 46 & 47 Kawasan Perindustrian Pagoh, Muar Johor Darul Takzim	3 plots of industrial land with factories, office building and ancillary structures	2.01	Office and furniture manufacturing facilities	60 years leasehold expiring in 2055/ 16 years	3,307	8.9.1994 Revaluation
Lot No. 4041 Mukim of Jorak Muar Johor Darul Takzim	1 plot of land with 3 blocks of workers' quarters	0.54	Workers' quarters	Freehold/ 21 years	504	22.4.1996 Acquisition
<b>SHH Wood Processing Sdn Bhd</b>						
Lot PLO Nos. 2 & 3 Kawasan Perindustrian Pagoh, Muar Johor Darul Takzim	2 plots of industrial land with factories and kiln-drying structures	2.89	Wood treatment and kiln-drying facilities	60 years leasehold expiring in 2055/ 28 years	4,475	8.9.1994 Revaluation

## LIST OF LANDED PROPERTIES

The Group's policy on revaluation of landed properties is as stated in Note 2(d) to the Financial Statements.  
(cont'd)

Location	Description	Land Area (ha)	Use	Tenure/Age of Building	Value as at 30.06.2021 RM'000	Date of Revaluation/ Acquisition
<b>Kurnia Sejati Sdn Bhd</b> Lot PLO Nos. 10, 11, 12, 13 & 14 Kawasan Perindustrian Pagoh, Muar Johor Darul Takzim	5 plots of industrial land with factories, office buildings and ancillary structures	3.68	Office and furniture manufacturing facilities	60 years leasehold expiring in 2055/ 22 years	6,452	8.9.1994 Revaluation
<b>Kimcrest Sdn Bhd</b> Lot PLO Nos. 7, 8, 16 & 17 Kawasan Perindustrian Pagoh, Muar Johor Darul Takzim	4 plots of industrial land with office building and warehouse	2.59	Office and warehousing facilities	60 years leasehold expiring in 2055/ 18 years	2,918	8.9.1994 Revaluation
<b>Rampai Persona Sdn Bhd</b> Geran 50541, Lot 8836, Mukim Kajang District of Ulu Langat Selangor Darul Ehsan	Vacant land	2.02	Land held for development	Freehold/ NA	10,237	3.4.2020 Acquisition

# STATISTIC ON SHAREHOLDINGS

As at 8th October 2021

## Principal Statistics

Issued and Paid-up Share Capital	-	RM 49,997,500
Class of Shares	-	Ordinary shares
No. of shares in issue	-	99,995,000 shares
Voting Rights	-	One vote per ordinary share
Number of Shareholders	-	1,118

## Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	11	0.98	106	-
100 – 1,000	332	29.70	80,000	0.08
1,001 - 10,000	454	40.61	2,620,100	2.62
10,001 - 100,000	262	23.43	8,138,270	8.14
100,001 to less than 5% of issued shares	54	4.83	45,839,000	45.84
5% and above of issued shares	5	0.45	43,317,524	43.32
	1,118	100.00	99,995,000	100.00

## Substantial Shareholders

(Based on the Register of Substantial Shareholders)

Name of Shareholders	No. of Shares Held		% of Issued Share Capital	
	Direct	Deemed	Direct	Deemed
Dato' Teo Wee Cheng	24,411,544(a)	6,542,230(d)	24.41%	6.54%
Puncak Intan Sdn Bhd	9,663,750	-	9.66%	-
Harry Lee Vui Khiun	7,912,800(b)	-	7.91%	-
Datin Teo Chan Huat	6,542,230(c)	24,411,544 (e)	6.54%	24.41%

### Notes:-

- (a) 15,400,000 shares are held through nominee companies.
- (b) 7,912,800 shares are held through nominee companies.
- (c) 100,000 shares are held through a nominee company.
- (d) Deemed interested by virtue of the shareholding of his spouse, Datin Teo Chan Huat.
- (e) Deemed interested by virtue of the shareholding of her spouse, Dato' Teo Wee Cheng.

# STATISTIC ON SHAREHOLDINGS

As at 8th October 2021 (cont'd)

## Directors' Shareholdings

*(Based on the Register of Directors' Shareholding)*

Name of Directors	No. of Shares Held		% of Issued Share Capital	
	Direct	Deemed	Direct	Deemed
Dato' Haji Obet bin Tawil	-	-	-	-
Dato' Teo Wee Cheng	24,411,544(a)	6,542,230 (d)	24.41%	6.54%
Datin Teo Chan Huat	6,542,230(b)	24,411,544 (e)	6.54%	24.41%
Dato' Tan Seng Hu	2,998,000(c)	-	3.00%	-
Tan Siong Sun	-	3,024,000 (f)	-	3.02%
Ng Sai Goey	155,200	-	0.16%	-

### Notes:-

- (a) 15,400,000 shares are held through nominee companies.
- (b) 100,000 shares are held through a nominee company.
- (c) 2,998,000 shares are held through nominee companies.
- (d) Deemed interested by virtue of the shareholding of his spouse, Datin Teo Chan Huat.
- (e) Deemed interested by virtue of the shareholding of her spouse, Dato' Teo Wee Cheng.
- (f) Deemed interested by virtue of the shareholding of his spouse, Teh Pooi Sun.

# STATISTIC ON SHAREHOLDINGS

As at 8th October 2021 (cont'd)

## The 30 Largest Shareholders

	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
1.	RHB Nominees (Tempatan) Sdn Bhd (Account for Dato' Teo Wee Cheng)	10,400,000	10.40
2.	Puncak Intan Sdn Bhd	9,663,750	9.66
3.	Dato' Teo Wee Cheng	9,011,544	9.01
4.	Kenanga Nominees (Tempatan) Sdn Bhd (Account for Harry Lee Vui Khiun)	7,800,000	7.80
5.	Datin Teo Chan Huat	6,442,230	6.44
6.	Tay Li Yien	4,353,000	4.35
7.	Lai Yu Fong	4,000,000	4.00
8.	Maybank Nominees (Tempatan) Sdn Bhd (Account for Dato' Teo Wee Cheng)	4,000,000	4.00
9.	Kenanga Nominees (Tempatan) Sdn Bhd (Account for Teh Pooi Sun)	3,024,000	3.02
10.	Johore Tenggara Oil Palm Berhad	2,740,000	2.74
11.	Kenanga Nominees (Tempatan) Sdn Bhd (Account for Dato' Tan Seng Hu)	2,500,000	2.50
12.	CGS-CIMB Nominees (Tempatan) Sdn Bhd (Account for Chin Pea Yee)	1,909,600	1.91
13.	CGS-CIMB Nominees (Tempatan) Sdn Bhd (Account for Teo Chee Haw)	1,824,800	1.82
14.	Kenanga Nominees (Tempatan) Sdn Bhd (Account for Wan Quoris Shah Bin Wan Abdul Ghani)	1,700,000	1.70
15.	Chua Kheng Khim	1,330,000	1.33
16.	Phang Chee Hor	1,272,000	1.27
17.	CIMB Group Nominees (Tempatan) Sdn Bhd (Account for Tan Sri Lee Fook Long)	1,150,000	1.15
18.	HLIB Nominees (Tempatan) Sdn Bhd (Account for Beh Lian Yim)	1,140,000	1.14
19.	Chua Kheng Khim	1,000,000	1.00
20.	HSBC Nominees (Tempatan) Sdn Bhd (Account for Dato' Teo Wee Cheng)	1,000,000	1.00

## STATISTIC ON SHAREHOLDINGS

As at 8th October 2021 (cont'd)

### The 30 Largest Shareholders (cont'd)

Name of Shareholders	No. of Shares Held	% of Issued Share Capital
21. <i>Liku Prestasi Sdn Bhd</i>	1,000,000	1.00
22. Lim Teng Cheu	851,600	0.85
23. RHB Capital Nominees (Tempatan) Sdn Bhd (Account for Tan Sri Lee Fook Long)	840,000	0.84
24. Lee Kok Hin	839,600	0.84
25. Ho Wan Yee	721,200	0.72
26. Chua Kean Chuan	700,000	0.70
27. Ong Chin Lee	651,600	0.65
28. HLIB Nominees (Tempatan) Sdn Bhd (Account for Chua Kean Kok)	586,000	0.59
29. Chua Kean Eng	514,000	0.51
30. Mayban Nominees (Tempatan) Sdn Bhd (Account for Dato' Tan Seng Hu)	498,000	0.50



# SHH RESOURCES HOLDINGS BERHAD

Registration No: 199401018548 (304227-U)  
(Incorporated In Malaysia)

## FORM OF PROXY

I/We \_\_\_\_\_

of \_\_\_\_\_

being member/members of **SHH RESOURCES HOLDINGS BERHAD**, hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or failing whom, \_\_\_\_\_

of \_\_\_\_\_

or failing whom, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the 27th Annual General Meeting of the Company to be held virtually at the Broadcast Venue at Level 12, Menara Symphony, No.5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan on 30th November 2021 at 11.00 a.m. and, at every adjournment thereof, on the resolutions indicated below:-

		For	Against
Resolution 1	Payment for Directors' Fee for financial year ending 30th June 2022		
Resolution 2	Re-election of Datin Teo Chan Huat as Director		
Resolution 3	Re-election of Tan Siong Sun as Director		
Resolution 4	Re-election of Ng Sai Goey as Director		
Resolution 5	Re-appointment of Auditors		
Resolution 6	Authority to Issue Shares		
Resolution 7	Shareholders' Mandate for Recurrent Related Party Transactions		

Please indicate with [ √ ] how you wish your vote 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.

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 2021.

\_\_\_\_\_  
Signature of Member(s)

\_\_\_\_\_  
Signature of Witness

Number of shares held

\_\_\_\_\_  
Name of Witness

**Notes:-**

1. A proxy may but need not be a member of the Company pursuant to Section 334 of the Act.
2. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless the member specifies the proportion of his/her shareholdings to be represented by each proxy.
3. The Form of Proxy shall be executed under the hand of the appointer or his/her attorney duly authorised in writing or if such an appointer is a corporation, under its common seal or under the hand of its attorney.
4. The Form of Proxy must be duly completed and deposited at the Registered Office of the Company at No. 2 (1st Floor), Jalan Marin, Taman Marin, Jalan Haji Abdullah, Sungai Abong, 84000 Muar, Johor Darul Takzim or submitted via email to [agm2021@shh.com.my](mailto:agm2021@shh.com.my) or lodged electronically via "Boardroom Smart Investor Portal" at <https://investor.boardroomlimited.com>, not less than twenty-four (24) hours before the time set for holding of the 27th AGM or any adjournment thereof as Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") requires all resolutions set out in the Notice of the 27th AGM to vote by poll.
5. 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 27th AGM 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).
6. Only members registered in the Record of Depositors as at 24th November 2021 shall be eligible to attend the 27th AGM or appoint a proxy to attend and vote on his/her behalf.
7. 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 accounts ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
8. The 27th AGM will be conducted fully virtual at the Broadcast Venue, the members are advised to refer to the Administrative Notes on the registration and voting process for the 27th AGM.

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Registered Office / Pejabat Berdaftar  
**SHH RESOURCES HOLDINGS BERHAD**  
No. 2 (1st Floor), Jalan Marin,  
Taman Marin,  
Jalan Haji Abdullah,  
Sungai Abong,  
84000 Muar, Johor Darul Takzim

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**SHH RESOURCES HOLDINGS BERHAD**

Registration No: 199401018548 (304227-U)  
(Incorporated in Malaysia)

No. 2 (1st Floor), Jalan Marin, Taman Marin,  
Jalan Haji Abdullah, Sungai Abong,  
84000 Muar, Johor Darul Takzim.  
**Tel: 06-951 0223 | Fax: 06-950 1490**