



## SHH RESOURCES HOLDINGS BERHAD

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

ANNUAL REPORT

2022

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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-Eighth (28th) Annual General Meeting (“AGM”) of the Company will be conducted entirely through live streaming from the Broadcast Venue at 12th Floor, Menara Symphony, No 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan on 29th November 2022 at 11.00 a.m. or any adjournment thereof via online meeting platform at <https://meeting.boardroomlimited.my> for the transaction of the following businesses:-

## **AS ORDINARY BUSINESS**

1. To receive the Audited Financial Statements for the financial year ended 30th June 2022 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 2023 payable monthly in arrears after each month of completed service of the Directors during the subject financial year.  
**(Resolution 1)**
3. To re-elect the following Directors who retire in accordance with Clause 90 of the Company’s Constitution:-  

(a) Dato’ Haji Obet bin Tawil

**(Resolution 2)**

(b) Dato’ Teo Wee Cheng

**(Resolution 3)**
4. To re-elect the following Directors who retire in accordance with Clause 98 of the Company’s Constitution:-  

(a) Lew Khim Khim (Ken Lew)

**(Resolution 4)**

(b) Grace Khoo Ting Ting

**(Resolution 5)**

(c) Datuk Yong Teck Shing

**(Resolution 6)**
5. To re-appoint Messrs Peter Chong & Co. as Auditors of the Company and to authorise the Directors to fix their remuneration.  
**(Resolution 7)**



# 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 8)**

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 Part A of Section 2 of the Circular to Shareholders dated 28th October 2022 (“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 of the Company.

## 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 9)**

### 8. Proposed Share Buy-Back

"THAT subject always to the Companies Act 2016 ("the Act"), the Constitution of the Company, the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, regulations and guidelines, the Directors of the Company be hereby given full authority, to allocate an amount not exceeding the total available retained profits of the Company based on its latest audited financial statements available up to the date of the transaction for the purpose of and to purchase such amount of ordinary shares in the Company ("Shares") as may be determined by the Directors from time to time through Bursa Securities as the Directors may deem fit and in the best interest of the Company provided that the aggregate number of Shares to be purchased and/or held as treasury shares pursuant to this resolution does not exceed ten percentum (10%) of the total number of issued shares of the Company (excluding treasury shares) at any point in time;

THAT upon the purchase by the Company of its own Shares, the Directors of the Company be hereby authorised to retain such Shares so purchased as treasury shares and cancel the remainder.

AND THAT the Directors of the Company be hereby authorised to distribute the treasury shares as dividends to the shareholders of the Company and/or resell the treasury shares on Bursa Securities in accordance with the relevant rules of Bursa Securities or subsequently cancel the treasury shares or any combination thereof;

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

### 8. Proposed Share Buy-Back (cont'd)

AND THAT such approval and authorisation shall be effective immediately upon the passing of this resolution and continue to be in force until:-

- a. the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
  - b. the expiration of the period within which the next Annual General Meeting is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
  - c. revoked or varied by resolution passed by the shareholders in a general meeting;
- whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities;

FURTHER THAT the Directors of the Company be hereby authorised to do all such acts and things (including, without limitation executing all such documents as may be required) as they may consider expedient or necessary to give effect to this mandate.”

**(Resolution 10)**

### 9. 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

28th October 2022



# 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 [agm2022@shh.com.my](mailto:agm2022@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 28th 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 28th 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 28th 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 22nd November 2022 shall be eligible to attend the 28th 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. As the 28th AGM will be conducted entirely through live streaming from the Broadcast Venue, the members are advised to refer to the Administrative Notes on the registration and voting process for the 28th AGM.

## Explanation Note on Special Business:-

9. The Ordinary Resolution proposed under Item 6 (**Resolution 8**) 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 9**), 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 Part A of the Circular to Shareholders dated 28th October 2022.
11. The Ordinary Resolution proposed under Item 8 (**Resolution 10**), if passed, will empower the Directors of the Company to purchase Shares in the Company up to an amount not exceeding ten percentum (10%) of the total issued shares of the Company (excluding treasury shares) as they consider would be in the interest of the Company. Further details of the Proposed Share Buy-Back are provided in Part B of the Circular to Shareholders dated 28th October 2022.

## 12. Annual Report 2022

The Annual Report 2022 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 2022, please contact Boardroom Share Registrars Sdn Bhd at Tel no. 03-7890 4700 (HelpDesk) or email to [BSR.Helpdesk@boardroomlimited.com](mailto:BSR.Helpdesk@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. Dato' Haji Obet bin Tawil
2. Dato' Teo Wee Cheng

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

1. Lew Khim Khim (Ken Lew)
2. Grace Khoo Ting Ting
3. Datuk Yong Teck Shing

## Details of Attendance of Directors at Board Meetings

Five (5) board meetings were held during the financial year ended 30th June 2022. Details of the attendance of Directors at the Board Meetings are as follows:-

Name	Attendance
Dato' Haji Obet bin Tawil	5/5
Dato' Teo Wee Cheng	5/5
Datin Teo Chan Huat	4/5
Ng Sai Goey	5/5
Tan Siong Sun	4/5
Dato' Tan Seng Hu (resigned on 20th September 2022)	4/5
Lew Khim Khim (Ken Lew) (appointed on 20th September 2022)	na
Grace Khoo Ting Ting (appointed on 6th October 2022)	na
Datuk Yong Teck Shing (appointed on 6th October 2022)	na

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

Date : 29th November 2022

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:-

Name	Dato' Haji Obet bin Tawil
Profile of Director	As set out in the Profile of Directors on pages 11 to 13 of the Annual Report
Securities holding in the Company and its subsidiaries	Direct – Nil ordinary shares Indirect – Nil ordinary shares

Name	Dato' Teo Wee Cheng
Profile of Director	As set out in the Profile of Directors on pages 11 to 13 of the Annual Report
Securities holding in the Company and its subsidiaries	Direct – 10,617,544 ordinary shares Indirect – 6,542,230 ordinary shares

Name	Lew Khim Khim (Ken Lew)
Profile of Director	As set out in the Profile of Directors on pages 11 to 13 of the Annual Report
Securities holding in the Company and its subsidiaries	Direct – Nil ordinary shares Indirect – 30,000,400 ordinary shares

Name	Grace Khoo Ting Ting
Profile of Director	As set out in the Profile of Directors on pages 11 to 13 of the Annual Report
Securities holding in the Company and its subsidiaries	Direct – Nil ordinary shares Indirect – Nil ordinary shares

Name	Datuk Yong Teck Shing
Profile of Director	As set out in the Profile of Directors on pages 11 to 13 of the Annual Report
Securities holding in the Company and its subsidiaries	Direct – Nil ordinary shares Indirect – Nil ordinary shares

# CORPORATE INFORMATION

## Board Of Directors

<b>Dato' Haji Obet bin Tawil*</b>	<i>(Chairman)</i>
<b>Dato' Teo Wee Cheng</b>	<i>(Managing Director)</i>
<b>Datin Teo Chan Huat</b>	<i>(Deputy Managing Director)</i>
<b>Lew Khim Khim (Ken Lew)</b>	<i>(Executive Director)</i>
<b>Grace Khoo Ting Ting</b>	<i>(Executive Director)</i>
<b>Tan Siong Sun</b>	
<b>Ng Sai Goey *</b>	
<b>Datuk Yong Teck Shing*</b>	

### Audit Committee

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

### Nominating Committee

Ng Sai Goey *	(Chairman)
Dato' Haji Obet bin Tawil*	
Datuk Yong Teck Shing*	

### Remuneration Committee

Dato' Haji Obet bin Tawil*	(Chairman)
Ng Sai Goey *	
Datuk Yong Teck Shing*	

### 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

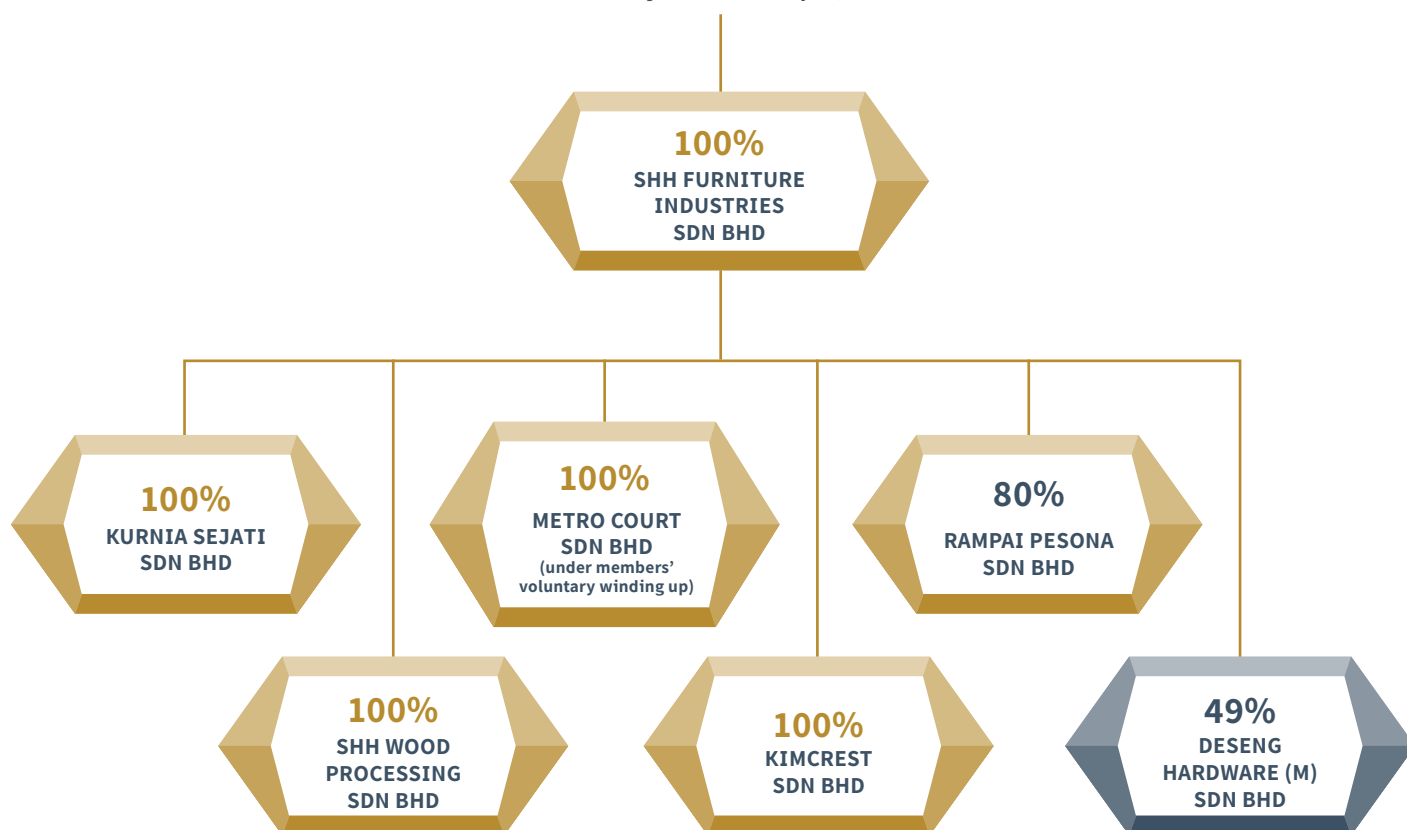
Main Market of the Bursa Malaysia Securities Berhad

# 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 68, was appointed to the Board of the Company on 31st March 2017 and is the Chairman of the Board and Chairman of the Remuneration Committee. He is also a member of the Audit Committee, 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 has no family relationship with any Director and/or substantial shareholder of the Company.

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## **Dato' Teo Wee Cheng**

*Managing Director (Non-Independent Executive Director)*

**Dato' Teo Wee Cheng**, Malaysian, male, aged 64, 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. He has no family relationship with any other Director and/or substantial shareholder of the Company.

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## **Datin Teo Chan Huat**

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

**Datin Teo Chan Huat**, Malaysian, female, aged 62, 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. She has no family relationship with any other Director and/or substantial shareholder of the Company.

## PROFILE OF DIRECTORS (cont'd)

### **Lew Khim Khim (Ken Lew)**

*Director (Non-Independent Executive Director)*

**Lew Khim Khim (“Ken Lew”)**, Malaysian, male, aged 43, was appointed to the Board of the Company on 20th September 2022. He is presently an Executive Director of the Company. He obtained his Bachelor of Business Administration from Charisma University, Turks and Caicos Islands. Ken Lew is the co-founder of the Shui Xing Group of Companies which are mainly involved in the supply chain and logistic industries. Ken Lew is currently the Group CEO and Managing Director of Shui Xing Group and he has over 20 years of experience in the supply chain and logistic industries. His foresight and good sense of potential development of inter-related industries, has enable the Shui Xing Group to venture into design & build (construction), hospitality, property investment, E-commerce and E-fulfilment businesses. He is not a director of any other public company. He is a substantial shareholders of SX Capital Sdn Bhd which is the major shareholder of the Company. He has no family relationship with any other Director and/or substantial shareholder of the Company.

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### **Grace Khoo Ting Ting**

*Director (Non-Independent Executive Director)*

**Grace Khoo Ting Ting (“Grace Khoo”)**, Singaporean, female, aged 40, was appointed to the Board of the Company on 6th October 2022 as an Executive Director of the Company. Grace Khoo is currently the Group Chief Financial Officer of the Shui Xing Group of Companies and she has over 20 years of experience in the supply chain and logistic industries. Grace Khoo has experience in navigating high growth companies, developing new business strategies and operational management. She is well-versed in all aspects of financial management of companies, from financial planning and determining investment strategies, taking into consideration capital structures and cash/liquidity risks management. She ensures cash flow is appropriate for operations requirements, supervising all finance personnel, and managing relationships with customers and vendors. She is not a director of any other public company. She has no family relationship with any Director and/or substantial shareholder of the Company.

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### **Tan Siong Sun**

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

**Tan Siong Sun**, Malaysian, male, aged 47, 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 substantial shareholder of the Company.



## PROFILE OF DIRECTORS (cont'd)

### **Ng Sai Goey**

*Director (Independent Non-Executive Director)*

**Ng Sai Goey**, Malaysian, female, aged 55 was appointed to the Board of the Company on 22 March 2021. She is the Chairman of the Audit Committee and Chairman of the Nominating Committee. She is also a member of the 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 substantial shareholder of the Company.

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### **Datuk Yong Teck Shing**

*Director (Independent Non-Executive Director)*

**Datuk Yong Teck Shing (“Datuk Yong”)**, Malaysian, male, aged 65 was appointed to the Board on 6th October 2022. Datuk Yong is a member of the Remuneration Committee and Nominating Committee of the Company. Datuk Yong has a Masters in Science (Management) from Asia e University, Malaysia. He was also conferred Honorary Masters in Science (International Relations) by Universiti Malaysia Sabah. Datuk Yong is currently an Executive Director of Malaysia-China Business Council. Datuk Yong previously served for 4½ years with the Ministry of Foreign Affairs Malaysia as Head of Mission from 2011 to 2015. Datuk Yong also sits on the Board of the Malaysian Investment Development Authority since December 2020. Datuk Yong has also previously served as a Board of Director of Universiti Malaysia Sabah. On 15th July 2016, Datuk Yong was appointed as Justice of the Peace (“JP”) by Head of State of Sabah. Datuk Yong is a Life Member of the Harvard Business School Alumni of Malaysia. He is also a board member of Globaltec Formation Berhad and Director of IFree Group Security Sdn Bhd. He has no family relationship with any Director and/or substantial 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 40, 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 not a director of any other public company. He is the son of Dato' Teo Wee Cheng and Datin Teo Chan Huat. He has no family relationship with any other Director and/or substantial shareholder of the Company.

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## **Patrick Lim Seng Chye**

Chief Financial Officer

**Patrick Lim Seng Chye**, Malaysian, male, aged 54 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 substantial shareholder of the Company.

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## **Tan Heng Ngee**

Chief Operating Officer

**Tan Heng Ngee**, Malaysian, male, aged 55 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 2 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 is not a director of any other public company. He has no family relationship with any Director and/or substantial 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 2022.”**

## Operational Review

As with most industries, the Covid-19 pandemic has impacted the global furniture industry in myriad ways. Over the last 2 years, material and labour shortages, factory shut-downs, shipping disruptions and demand fluctuations continued to have adverse impacts on manufacturer, retailer and consumers alike.

The rapid spread of the Delta variant in May 2021 has forced us to shut our operations for more than 3½ months, the longest in the history of the Group. This has severe repercussions on the operations of the Group. We resumed production in mid September 2021 following the relaxation by the Government which allowed manufacturers under the export category to operate subject to health precaution measures.

Despite the Covid-19 related challenges that most industries have been grappling with over the past two years, the furniture industry has also seen high sales in many areas. Orders from our customers recovered strongly after the initial 6 months of the pandemic. Our operations also recovered following the 3½ months production halt but material and labour shortage due to supply chain interruptions and later shortage of containers worldwide imposed considerable constrain on our operations as we are unable to ship out completed orders to customers.

The changes in consumer preferences and spending patterns also mean that we have to respond quicker to the changes in the marketplace, both in terms of product offerings and procurement and logistic

arrangements. We kept in touch with our customers on a regular basis in order for us to respond to changes in production, delivery schedule and disruptions in supply chain.

During the year, we commenced the members' voluntary winding-up of our dormant subsidiary Metro Court Sdn Bhd as we have no intention to resume its operations in the future.

Our priority remains with the balancing of the safety requirements of all stakeholders with resumption of manufacturing activities to ensure business continuity. We will continue to enforce health precaution measures to ensure that we have a Covid-19 free working environment. We co-ordinated with our stakeholders to ensure material and labour availability to match production requirements and worked with customers on orders and production scheduling to ensure availability of production capacity and timely delivery of orders.

## Prospects

The ongoing Russia-Ukraine conflict has drastically undermined global security and thrown a host economic adversity globally, from shortage of basic commodities, sanctions to soaring commodities and food prices. The resurgence of Covid-19 cases in China drove several major cities into another lockdown and shuttered manufacturing activities, further acerbating global supply disruptions and inflation. Global output contracted in the second quarter of this year due to downturns in China and Russia while USA consumer spending is slowing down.

## CHAIRMAN'S STATEMENT (cont'd)

### Prospects (cont'd)

Higher than expected inflation, especially in the USA and major European economies, have resulted in tighter financial condition. In the USA, the high inflation rate and the tightening of the labour market have given rise to more aggressive interest rate hikes which will result to lower consumer's confidence and spending.

On the positive side, the strong USD will likely boost US imports and help us to maintain our profit margins. The ongoing Russian-Ukraine conflict and strife between US and China have also resulted in US importers diversifying their sourcing away from China to South East Asia. However, the inflation challenges brought about by the Russian-Ukraine conflict, labour supply restrictions and the recent increase in minimum wage in Malaysia will continue to put pressure on our operations.

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. We remain cautious of the fluidity of the global economic conditions and its impact on our operations and financial results of the Group for the immediate future.

### Acknowledgement

In recent weeks, we have reported some changes in the Board. Dato' Tan Seng Hu has stepped down from the Board to pursue his personal undertakings. We take this opportunity to express our gratitude for his contribution to the Board and wish him the best in his future endeavours.

We also like to take this opportunity to welcome Mr Liew Khim Khim (Ken Liew), Ms Grace Khoo Ting Ting and Datuk Yong Teck Shing to the Board. We look forward to working with them to strengthen the Board and management of the Group businesses.

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

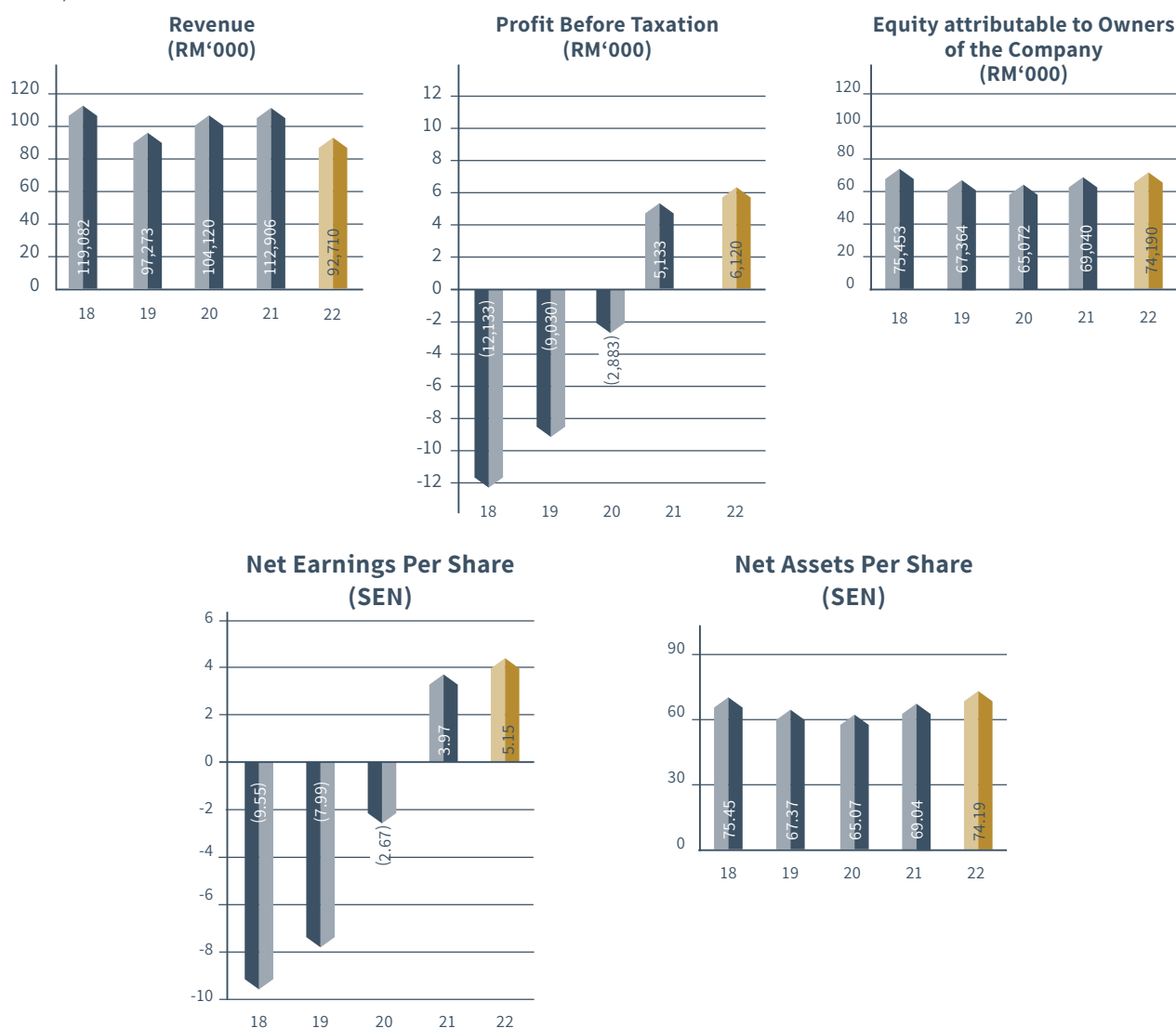
17th October 2022



# 5-YEARS FINANCIAL HIGHLIGHTS

Financial year ended 30th June	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Revenue	119,082	97,273	104,120	112,906	92,710
Profit/(Loss) before taxation	(12,133)	(9,030)	(2,883)	5,133	6,120
Profit/(Loss) after taxation and attributable to Owners of the Company	(9,548)	(7,987)	(2,674)	3,968	5,150
Equity attributable to Owners of the Company	75,453	67,364	65,072	69,040	74,190
	sen	sen	sen	sen	sen
Net earnings/(loss) per share*	(9.55)	(7.99)	(2.67)	3.97	5.15
Net assets per share*	75.45	67.37	65.07	69.04	74.19

\* For comparative purpose, the net earnings per share and net assets per share of the Company for the financial years 2018 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 wooden 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 comprising 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.

### 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.

# MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

## 1. INTRODUCTION (cont'd)

### Manufacturing Bases (cont'd)

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 600 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 about USD610 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 hit in the year 2020 as productions and retailing activities were halted to contain the spread of Covid-19 and supply chain disrupted due to global logistic and supply constraints.

As people learned to live with Covid-19, demand for home and home office furniture grew in line with the staying and working from home movement and furniture supply channels found ways to fulfil these requirements. By the end of 2021, the global furniture market size was valued at USD637.26 billion and global demand for furniture is predicted to reach USD945.53 billion by 2030 with a CAGR of 4.5% from 2022-2030 as global economy recovers and reverts to normalcy. Additionally, the buying patterns of consumers also changed significantly as most people started working from home. However, due to import and export restrictions, individual countries saw a growth in their local markets, and the reliance on imports reduced significantly.

The stay at home and work from home movements have been a boon for the office furniture segment which has seen significant growth, especially post Covid-19. Along with innovation, this segment focuses on ergonomics. By 2023, this segment is predicted to grow up to approximately USD132 billion. Wooden furniture still accounts for many furniture worldwide, especially in North America, whereas metal furniture is expected to gain more demand in Europe. Plastic and other materials account for USD22 billion in 2019 and it is expected to reach USD24 billion by 2023.

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

# MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

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

### Global Furniture Trade (cont'd)

#### 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 increasing focus on sustainability both in the products and how they are manufactured, used and disposed to reduce environmental impacts. The pandemic is strengthening consumer demand for socially active brands that share their values and for products that respect the environment. In response to Covid-19's effect on personal health and its correlation to pollution and environmental habitat destruction, many consumers are shifting their behavior towards healthier lifestyle habits, thoughtful consumption and the betterment of society. For the furniture industry, the expanding market size of eco-friendly furniture, estimated to reach USD59.8 billion by 2027, best exemplifies the rapid progression of these consumer trends.

#### 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. The post-Covid consumer has a strong desire to improve their living space. Covid-19 has forced nearly 58% of the world's population to stay at home, causing a sudden explosion in working-from-home, home schooling, and a litany of "-at-home" activities that benefit from an upgrade in comfort and style. With social distancing being the new normal, a spike in consumer spending on furniture and home furnishings are expected to remain resilient.

#### 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 period of Covid-19 confinement saw a generational swing of Baby Boomers towards Millennial and Gen Z familiarity with e-commerce. The months of global quarantine saw a 12% increase in first-time online buyers, boosting consumer comfort for purchasing products online. Furniture manufacturers seeking to reach this digitally connected consumer will have to increase their online presence and cater to the rising expectations for price transparency, speed of delivery and product quality. 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. US consumers want high-quality products, transparent pricing and they want helpful service. And they want this experience that if they can take the ease of online shopping and connect it to the online-to-in-store experience.

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 USD260 billion. The Covid-19 pandemic have adversely affected businesses and daily lives in the US. Supply chain disruptions have caused fundamental changes in the both the sourcing and cost structures of almost all sectors of the economy including the household and furniture. As with most industries, the revenue of the furniture market in the United States in 2020 decreased by about USD27 billion to USD233 billion. While the US furniture market has recovered to its pre-pandemic level in 2021, the ongoing Russia-Ukraine conflict has drastically undermined global security and thrown a host economic adversities globally, from shortage of basic commodities, economic sanctions to soaring commodities and food prices. Raising prices and successive increases in interest rate announced by the US Federal Reserve to contain inflationary pressures are now forcing US consumers to relook at their household budgets, curtailing discretionary spendings. The decline in consumer demand has put increased pressure on US furniture retailers and manufacturers to keep their businesses moving in a positive direction.

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 is creating dramatic push in this direction in the furniture industry. As people look to transform their homes to accommodate life in the pandemic era, consumers are increasingly turning to shopping for furniture online. The furniture consumers are online looking for unique styles that reflects their social values and improves the comfort and functionality of their home. In addition, they are deepening their comfort with online shopping and have come to expect faster delivery and more competitive pricing. To keep pace with these changes and adapt to the new demands of today's hyper-connected consumer, furniture retailers and manufacturers are rapidly investing in digital technology and automation solutions. The goal is to strengthen their position in the marketplace by optimising the production process to deliver innovative products faster without increasing costs or compromising on quality.

# 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. Consumers, more so now than ever before, are basing their purchasing decisions on society value. This trend is driven by environmental concerns, such as the problem of deforestation. They want to make the world and their home a better place.

Many retailers in the US are positioning themselves for a successful rebound and meet the demands of the post-Covid-19 consumers. They will need to strike the right balance of speed, convenience and competitive pricing in offering ecologically sound furniture to these consumers.

## 3. BUSINESS OPERATIONS REVIEW

### FURNITURE

The Covid-19 pandemic has impacted the global furniture industry in myriad ways. Despite steady progress in vaccination and return to work since the 1st MCO in March 2020, demand fluctuations, material and labour shortages, factory shut-downs, shipping disruptions continued to have adverse impacts on manufacturer, retailer and consumers.

The rapid spread of the Delta variant in May 2021 however has resulted in the Malaysian government implemented a total lockdown on 1 June 2021 (FMCO). Our operations were forced to shut from early June 2021 until mid September 2021 under the FMCO. This production halt was the longest in the history of the Group and had severe repercussions on the operations of the Group. We resumed production in mid September 2021 following the relaxation by the Government which allowed manufacturers under the export category to operate subject to health precaution measures.

Despite the challenges that most industries have been grappling with over the past two years, the US furniture industry has also seen high sales in many areas, especially for retailers that have been able to adapt quickly to new restrictions and needs. Our customers continued to place orders as US retailers were busy replenishing their inventories which were drawn down following the stay-at-home and work-from-home surge in demand for home furniture. Our customers also placed long dated orders in anticipation of supply capacity constraints and longer lead time due to possible supply chain disruptions or delays. During the year, we managed to negotiate some price revision with customers to mitigate raising raw material and production costs.

One of the major challenges we faced is rising raw material prices. The prolonged production halts during FMCO and logistic delays have caused disruptions in the production and supply of raw material from the upstream sector. Even after operations have resumed, suppliers took more time to source and produce materials to the downstream sector, driving price up. We have to rely on our raw material buffer and careful production scheduling to mitigate delay arising from raw material supply interruptions.



## MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

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

#### FURNITURE (cont'd)

The shortage of containers worldwide also imposed considerable constraints on our operations as we are unable to ship out completed orders to customers. The built up of finished goods led to space constraints in our warehouses which in turn forced us to slow down of our production activities.

Labour availability was also a challenge as we have lost some of our workers who chose to return to their home country during the lockdown periods. We are unable to replace these workers due to closed borders and travel restrictions. We focused on improving operational efficiency by enhancing our workflow, improve labour efficiency and minimise wastage.

The changes in consumer preferences and spending patterns also means that our customers and we, ourselves, have to respond quicker to the changes in the marketplace, both in terms of product offerings and procurement and logistic arrangements. Driven by these requirements, our customers reformatted their stores and invested in e-commerce, pushing furniture manufacturers to innovate on their existing workflows. We kept close communication with our customers on a regular basis in order for us to respond to changes in production, delivery schedule and disruptions in supply chain.

During the year, we commenced the voluntary winding-up of Metro Court Sdn Bhd (MCSB), one of our subsidiaries which was previously involved in the manufacturing of furniture parts. MCSB is currently dormant and we have no intention to carry on business or operations in the future. The winding-up enables SHH to eliminate unnecessary administrative costs in maintaining the dormant subsidiary.

Given the development and challenges within our operating environment, our priority remains with the balancing of the safety requirements 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. We co-ordinated with our stakeholders to ensure material and labour availability to match production requirements and worked with customers on orders and production scheduling to ensure availability of production capacity and timely delivery of orders.

#### PROPERTY BUSINESS

The Malaysian property sector has soften following the tightening of financing of properties by local banks over the last few years. Demand in the property sector has been further weaken by the economic concerns amongst prospective house buyers while developers are concerned about over supply, rising costs and labour constraints bought on by the pandemic. Given the above, the Group has decided to defer our development plans for our land in Bangi, Selangor Darul Ehsan. As before, we will continue to monitor the situation and look for opportunities to commence development once market conditions improve.

## MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

### 4. FINANCIAL REVIEW

#### Revenue

2022 has been a challenging year. Given the 3 months of production halt from June 2021 to mid September 2021, we recorded a commendable, albeit lower turnover of RM92.71 million in the current financial year compared to the turnover of RM112.91 million recorded in the preceding year's corresponding period. Our revenue in absolute US Dollar for the financial year was approximately 20% lower at USD22.01 million compared to USD27.38 million for the same period in the previous year.

The Group's turnover for the 1st quarter of financial year ended 30 June 2022 was down by nearly 72%, the revenue of which were mainly from the shipment of orders which were produced in the end of the last financial year. Our revenue for the first quarter was again affected by a Covid-19 related production halts which have resulted in 10 weeks loss of production. While we have some buffer inventory for delivery to customers, total shipment for the 1st quarter of 2021 was 55.47% lower than the preceding quarter. Revenue for the subsequent 2 quarters improved steadily, albeit at lower levels compared to the previous year's the corresponding quarters as we ramped up production to clear order backlogs. Although production activities recovered in the 2nd quarter of the year, shipment of furniture to customers were delayed due to scarcity of containers and high shipping costs. Shipping delays and the built up of finished goods inventory in our warehouses in the 3rd quarter of the financial year led to congestion in our production areas and we had to scale back production activities to manage space and workflows constraints. Containers shortage and shipping rates moderated in the final quarter of 2022 and we were able to clear shipping backlogs. The higher shipment of finished goods in the final quarter of 2022 has resulted in our 4th quarter revenue recovering to the Group's pre-pandemic level.

During the year, we focused on 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 worked with our customer on price adjustments for certain products that were materially affected by rising raw materials and manufacturing costs.

#### Manufacturing Costs

During the year, costs of most raw materials, namely rubber wood, particle boards, MDF, coating material, hardware, carton boxes and finishing materials increased as manufacturing activities resumed after the lockdowns. Demand for furniture remained strong throughout 2021 as people continued to exercise caution and were comfortable to maintain the work-from home and stay at home norms. The sustained demand coupled with shortage in supply of raw materials due to supply chain restrictions drove most raw materials prices higher. As before, we focused on value engineering to improve utilisation of materials and minimise wastage. We also managed to negotiate some price revisions to mitigate higher material costs. With these efforts, we are happy to report that we are able to achieve a slight improvement in material costs at 57.3% of sales compared to 57.5% of sales recorded in the previous year.

## MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

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

#### Manufacturing Costs (cont'd)

Direct labour costs also reduced from 18.5% of sales for the previous year to 17.2% of sale for the current year. The reduction in labour costs is again due to the improved work flows in which have resulted in better labour efficiency and lower overtime costs.

In line with the lower level of production activities, total manufacturing overheads dropped from RM8.51 million in the previous year to RM6.87 million for the current year. Manufacturing overheads as a percentage of sales, were however broadly similar at 7.4% for the current year compared to 7.5% in the previous year.

#### Gross Profits

Given the lower revenue, the Group recorded a lower gross profit of RM16.75 million in the current financial year as compared to a gross profit of RM18.52 million in the preceding financial year. The Group's gross profit margin however improved from 16.40% to 18.07% due to the strengthening of the US Dollar against the Ringgit which translated to better average selling prices of our products in Ringgit terms and price adjustments for some of our products to mitigate raising costs of production.

The lower direct labour cost incurred as a result of the efforts by the Group in improve manufacturing efficiency also contributed to the improved profit margins.

#### Expenses

In line with the lower shipment of furniture, selling and distribution costs dropped from RM4.73 million in the previous year to RM3.93 million for the current year. Total selling and distribution costs as a percentage of sale were broadly similar at about 4.2% for both the current and previous years due to the relatively stable forwarding and haulage charges.

Total administrative expenses continued with its downward trend from RM9.10 million in the previous year to RM7.81 million in the current financial year. Due to the relatively fixed nature of some major categories of administrative expenses, total administrative expenses as a percentage of sales however inched up from 7.7% in the previous year to 8.5% in the current year.

During the year, the Group recorded a net surplus of RM1.84 million in Other Operating Income compared to RM0.92 million in the previous year. The higher Other Operating Income for the current year is mainly from higher gains from foreign exchange as the US Dollar strengthened against the Ringgit during the current year.

## MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

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

#### Finance costs

The Group incurred higher finance costs of RM0.64 million for the current year against RM0.31 million in the previous year. The higher finance costs were mainly due to the interests incurred on the term loan relating to the development land which were previously capitalised.

#### Profit before Taxation

The Group achieved a higher profit before taxation of RM6.12 million in the current year compared RM5.13 million in the previous year. The better operational results were mainly due better Ringgit sales proceeds, higher foreign exchange gains as the US Dollar strengthened against the Ringgit and its efforts in reducing manufacturing costs.

#### Taxation

Despite a higher level of profit before taxation for the current year, the Group incurred a slightly lower tax charge of RM1.05 million in the current year compared with a tax charge of RM1.16 million in the previous year. The lower income tax charge in the current year is mainly due to the lower provision for deferred taxation for the current year.

#### Profit attributable to equity holders of the Company

Given the challenges we have experienced over the last 2 years, we are happy to report that the Group continued to be profitable. The profit after tax attributable to the owners of the Company recorded upward trend, from RM3.97 million in the previous year to RM5.15 million in the current year as we continued to strive for better performance from our core furniture manufacturing operations.

#### Liquidity and Capital Resources

For the year under review, we recorded a higher net cash from operating activities of RM4.88 million compared to RM3.94 million in the previous year. The improvement in the net cashflow from operations is attributable mainly to higher net operating profit before working capital changes of RM8.96 million during the year compared to a net operating profit before working capital changes of RM7.82 million in the previous year. The improvement in operational cashflow is attributable mainly to the higher Ringgit sales proceeds received by the Group as the US Dollar strengthened against the Ringgit while distribution and administrative expenses reduced in line with the lower level of activities during the year.

In terms of movement in working capital, the Group's inventory levels, especially raw materials were lower at the end of the financial year as we accelerated production in the 2nd half of the year to meet orders. The supply chain disruption and higher level of production in the 2nd half of the year have resulted in the drawdown of buffer inventories which we have accumulated in the previous year whereas lower shipping rates and higher availability of containers in the last quarter of the year allowed us to ship our finished goods to customers. Consequentially, the Group receivable at the end of the year surged in line with the higher shipment of orders during the last quarter of the year.

## MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

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

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

Interest paid for the current year was higher at RM0.57 million compared to RM0.20 million in the previous year as the Group had expensed off the interest on term loan relating to the development land which were previously capitalised. During the year, the Group made tax payments amounting to RM0.66 million and received a tax refund of RM0.14 million. The net tax paid were considerably lower than the RM0.92 million tax paid in the previous year. The Group generated a net cashflow from operating activities of RM3.85 million against RM2.92 million in the previous year.

To improve production efficiency, the Group invested approximately RM0.43 million in capital expenditure during the year. During the year, the Group increased the use of banker's acceptance utilisation. Hence, the net cash generated from financing activities for the financial year was RM1.16 million compared to a net use of RM1.13 million in the previous year.

Driven by the stronger net cash from operating activities, the Group recorded a net increase in cash of RM4.42 million for the current year and a higher net cash equivalent position of RM19.28 million at the end of the current 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.

#### Gearing

The Group's net borrowings increased slightly from RM11.04 million at the end of the previous year to RM12.31 million at the end of the current year. The increase in borrowing was mainly due to the increase in the use of banker's acceptance to fund operational requirements 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 year and the operational and market uncertainties for the next financial year, the Directors do not recommend the payment of any dividend for the current financial year.



## MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

### 5. FUTURE PROSPECTS

Recovery stimulus, low interest rates and continued easy fiscal policies adopted by most countries over the last 2 years have helped global economic recovery. In February 2022 UNCTAD's Global Trade Update reported that world trade reached a record level of USD28.5 trillion in 2021, representing an increase of 25% on 2020 and 13% higher compared to 2019, before the Covid-19 pandemic struck.

The onset of the Russia-Ukraine conflict in 2022 however has drastically undermined global security and thrown a host economic adversities globally, from shortage of basic commodities, economic sanctions to soaring commodities and food prices. The resurgence of Covid-19 cases in China drove several major cities into another lockdown and shuttered manufacturing activities, further acerbating global supply disruptions. Higher than expected inflation worldwide especially in the USA and major European economies have resulted in tighter financial condition. In the USA, the high inflation rate and the tightening of the labour market have given rise to more aggressive interest rate hikes by the Federal Open Market Committee (FOMC) which will result to lower consumer's confidence and spending.

US furniture sales soared in 2021 driven by Covid-19 recovery stimulus. While orders from our US customers remained strong, there are now signs of demand slowdown. US consumer spending power and confidence are now weakened by soaring prices and successive hike in interest rates intended to cap inflation. On the sourcing side, US importers are now over inventorised and imports of furniture in recent months have contracted, signaling a reversal of the upward trend.

The impact of the Covid-19 crisis on consumer behavior and manufacturing trends has heightened the importance of supply chain resilience, ability to pivot using automation and leverage on digital technology for the furniture industry. While most countries are transitioning to endemicity, the threat of Covid-19 and its impacts on supply chain persist. Trade imbalances and dislocation of shipping containers worldwide have caused shortage of shipping containers, soaring shipment costs and disruptions up the supply chain. We have experienced disruptions in our operations due to delays in shipping our orders and we now communicate closely with customers to prioritise production and shipment of sellable items to improve their inventory and distribution management.

The ongoing Russian-Ukraine conflict which resulted to the banning the export of wood and forest products to the West and the continued strife between US and China have seen Asean countries, including Malaysia and Vietnam, receiving more orders from US importers who are diversifying their sourcing into this region to secure supply.

## MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

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

Given the FOMC's commitment to raising interest rates to fight inflation, the strong USD will help boost our sales and operating margins going forward. However, the inflation challenges brought about by the Russian-Ukraine conflict, labour supply restrictions and the recent increased in the minimum wage in Malaysia will continue to put pressure on our operations. We remain cautious of the fluidity of the global economic conditions and its impact on our operations and financial results of the Group for the immediate future.

As before, we are committed to the safety and wellbeing of our employees, community and environment. We will continue with our efforts in managing key sustainable matters namely sustainable sourcing and use of renewable raw materials, improving product design and safety, quality control and assurance, workers safety and welfare and emission control to ensure the long-term viability of our business and wellbeing of our community.



# 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 2021 (“MCCG”) issued by Securities Commission Malaysia.

This Statement gives the shareholders an overview of the corporate governance practices of the Group during financial year 2022. 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 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 eight (8) members of whom four (4) are Executive Directors and four (4) are Non-Executive Directors. Out of the four (4) Non-Executive Directors, three (3) 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 Executive Directors have considerable experience in supply chain and logistic industries and financial and investment management. The Non-Independent Non-Executive Director has considerable experience in finance, 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 finance, public services, promotion of foreign trade and investments. A brief profile of each individual director is presented in the Profile of Directors section of this Annual Report.

The Board has three (3) female Directors, two (2) of which are Executive Directors who are involved in the day-to-day management of the business of the Group. The Board is committed 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, about 1/3rd of the Board members are independent directors. 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. In line with the 2021 revisions in the MCCG, the Board is currently revisiting its composition vis-à-vis the recommendations prescribed in the MCCG in relation to the members of board committees.

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

The Executive Directors are responsible for developing corporate strategies and 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, sustainability and risk matters, operating procedures and control systems; and
- Documents relating to material ad-hoc developments or issues impacting the Group.

### A6. *Board Meetings*

Five (5) board meetings were held during the financial year ended 30th June 2022. Details of the attendance of Directors at the Board Meetings are as follows:-

Name	Attendance
Dato' Haji Obet bin Tawil	5/5
Dato' Teo Wee Cheng	5/5
Datin Teo Chan Huat	4/5
Ng Sai Goey	5/5
Tan Siong Sun	4/5
Dato' Tan Seng Hu (resigned on 20th September 2022)	4/5
Lew Khim Khim (appointed on 20th September 2022)	na
Grace Khoo Ting Ting (appointed on 6th October 2022)	na
Datuk Yong Teck Shing (appointed on 6th October 2022)	na



# 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 2022, 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 ended 30th June 2022 include:-

Director	Training Attended
Dato' Haji Obet bin Tawil	"Sustainability and Its Impact on Organisation: What Directors and Senior Management Need To Know" organised by Asia School of Business.
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	"Labour Right: Understanding the Risks and Its Impact on ESG and Sustainability" organised by Malaysia Institute of Accountants.  "Share Buy Back: A Regulatory Perspective" organised by Malaysian Institute of Accountants.
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	"Labour Right: Understanding the Risks and Its Impact on ESG and Sustainability" organised by Malaysia Institute of Accountants.  "Share Buy Back: A Regulatory Perspective" organised by Malaysian Institute of Accountants.

# 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 MCGG practice, the details of the remuneration paid to each of the Directors of the Company for the financial year ended 30th June 2022, are as follows:-

Group	Salaries, bonuses and EPF (RM)	Fee/ Allowance (RM)	Benefits in kind (RM)	Total (RM)
<b>Executive Directors</b>				
Dato' Teo Wee Cheng	722,218	-	17,400	739,618
Datin Teo Chan Huat	506,400	-	10,525	516,925
<b>Total</b>	1,228,618	-	27,925	1,256,543
<b>Non-Executive Directors</b>				
Dato' Hj Obet Bin Tawil	-	73,500	-	73,500
Dato' Tan Seng Hu	-	75,350	-	75,350
Tan Siong Sun	-	200,150	-	200,150
Ng Sai Goey	-	66,000	-	66,000
<b>Total</b>	-	415,000	-	415,000
<b>Grand Total</b>	1,228,618	415,000	27,925	1,671,543

While the MCGG 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 three Senior Management on a no-name basis in successive bands of RM50,000 as follows:

RM150,001 to RM200,000	2
RM200,001 to RM250,000	-
RM250,001 to RM300,000	-
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 2022 are set out in the Audit Committee Report on pages 44 to 46 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 as the Chairman of the Audit Committee. The members of the committee have a combination of accounting, business and economic tertiary qualifications, and are all 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 2023.

### **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 identify, 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 47 to 51 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 43 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 44 to 46 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 requirements 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 an "Anti-Bribery & Corruption Policy" to enhance the integrity of the Group's governance framework and designated a Senior Independent Director to facilitate open communication with shareholders and all stakeholders. The details of these policies and contact persons are disclosed herein and made available at the 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 27th AGM, held on 30th November 2021 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 of the Company attended the 27th AGM at the Broadcast Venue while other Directors attended remotely via Broadcast's video conferencing. Certain members of the Senior Management of the Company also attended the 27th AGM at the Broadcast Venue.

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 27th 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 results of 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 2022 were as follows:

	Group RM	Company RM
<b>Audit fees</b>		
- Peter Chong & Co	70,500	19,000
<b>Non- audit fee</b>		
- Peter Chong & Co	4,850	2,500
	<hr/> 75,350	<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 2021 are as follows:-

Nature of Transaction	Transacting Companies	Related Parties	Value for the year ended 30th June 2022
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 substantial shareholders and directors of the Company.</p>	<p>SHH Furniture RM5,356,047</p> <p>Kurnia Sejati RM220,655</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 2022.

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

During the year ended 30th June 2022, the Audit Committee held five (5) meetings. Details of the attendance of members at the Audit Committee meetings are as follows:-

NAME OF MEMBERS	Attendance
Ng Sai Goey	5/5
Dato' Haji Obet bin Tawil	5/5
Tan Siong Sun	4/5

## SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The main activities undertaken by the Audit Committee during the year ended 30th June 2022 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 2022 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 two (2) times 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 2023.

### **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 controls and management reporting system. The direct expenditure incurred for the internal audit function for the financial year ended 30th June 2022 is approximately RM167,906.

## 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 unauthorised 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 the internal audit review of the following audit areas in accordance with the Internal Audit Plan as approved by the Audit Committee:

- Finance and Accounting Processes
- Purchasing Processes
- Costing Processes
- Logistic Processes
- Human Resource and Payroll Processes
- Sales and Marketing Processes

There were no material weaknesses noted by the Internal Auditor and the recommendations for improvement in internal controls were discussed with the respective heads of department for follow up action.

The Chairman of the Audit Committee had given a briefing to the Board on the Internal Audit Report presented by the Internal 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 wish 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 are overseen by the Risk Management Committee.

## Supply Chain & Market Risks Assessment and Mitigation

The Covid-19 pandemic has far-reaching economic and social repercussions on the Group's furniture manufacturing operations. For the year ended 30th June 2022, the Group continued to monitor and implement the following mitigation measures:

### a) Supply Chain Risks

The Covid-19 pandemic has caused major disruption in the supply chains leading to shortage of supply, production workflow interruptions, higher production costs/prices and interruptions in delivery schedule. We undertook the following measures to mitigate supply chain risks:-

- Negotiate and make arrangements with suppliers to ensure availability of key raw materials, parts and supplies at reasonable prices;
- Maintain sufficient raw material and finished goods inventories as buffer for supply adequacy 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; production workflows and warehousing constraints and shipping/logistic disruptions.



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

### Supply Chain & Market Risks Assessment and Mitigation (cont'd)

#### b) Market Risks

The ongoing Russia-Ukraine conflict has caused prices to increase in almost all commodities. Successive increases in interest rates announced by the US Federal Reserve to contain inflationary pressures have affected consumer spending patterns as more money is spent on essentials. The US consumers have also spent considerable resources on adapting their working and staying at home. The softening of demand, coupled with the over inventorised position amongst furniture importers and distributors translate to higher risks that demand and orders will soften in the immediate future.

We monitor economic, social and political developments, especially in the US and keep close communication with our customers to understand the furniture market risks and opportunities therein.

Our customers are responding faster to the changes in the marketplace, both in terms of product offerings and procurement and logistic arrangements. We are working with our customers to develop newer and more cost-effective products to suit changes in consumer preference and demographics. We also work closely with our customers on changes in production and delivery schedules and manage disruptions in supply chain.



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

## **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.

## **Internal Control System**

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

The internal control system is designed to give reasonable assurance with respect to the:-

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

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

- 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 authorisation 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 Internal Audit Reports and to ensure that the function is adequately resourced with competent and proficient internal auditors.

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

## **Internal Audit Function (cont'd)**

The Internal Auditor provides 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.

## **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”)3, 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 2022, 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 policies and processes which include 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:

<b>BOARD</b>	<ul style="list-style-type: none"><li>• Ultimately responsible for sustainability practices and performance</li><li>• Sets business strategy which incorporates EES considerations</li></ul>
<b>RISK MANAGEMENT COMMITTEE</b>	<ul style="list-style-type: none"><li>• Establish sustainability policies and procedures</li><li>• Review adequacy and effectiveness of sustainability processes</li><li>• Overseeing sustainability strategies and initiatives</li></ul>
<b>MANAGEMENT</b>	<ul style="list-style-type: none"><li>• Identification, assessment, management and reporting of sustainability matters</li><li>• Oversee the management of EES performance</li><li>• Manage EES performance within each operation</li></ul>

# 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.

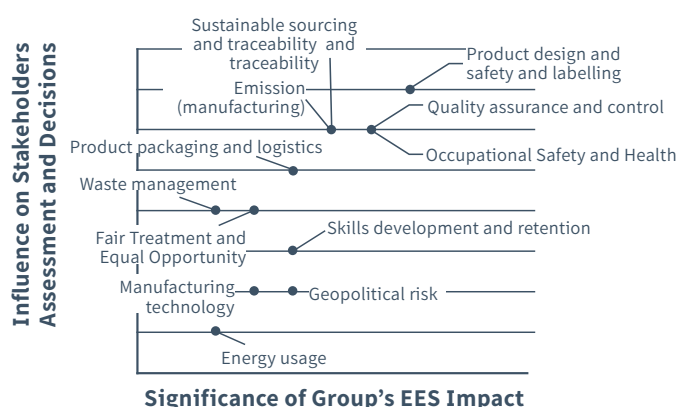
The Group's management of MSMs is built on the principle of materiality, where sustainability matters undergo a materiality assessment process, taking into consideration important sustainability issues from both the perspectives of the Group as well as its key stakeholders. Sustainability matters are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

- Materials Supply - 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

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 used in our operations is rubberwood. 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 materials 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. We maintain a register of our suppliers and perform an assessment on them on an annual basis, considering, amongst others, if they have obtained Chain of Custody ("COC") certification or if they have access to FSC-certified materials.

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 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.

To ensure continuity and quality of supply, we engaged suppliers with regard to availability and pricing of key raw materials, parts and supplies and co-ordinate logistics arrangement and actively identify new and alternative sources for key supplies. We strive to maintain sufficient raw materials and finished good inventory levels to ensure the we have adequate 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 scheduling and delivery of orders.

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.

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 22nd March 2019, we will continue to ensure adherence to the relevant TSCA requirements across our sourcing and manufacturing processes.



## SUSTAINABILITY STATEMENT (cont'd)

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

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

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 non-compliance issues relating to non-compliance with TSCA standards.

### 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.

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 2022 and we target to conduct another one in June 2023.



## SUSTAINABILITY STATEMENT (cont'd)

### 4. Occupational Safety and Health

We are committed to provide 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.

#### (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.

## SUSTAINABILITY STATEMENT (cont'd)

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

#### (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	FY2022
Fatality	0	0	0
Serious Injury Cases	3	2	1
Minor Injury Cases	4	3	1

We have encountered 1 case 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.

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

In compliance with government's guidelines and global best practices, we devised and implemented Covid-19 related prevention and safety measures to contain the spread of the disease. Notwithstanding that we have moved into the endemicity stage, we continue to maintain the following safety and health measures:-

- Covid-19 screening and status verification for 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 workplaces, especially common areas;
- regular sanitising and inspections of workers' hostel; and
- use remote/ virtual meetings for discussions/ meetings with suppliers, customers and other stakeholders.

## SUSTAINABILITY STATEMENT (cont'd)

### 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, are 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.

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 2022.

## 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	5,073,174	(507,702)
Profit/ (Loss) attributable to:		
Owners of the Company	5,150,376	(507,702)
Non-controlling interests	(77,202)	-
	5,073,174	(507,702)

## 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

The Company has not issued any new shares or 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

Tan Siong Sun

Ng Sai Goey

Lew Khim Khim (Appointed on 20th September 2022)

Grace Khoo Ting Ting (Appointed on 6th October 2022)

Datuk Yong Teck Shing (Appointed on 6th October 2022)

Dato' Tan Seng Hu (Resigned on 20th September 2022)

In accordance with the Company's Constitution, Dato' Haji Obet bin Tawil and Dato' Teo Wee Cheng retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Mr. Lew Khim Khim, Ms. Grace Khoo Ting Ting and Datuk Yong Teck Shing who were appointed to the Board since the last Annual General Meeting retire under the Constitution and being eligible, offer themselves for re-election.

### Directors of subsidiary companies of SHH Resources Holdings Berhad

Dato' Haji Obet bin Tawil

Dato' Teo Wee Cheng

Datin Teo Chan Huat

Tan Siong Sun

Lau Ngee Chung

Dato' Tan Seng Hu (Resigned on 20th September 2022)

## DIRECTORS' REPORT (cont'd)

### 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 any deemed benefits arising from related party transactions as disclosed in Note 24 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' REMUNERATION

The details of Directors' remuneration were as follows:

	Group RM	Company RM
Fees	415,000	367,000
Salaries, bonuses and allowances	1,105,750	-
Employees' Provident Fund	122,868	-
	<u>1,643,618</u>	<u>367,000</u>

### 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	Number of ordinary shares			Balance as at 30.06.2022
	Balance as at 01.07.2021	Bought	Sold	
<b>Direct</b>				
Dato' Teo Wee Cheng	24,411,544	-	-	24,411,544
Datin Teo Chan Huat	6,542,230	-	-	6,542,230
Dato' Tan Seng Hu	2,998,000	-	-	2,998,000
Tan Siong Sun	-	3,024,000	-	3,024,000
Ng Sai Goey	155,200	-	-	155,200
<b>Indirect</b>				
Dato' Teo Wee Cheng	6,542,230	-	-	6,542,230
Datin Teo Chan Huat	24,411,544	-	-	24,411,544
Tan Siong Sun	3,024,000	-	(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.

## AUDITORS

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

Auditors' remuneration of the Group and the Company for the financial year ended 30th June 2022 were as follows:

	<b>Group RM</b>	<b>Company RM</b>
Statutory audit	70,500	19,000
Non-statutory audit	4,850	2,500
	<hr/> 75,350	<hr/> 21,500

No payment has been made to indemnify auditors during or since the financial year.

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: 17th October 2022

# 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 171 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 2022 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: 17th October 2022

# 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 171 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 **PATRICK LIM SENG CHYE** )  
at **MUAR** in the State of **JOHOR DARUL** ) **PATRICK LIM SENG CHYE**  
**TAKZIM** on 17th October 2022 )  
)

Before me

Commissioner for Oaths  
Tan Bee Ten  
No. J 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 2022 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 171.

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 2022, 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 RM21,019,416. This represents, approximately 20.34% of the total assets as at 30th June 2022.

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 the 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 of the costing involved in the production of wooden furniture.

#### Our response:

Our audit procedures included, but are 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 to ensure that they been properly accounted for.
- Reviewed the basis and adequacy of the overhead costs allocation for work-in-progress and finished goods.
- Reviewed subsequent sales of selected items to establish that the estimated net realisable value was fairly stated.
- Discussed and ascertained with the management the appropriateness of the bases used for the allocation of production overheads and management's pricing policy in their assessment of the 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.

#### **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. 02938/10/2024 J

Chartered Accountant

Kuala Lumpur

Dated: 17th October 2022

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2022

	Note	2022 RM	2021 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	33,777,846	35,703,202
Right-of-use assets	6	166,076	177,358
Investment in an associated company	8	458,880	504,935
		<hr/> 34,402,802	<hr/> 36,385,495
<b>Current assets</b>			
Inventories			
- Wooden furniture	9	21,019,416	29,090,563
- Development properties	9	11,974,978	11,971,490
Receivables	10	15,616,825	4,640,147
Tax assets	11	80,029	541,632
Deposits, cash and bank balances	12	20,052,086	15,531,591
		<hr/> 68,743,334	<hr/> 61,775,423
Investment in subsidiary company, held for distribution	7(ii)	178,138	-
		<hr/> 68,921,472	<hr/> 61,775,423
<b>TOTAL ASSETS</b>		<hr/> 103,324,274	<hr/> 98,160,918
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	13	49,997,500	49,997,500
Reserves	14	24,192,932	19,042,556
		<hr/> 74,190,432	<hr/> 69,040,056
Non-controlling interests	15	21,558	98,760
<b>Total equity</b>		<hr/> 74,211,990	<hr/> 69,138,816

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 30TH JUNE 2022 (cont'd)

	Note	2022 RM	2021 RM
<b>Non-current liabilities</b>			
Borrowings	16	5,095,527	6,116,737
Lease liabilities	17	103,663	93,362
Deferred taxation	18	1,532,286	1,469,541
		6,731,476	7,679,640
<b>Current liabilities</b>			
Payables	19	15,075,249	16,305,990
Borrowings	16	7,214,226	4,920,095
Lease liabilities	17	66,355	92,814
Tax liabilities	11	24,978	23,563
		22,380,808	21,342,462
<b>Total liabilities</b>		29,112,284	29,022,102
<b>TOTAL EQUITY AND LIABILITIES</b>		103,324,274	98,160,918

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 2022

	Note	2022 RM	2021 RM
REVENUE	20	92,710,039	112,906,161
COST OF SALES	20	(75,957,479)	(94,390,286)
GROSS PROFIT		16,752,560	18,515,875
OTHER OPERATING INCOME		1,837,031	915,440
SELLING AND DISTRIBUTION COSTS		(3,931,037)	(4,728,242)
ADMINISTRATIVE EXPENSES		(7,809,302)	(9,103,595)
OPERATING PROFIT	21	6,849,252	5,599,478
FINANCE COSTS	23	(641,756)	(312,173)
SHARE OF LOSS IN AN ASSOCIATED COMPANY		(87,055)	(153,947)
PROFIT BEFORE TAXATION		6,120,441	5,133,358
TAXATION	11	(1,047,267)	(1,164,382)
PROFIT FOR THE FINANCIAL YEAR		5,073,174	3,968,976
OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		5,073,174	3,968,976

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 2022 (cont'd)

	Note	2022 RM	2021 RM
<b>PROFIT ATTRIBUTABLE TO:</b>			
OWNERS OF THE COMPANY		5,150,376	3,967,720
NON-CONTROLLING INTERESTS		(77,202)	1,256
		5,073,174	3,968,976
<b>TOTAL COMPREHENSIVE INCOME</b>			
<b>ATTRIBUTABLE TO:</b>			
OWNERS OF THE COMPANY		5,150,376	3,967,720
NON-CONTROLLING INTERESTS		(77,202)	1,256
		5,073,174	3,968,976
<b>EARNINGS PER SHARE (SEN)</b>			
- Basic and diluted	25	5.15	3.97

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022

	← Attributable to owners of the Company →				
	Share capital	Distributable	Total	Non-controlling interests	Total equity
	RM	Retained profits	RM	RM	RM
As at 1st July 2020	49,997,500	15,074,836	65,072,336	97,504	65,169,840
Total comprehensive income	-	3,967,720	3,967,720	1,256	3,968,976
As at 30th June/ 1st July 2021	49,997,500	19,042,556	69,040,056	98,760	69,138,816
Total comprehensive income	-	5,150,376	5,150,376	(77,202)	5,073,174
As at 30th June 2022	49,997,500	24,192,932	74,190,432	21,558	74,211,990

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022

	2022 RM	2021 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before taxation</b>	6,120,441	5,133,358
Adjustments for:		
Depreciation of property, plant and equipment	2,340,064	2,437,656
Depreciation of right-of-use assets	96,898	90,557
Expenses relating to short-term lease	-	3,600
Gain on disposal of property, plant and equipment	(8,000)	(52,200)
Gain on remeasurement of right-of-use assets	(3,909)	-
Interest expenses	560,728	187,848
Interest expenses on lease liabilities	7,735	11,304
Interest income	(67,946)	(95,817)
Inventories written down to net realisable value	-	3,252
Property, plant and equipment written off	12,366	-
Share of loss in an associated company	87,055	153,947
Unrealised gain on foreign exchange	(184,997)	(52,803)
Operating profit before working capital changes	8,960,435	7,820,702
Inventories		
- Wooden furniture	8,030,147	(6,191,694)
- Development properties	(3,488)	(968,667)
Receivables	(10,831,199)	4,378,207
Payables	(1,274,089)	(1,114,324)
Derivative financial instruments	-	16,333
<b>Cash generated from operations</b>	4,881,806	3,940,557

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

	Note	2022 RM	2021 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES (cont'd)</b>			
<b>Cash generated from operations</b>		4,881,806	3,940,557
Interest received		63,292	95,817
Interest paid		(560,728)	(187,848)
Tax paid	11	(664,469)	(915,075)
Tax refunded	11	141,665	-
Payment of interest on lease liabilities		(7,735)	(11,304)
Short-term lease payment		-	(3,600)
<b>Net cash generated from operating activities</b>		<u>3,853,831</u>	<u>2,918,547</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net cash outflow on de-consolidation of a subsidiary company	26	(178,223)	-
Purchase of property, plant and equipment		(427,074)	(857,108)
Proceeds from disposal of property, plant and equipment		8,000	52,201
<b>Net cash used in investing activities</b>		<u>(597,297)</u>	<u>(804,907)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Repayment)/ drawdown of term loan		(178,555)	127,800
Net movements in short-term borrowings		1,451,476	(1,149,615)
Increase in fixed deposit pledged to bank		(13,247)	(20,268)
Repayment of principal portion of lease liabilities		(97,865)	(88,296)
<b>Net cash generated from/ (used in) financing activities</b>		<u>1,161,809</u>	<u>(1,130,379)</u>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

	Note	2022 RM	2021 RM
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		4,418,343	983,261
Effect of exchange rate changes		88,905	28,963
		4,507,248	1,012,224
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>		14,774,613	13,762,389
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	27	19,281,861	14,774,613

#### RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Note	As at 1st July 2021 RM	Cash flows RM	Non-cash changes RM	As at 30th June 2022 RM
Term loan	16	6,368,817	(178,555)	-	6,190,262
Short-term borrowings	16	4,668,015	1,451,476	-	6,119,491
Lease liabilities	17	186,176	(97,865)	81,707	170,018
		11,223,008	1,175,056	81,707	12,479,771

	Note	As at 1st July 2020 RM	Cash flows RM	Non-cash changes RM	As at 30th June 2021 RM
Term loan	16	6,241,017	127,800	-	6,368,817
Short-term borrowings	16	5,817,630	(1,149,615)	-	4,668,015
Lease liabilities	17	274,472	(88,296)	-	186,176
		12,333,119	(1,110,111)	-	11,223,008

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### CASH OUTFLOWS FOR LEASES AS A LESSEE

	2022 RM	2021 RM
Included in net cash from operating activities:		
- Payment relating to short-term leases	-	3,600
- Interest paid in relation to lease liabilities	7,735	11,304
Included in net cash from financing activities:		
- Payment of lease liabilities	97,865	88,296
Total cash outflows for leases	105,600	103,200

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

# STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2022

	Note	2022 RM	2021 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	12	50,169	18,270
		51,169	19,270
<b>TOTAL ASSETS</b>		70,800,167	70,768,268
<b>EQUITY AND LIABILITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	13	49,997,500	49,997,500
Reserves	14	16,595,488	17,103,190
<b>Total equity</b>		66,592,988	67,100,690
<b>Current liability</b>			
Payables	19	4,207,179	3,667,578
<b>Total liability</b>		4,207,179	3,667,578
<b>TOTAL EQUITY AND LIABILITY</b>		70,800,167	70,768,268

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 2022

	Note	2022 RM	2021 RM
REVENUE		-	-
ADMINISTRATIVE EXPENSES		(507,658)	(272,255)
OPERATING LOSS	21	(507,658)	(272,255)
FINANCE COSTS	23	(44)	81
LOSS BEFORE TAXATION		(507,702)	(272,174)
TAXATION	11	-	-
LOSS FOR THE FINANCIAL YEAR		(507,702)	(272,174)
OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		-	-
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY		(507,702)	(272,174)

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

# STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022

	Attributable to owners of the Company		
	Share capital RM	Retained profits RM	Total RM
As at 1st July 2020	49,997,500	17,375,364	67,372,864
Total comprehensive loss	-	(272,174)	(272,174)
As at 30th June/ 1st July 2021	49,997,500	17,103,190	67,100,690
Total comprehensive loss	-	(507,702)	(507,702)
As at 30th June 2022	49,997,500	16,595,488	66,592,988

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

# STATEMENT OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022

	Note	2022 RM	2021 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Loss before taxation and working capital changes</b>		(507,702)	(272,174)
Payables		204	43,140
<b>Net cash used in operating activities</b>		(507,498)	(229,034)
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>			
Advances from a subsidiary company		539,397	242,000
<b>Net cash generated from investing activity</b>		539,397	242,000
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		31,899	12,966
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>		18,270	5,304
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	27	50,169	18,270

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 2022

### 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 17th October 2022.

### 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 2022 (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 2021 are as follows:

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 "Interest Rate Benchmark Reform - Phase 2"
- Amendments to MFRS 16 "Covid-19 - Related Rent Concessions beyond 30th June 2021"

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 2022 (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 at 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 2022 (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 a 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 2022 (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 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 2022 (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
Equipment	4 - 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 2022 (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 costs 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 2022 (cont'd)

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

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

##### (iii) Property development costs

Property development costs are stated at the 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 a 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 amounts of the Group's and the Company'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, the 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 2022 (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 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (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)

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.

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 refers 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

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

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

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

##### (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.

##### **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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

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

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

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

##### (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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

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

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

##### (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.

###### (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 2022 (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 2022 (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 the present value of cash flows according to contract and the present value of cash flows the Group and the Company expect 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 2022 (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 Group applies the MFRS 9 simplified approach to measure the loss allowance and hence recognises a loss allowance at an amount equal to the lifetime expected credit losses. 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 a 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 regularly 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 2022 (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 for 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 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 the 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 2022 (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:

	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
United States Dollar ("USD")	4.40	4.15

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# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

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

#### (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.

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

Leases are recognised as a right-of-use (“ROU”) asset with 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

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

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

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

###### (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 a lease term, or not to exercise an option previously included in the determination of a lease term. A revision in the lease term results post-remeasurement of the lease liabilities, is disclosed in Note 2(k)(ii)(d).

###### (b) ROU assets

ROU assets are initially measured at cost and comprise the following:

- The amount at 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.

ROU assets that are, 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

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

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

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

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

The ROU assets are depreciated over the following useful lives:

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 terms, security and conditions.

Lease payments are allocated between principal and finance costs. 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.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

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

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

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

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

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, or is recorded in profit or loss if the carrying amount of the ROU assets have been reduced to zero.

##### (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 2022 (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 2022 (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 2022 (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 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 2022 (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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

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

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

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

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 2022 (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) Non-current assets classified as assets held for sale and discontinued operation

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable MFRSs. Then, on initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with MFRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed-off and such a component represents a separate major line of business or geographical area of operations, is part of a single coordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view for resale.

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# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

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

#### (u) 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 a 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 for 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 at the date of the event or change in circumstances that caused the transfer.

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

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

Amendments 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 1st January 2022
- MFRS 9	Financial Instruments (Annual Improvement to MFRS Standards 2018 - 2020) 1st January 2022
- MFRS 101	Classification of Liabilities as Current or Non-current 1st January 2023
- MFRS 101	Disclosure of Accounting Policies 1st January 2023
- MFRS 108	Definition of Accounting Estimates 1st January 2023
- MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction 1st January 2023
- MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use 1st January 2022
- MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract 1st January 2022

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

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (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 ongoing 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 and the Company review 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 4 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 amounts of the Group's property, plant and equipment as at 30th June 2022 are as disclosed in Note 5.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)**

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

##### **(iv) Income taxes**

Significant judgement is required in determining the capital allowances 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 11.

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# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

### 5. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Right-of-use assets* RM	Buildings RM	Factory buildings RM	Plant and machinery RM	Motor vehicles RM	Furniture and fittings RM	Equipment RM	Total RM
<b>Cost/ Deemed cost</b>									
As at 1st July 2020	152,653	10,246,102	1,399,412	50,625,259	37,661,657	2,993,317	2,468,958	4,841,808	110,389,166
Additions	-	-	-	-	321,044	380,303	-	155,761	857,108
Disposals	-	-	-	-	-	(542,501)	-	-	(542,501)
Written off	-	-	-	(401,295)	-	-	-	(4,254)	(405,549)
As at 30th June/ 1st July 2021	152,653	10,246,102	1,399,412	50,223,964	37,982,701	2,831,119	2,468,958	4,993,315	110,298,224
Additions	-	-	-	-	182,500	211,000	-	33,574	427,074
Disposal	-	-	-	-	-	(64,000)	-	-	(64,000)
Written off	-	-	-	-	(1,657,517)	-	(25,345)	(275,470)	(1,958,332)
As at 30th June 2022	152,653	10,246,102	1,399,412	50,223,964	36,507,684	2,978,119	2,443,613	4,751,419	108,702,966

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

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

Group	Freehold land RM	Right-of-use assets * RM	Buildings RM	Factory buildings RM	Plant and machinery RM	Motor vehicles RM	Furniture and fittings RM	Equipment RM	Total RM
<b>Accumulated depreciation</b>									
As at 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/ 1st July 2021	-	4,608,697	564,245	27,019,555	34,325,553	1,779,476	2,405,437	3,892,059	74,595,022
Depreciation	-	171,053	27,986	912,033	672,517	321,845	10,195	224,435	2,340,064
Disposal	-	-	-	-	-	(64,000)	-	-	(64,000)
Written off	-	-	-	-	(1,657,517)	-	(25,345)	(263,104)	(1,945,966)
As at 30th June 2022	-	4,779,750	592,231	27,931,588	33,340,553	2,037,321	2,390,287	3,853,390	74,925,120

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

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

Group	Freehold land RM	Right-of-use assets * RM	Buildings RM	Factory buildings RM	Plant and machinery RM	Motor vehicles RM	Furniture and fittings RM	Equipment RM	Total RM
<b>Net carrying amounts</b>									
As at 30th June 2022									
- At cost	80,000	80,100	720,011	13,557,864	3,167,131	940,798	53,326	898,029	19,497,259
- At deemed cost	72,653	5,386,252	87,170	8,734,512	-	-	-	-	14,280,587
	152,653	5,466,352	807,181	22,292,376	3,167,131	940,798	53,326	898,029	33,777,846
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

\* The right-of-use ("ROU") assets is in relation to the Lease Agreement entered on short-term leasehold land. The details are disclosed in Note 6.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (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:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
Freehold land	73,000	73,000
ROU assets, short-term leasehold land	3,853,920	3,976,382
Buildings	87,712	91,361
Factory buildings	5,851,749	6,129,004
	9,866,381	10,269,747

- (iii) Net carrying amounts of assets pledged to banks for banking facilities as disclosed in Note 16(i) are as follows:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
ROU assets, short-term leasehold land	1,070,196	1,104,184
Factory buildings	5,164,331	5,348,165
	6,234,527	6,452,349

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

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

Set out below are the carrying amounts of the right-of-use assets recognised and the movements during the year:

Group	Forklifts RM	Land RM	Total RM
<b>Carrying amounts</b>			
As at 1st July 2020	193,432	74,483	267,915
Depreciation	(74,876)	(15,681)	(90,557)
As at 30th June/ 1st July 2021	118,556	58,802	177,358
Addition	-	127,718	127,718
Remeasurement	-	(42,102)	(42,102)
Depreciation	(74,876)	(22,022)	(96,898)
As at 30th June 2022	43,680	122,396	166,076

(i) The total carrying amounts of right-of-use assets of the Group are as follows:

	Group 2022 RM	2021 RM
Total right-of-use assets:		
Classified under property, plant and equipment (Note 5)	5,466,352	5,637,405
Classified under right-of-use assets	166,076	177,358
	5,632,428	5,814,763



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 6. RIGHT-OF-USE ASSETS (cont'd)

(ii) Additional information about the leasing activities are as follows:

	Short-term leasehold land *		Forklifts		Land	
	(Note 5)					
	2022	2021	2022	2021	2022	2021
i. Lease term	60 years	60 years	5 years	5 years	3 years	3 years
ii. Renewal option	No	No	No	No	3 years	3 years
iii. Termination option	No	No	Yes	Yes	Yes	Yes
iv. Restriction imposed	*	*	No	No	No	No
v. Lease term determined by the management	60 years	60 years	5 years	5 years	6 years	6 years

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

The maturity analysis of the lease liabilities is presented in Note 17.

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# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

### 7. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2022	2021
	RM	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
		2022 %	2021 %	
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. (Note 7(ii))	Malaysia	100	100	Members' voluntary winding up
Rampai Pesona Sdn. Bhd.	Malaysia	80	80	Construction and property development

- (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 2022 (cont'd)

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

- (ii) Investment in subsidiary company, held for distribution

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares, carrying amount of de-consolidated subsidiary company	178,138	-

This subsidiary company has filed with Companies Commission of Malaysia for a members' voluntary winding up ("winding-up") pursuant to Section 439(2)(a) of the Companies Act 2016 on 30th June 2022.

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

Certain subsidiary companies have had historical losses. The Directors have carried out a review and assessed the underlying value of the investment in subsidiary companies in the wooden furniture segment, to ensure it is fairly stated. This is established by the adoption of the accounting policy stated in Note 2(g). The value-in-use is based on the management's cash flows and profit forecast and projections for five (5) financial years from 2023 to 2027. 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% (2021: 5%) per annum;
- (b) The projected gross profit margin over the next 5 years is approximately 15% (2021: 15%);
- (c) A pre-tax discount rate of 6% (2021: 6%) per annum; and
- (d) The foreign exchange fluctuation will not be more than 10% throughout the forecast and projection periods.

#### **Sensitivity to changes in assumptions**

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 8. INVESTMENT IN AN ASSOCIATED COMPANY

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares, at deemed cost	315,386	315,386
Add: Share of post acquisition reserves	143,494	189,549
	458,880	504,935
<b>Represented by:</b>		
Share of net assets	458,880	504,935

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

	<b>Gross equity interest</b>		
	<b>2022</b>	<b>2021</b>	
<b>Associated company of SHH Furniture Industries Sdn. Bhd.</b>	<b>%</b>	<b>%</b>	<b>Principal activity</b>
Deseng Hardware (M) Sdn. Bhd.	49	49	Manufacturing of furniture components

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

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

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

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
Current assets	1,108,868	1,398,160
Non-current assets	1,848,404	1,948,269
Total assets	2,957,272	3,346,429
Current liabilities	1,938,423	2,140,533
Non-current liability	82,361	175,418
Total liabilities	2,020,784	2,315,951
Revenue	5,690,157	6,426,270
Loss for the financial year	(93,990)	(420,301)

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

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 9. INVENTORIES

	Group
	2022 RM
	2021 RM
<b>Wooden furniture</b>	
<b>At cost</b>	
Raw materials	9,566,613
Work-in-progress	15,134,859
Finished goods	6,888,334
	6,061,398
<b>At fair value less cost to sell</b>	
Finished goods	-
	173,351
	21,019,416
	29,090,563
<b>Development properties</b>	
<b>At cost</b>	
Land held for development and development cost	11,974,978
	11,971,490
	32,994,394
	41,062,053
Recognised in profit or loss and included in cost of sales:	
- Inventories recognised as cost of sales	75,957,479
	94,387,034
- Inventories written down to net realisable value	-
	3,252

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 9. INVENTORIES (cont'd)

- (i) Development properties

	Freehold land held for development RM	Development cost RM	Total RM
<b>Current</b>			
<b>At cost</b>			
As at 1st July 2020	10,236,600	766,223	11,002,823
Cost incurred during the financial year	-	968,667	968,667
As at 30th June/ 1st July 2021	10,236,600	1,734,890	11,971,490
Cost incurred during the financial year	-	3,488	3,488
As at 30th June 2022	10,236,600	1,738,378	11,974,978

- (ii) Included in the development cost is borrowing cost capitalised during the financial year amounting to RMNil (2021: RM388,145).

- (iii) The development land is pledged to a bank for banking facilities as disclosed in Note 16(i).

#### 10. RECEIVABLES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Trade receivables	14,127,740	3,340,228	-	-
Other receivables	37,774	42,304	-	-
Deposits	553,465	470,256	1,000	1,000
Prepayments	897,846	787,359	-	-
	15,616,825	4,640,147	1,000	1,000

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 10. RECEIVABLES (cont'd)

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

	Group	
	2022	2021
	RM	RM
Ringgit Malaysia	594,110	580,709
United States Dollar	14,124,869	3,272,079
	14,718,979	3,852,788

- (ii) The Group's normal trade receivables' credit periods range from 14 to 90 days (2021: 14 to 90 days).
- (iii) As at the reporting date, the Group is exposed to a significant concentration of credit risk whereby a substantial amount of the total trade receivables is due from two (2) (2021: three (3)) major receivables, representing approximately 73% (2021: 77%) of the total trade receivables of the Group.
- (iv) The Group's historical experience in the collection of trade receivables is 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	
	2022	2021
	RM	RM
Neither past due nor impaired	12,342,190	3,200,421
Past due but not impaired		
- 1 to 30 days	1,352,967	101,332
- 31 to 60 days	116,447	15,407
- 61 to 90 days	311,223	21,431
- 90 days and above but less than 1 year	4,913	1,637
	14,127,740	3,340,228

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.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

### 10. RECEIVABLES (cont'd)

(vi) **Measurement of expected credit losses (“ECL”) – simplified approach**

The Group applies the MFRS 9 simplified approach to measure expected credit losses using 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 the credit risk of trade receivables since initial recognition. The trade receivables allowance account is used to record the impairment loss of individual trade receivables. The movement of the allowance for impairment loss is as follows:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
<b>Allowance for impairment loss - Trade receivables</b>		
As at 1st July	-	238,260
Written off	-	(238,260)
	<hr/>	<hr/>
As at 30th June	-	-
	<hr/>	<hr/>

Trade receivables that are individually determined to be credit impaired at the financial year end are those in significant financial difficulties and who have defaulted on payments.

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## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (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 an 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, the loss allowance is measured on either a 12-month ECL or a lifetime ECL.

##### **Other receivables**

Other receivables represent sundry receivables, which are 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 represent deposits paid for premises occupied and utilities. They will be received at the end of the leasing terms or upon termination of a utility. No allowance for impairment loss is recognised.

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 11. TAXATION

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
Net tax assets as at 1st July	518,069	352,391
Income taxation		
- charge for the financial year	(1,007,300)	(749,700)
- over provision in prior year	23,094	303
- tax penalty	(316)	-
De-consolidation of a subsidiary company (Note 26)	(1,300)	-
Payment made during the financial year	664,469	915,075
Tax refunded	(141,665)	-
	<hr/>	<hr/>
Net tax assets as at 30th June	55,051	518,069
	<hr/>	<hr/>
<b>Disclosed as:</b>		
Tax assets	80,029	541,632
Tax liabilities	(24,978)	(23,563)
	<hr/>	<hr/>
	55,051	518,069
	<hr/>	<hr/>
<b>Taxation expenses comprise:</b>		
<b>Current</b>		
- Income taxation	1,007,300	749,700
- Deferred taxation (Note 18)	39,745	388,745
	<hr/>	<hr/>
<b>Non-current</b>		
- Income taxation	(23,094)	(303)
- Deferred taxation (Note 18)	23,000	26,240
- Tax penalty	316	-
	<hr/>	<hr/>
	1,047,267	1,164,382
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 11. TAXATION (cont'd)

Reconciliation of tax expenses with accounting profit/ (loss):

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Profit/ (loss) before taxation and share of loss in an associated company	6,207	5,287	(508)	(272)
Tax at current income tax rate at 24%	1,490	1,269	(122)	(65)
Tax effects in respect of:				
- Depreciation of non-qualifying property, plant and equipment	149	146	-	-
- Non-allowable expenses	320	186	122	65
- Non-taxable income	(27)	(7)	-	-
- Crystallisation of deferred tax on revaluation surplus	(43)	(43)	-	-
- Expenses eligible for double deduction	(89)	-	-	-
Deferred tax assets not recognised	22	24	-	-
Utilisation of deferred tax asset not recognised in prior year	(775)	(437)	-	-
Adjustment in respect of prior years				
- Income taxation	(23)	-	-	-
- Deferred taxation	23	26	-	-
	1,047	1,164	-	-

Tax savings arising from the utilisation of unused capital allowances and unused tax losses of the Group during the financial year amounted to approximately RM795,000 (2021: RM816,000).

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 11. TAXATION (cont'd)

The Group has the following that are available to set off against future taxable profits:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
Unused tax losses	6,918,000	10,226,000
Unused capital allowances	1,161,000	1,358,000
Reinvestment allowances	-	2,059,000
	<hr/>	<hr/>
	8,079,000	13,643,000

Pursuant to a new law gazetted under the Budget 2022, unused tax losses can be carried forward for a maximum period of ten (10) consecutive Year of Assessment ("YA"), effective YA 2019 (2021: Budget 2019 - a maximum period of seven (7) consecutive YA, effective YA 2019). The details are as follows:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
<b>Utilisation period</b>		
Indefinite	1,161,000	3,417,000
Within 5 years	-	10,226,000
Within 7 years	6,918,000	-
	<hr/>	<hr/>
	8,079,000	13,643,000

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 12. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Fixed deposits with licensed bank	2,770,225	2,942,382	-	-
Cash and bank balances	17,281,861	12,589,209	50,169	18,270
	20,052,086	15,531,591	50,169	18,270

- (i) The interest rates for the Group's fixed deposits with licensed banks during the financial year is at 1.60% to 1.75% (2021: 1.40% to 2.60%) per annum and have a maturity period of one year or less (2021: one year or less).
- (ii) Included in fixed deposits with licensed banks are deposits of RM770,225 (2021: RM756,978) pledged as securities for banking facilities granted to the Group as disclosed in Note 16(i).
- (iii) The Group is exposed to a significant concentration of risk related to its deposits, cash and bank balances whereby 98% (2021: 98%) of the total cash and bank balances of the Group is placed in one (1) (2021: one (1)) financial institution.
- (iv) The currency exposure profile of the deposits, cash and bank balances is as follows:

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Ringgit Malaysia	7,012,574	11,524,810	50,169	18,270
United States Dollar	13,039,326	4,006,595	-	-
Other currencies	186	186	-	-
	20,052,086	15,531,591	50,169	18,270

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 13. SHARE CAPITAL

Group and Company	2022 No. of shares	2021 No. of shares	2022 RM	2021 RM
<b>Issued and fully paid</b>				
Ordinary shares				
- As at 1st July	99,995,000	49,997,500	49,997,500	49,997,500
- Bonus issue	-	49,997,500	-	-
- As at 30th June	99,995,000	99,995,000	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 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 rank 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 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 2022 (cont'd)

#### 13. SHARE CAPITAL (cont'd)

##### Capital management (cont'd)

The Group monitors capital using a debt-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	
	2022 RM	2021 RM
Total borrowings (Note 16)	12,309,753	11,036,832
Total lease liabilities (Note 17)	170,018	186,176
Total debts	12,479,771	11,223,008
Total equity	74,211,990	69,138,816
Total debts-to-equity ratio	17%	16%

No changes were made in the objectives, policies or processes during the financial years ended 30th June 2022 and 30th June 2021.

#### 14. RESERVES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<b>Distributable</b>				
Retained profits	24,192,932	19,042,556	16,595,488	17,103,190

##### Retained profits

The Company will be able to distribute dividends out of its entire retained profits as at 30th June 2022 under the single tier tax system.

Subject to agreement by the Inland Revenue Board, the Company has RM53,015,930 (2021: RM53,015,930) in tax exempt account to frank the payment of dividends out of its retained profits as at 30th June 2022.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 15. NON-CONTROLLING INTERESTS

The Group's subsidiary company, Rampai Pesona Sdn. Bhd.'s non-controlling interests ("NCI") is as follows:

	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
NCI percentage of ownership interest and voting interest	20%	20%
Carrying amount of NCI	21,558	98,760
Loss allocated to NCI	(77,202)	1,256
<b>As at 30th June</b>		
Current assets	12,893,372	12,842,882
Non-current liabilities	(5,095,527)	(6,116,737)
Current liabilities	(7,690,053)	(6,232,341)
Net assets	107,792	493,804
<b>Year ended 30th June</b>		
Revenue	-	-
(Loss)/ profit for the financial year	(386,012)	6,281
Cash flow from operating activities	(374,097)	(768,301)
Cash flow from financing activities	403,198	831,532
Net increase in cash and cash equivalents	29,101	63,231

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 16. BORROWINGS

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
<b>Current</b>		
<b>Secured</b>		
Term loan	1,094,735	252,080
Bankers' acceptance	507,000	396,000
	1,601,735	648,080
<b>Unsecured</b>		
Bankers' acceptance	5,612,491	4,272,015
	7,214,226	4,920,095
<b>Non-current</b>		
<b>Secured</b>		
Term loan	5,095,527	6,116,737
<b>Total</b>		
Term loan	6,190,262	6,368,817
Bankers' acceptance	6,119,491	4,668,015
	12,309,753	11,036,832

- (i) The bank borrowings are secured by certain landed properties, inventories, fixed deposits with a licensed bank and assets of subsidiary companies as disclosed in Note 5(iii), Note 9(iii) and Note 12(ii).
- (ii) Interests charged are as follows:
- bankers' acceptance - 1.86% to 3.48% (2021: 1.89% to 4.51%) per annum.
  - term loan - 0.75% (2021: 0.75%) per annum on monthly rest above the bank's base lending rate.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 16. BORROWINGS (cont'd)

(iii) The term loan as at the end of the financial year is repayable as follows:

	Group	
	2022	2021
	RM	RM
Not later than 1 year	1,094,735	252,080
Between 1 to 2 years	2,419,796	1,056,125
Between 2 to 5 years	2,675,731	3,678,766
More than 5 years	-	1,381,846
	6,190,262	6,368,817

#### 17. LEASE LIABILITIES

	Group	
	2022	2021
	RM	RM
<b>Lease liabilities:</b>		
- Current	66,355	92,814
- Non-current	103,663	93,362
	170,018	186,176

(i) The incremental borrowing rates applied to the lease liabilities range from 4.15% to 5.00% (2021: 5.00%) per annum.

(ii) The movement of lease liabilities during the financial year is as follows:

	Group	
	2022	2021
	RM	RM
As at 1st July	186,176	274,472
Addition	127,718	-
Remeasurement	(46,011)	-
Payments:		
- Principal	(97,865)	(88,296)
As at 30th June	170,018	186,176

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 17. LEASE LIABILITIES (cont'd)

(iii) Lease obligations:

	Group	
	2022 RM	2021 RM
Minimum lease payments:		
- not later than 1 year	71,600	99,600
- between 1 to 2 years	24,000	65,600
- between 2 to 5 years	90,000	31,500
	185,600	196,700
Less: Unexpired term charges	(15,582)	(10,524)
	170,018	186,176
Present value of lease obligations:		
- not later than 1 year	66,355	92,814
- between 1 to 2 years	20,162	63,135
- between 2 to 5 years	83,501	30,227
	170,018	186,176

(iv) There is no expense relating to variable lease payments not included in the measurement of lease liabilities.

(v) The corresponding right-of-use assets of the lease liabilities are as disclosed in Note 6.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 18. DEFERRED TAXATION

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
As at 1st July	1,469,541	1,054,556
Recognised in profit or loss		
- Current (Note 11)	39,745	388,745
- Non-current (Note 11)	23,000	26,240
As at 30th June	1,532,286	1,469,541

Presented after appropriate offsetting as follows:

	<b>Balance as at 1.7.2021 RM</b>	<b>Recognised in profit or loss RM</b>	<b>Balance as at 30.6.2022 RM</b>
<b>Group</b>			
Deferred tax assets (before offsetting)			
- temporary difference arising from unused tax losses and allowances	1,482,302	(150,302)	1,332,000
Offsetting	(1,482,302)	150,302	(1,332,000)
Deferred tax assets (after offsetting)	-	-	-
Deferred tax liabilities (before offsetting)			
- property, plant and equipment	(1,939,302)	44,302	(1,895,000)
- revaluation surplus	(1,104,541)	43,255	(1,061,286)
- others	92,000	-	92,000
	(2,951,843)	87,557	(2,864,286)
Offsetting	1,482,302	(150,302)	1,332,000
Deferred tax liabilities (after offsetting)	(1,469,541)	(62,745)	(1,532,286)

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 18. DEFERRED TAXATION (cont'd)

Presented after appropriate offsetting as follows: (cont'd)

	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)

The potential deferred tax assets that have not been recognised are as follows:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
Temporary differences arising from		
- unused capital allowances	279,000	326,000
- unused reinvestment allowance	-	494,000
- unused tax losses	1,660,000	2,454,000
	1,939,000	3,274,000
Less: Recognised as deferred tax assets	(1,332,000)	(1,482,302)
	607,000	1,791,698

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 18. 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.

#### 19. PAYABLES

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Trade payables	9,257,213	13,162,880	-	-
Other payables and accruals	5,405,116	3,112,850	65,107	64,903
Due to an associated company				
- Trade	412,920	30,260	-	-
Due to subsidiary companies				
- Non-trade	-	-	4,142,072	3,602,675
	15,075,249	16,305,990	4,207,179	3,667,578

(i) The currency exposure profile of payables is as follows:

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Ringgit Malaysia	14,054,591	15,193,806	4,207,179	3,667,578
United States Dollar	1,020,658	1,112,184	-	-
	15,075,249	16,305,990	4,207,179	3,667,578

(ii) The normal trade credit periods granted to the Group range from 7 to 90 days (2021: 7 to 90 days) or such other period as negotiated with the suppliers.

(iii) The Group's normal trade credit period granted by the associated company is 30 days (2021: 30 days). The indebtedness is unsecured and interest-free.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 19. PAYABLES (cont'd)

- (iv) The amounts due to subsidiary companies are unsecured, interest-free and repayable upon demand.
- (v) Included in other payables and accruals is an amount of RM1,221,528 (2021: RM1,201,528) owing to a 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 24.

#### 20. REVENUE AND COST OF SALES

##### REVENUE

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
Revenue from sale of furniture	92,710,039	112,906,161

Disaggregation of the Group's revenue from contracts with customers:

	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
<b>Geographical market</b>		
Local	2,667,741	6,203,454
Overseas	90,042,298	106,702,707
	92,710,039	112,906,161
<b>Timing of revenue recognition</b>		
At point in time	92,710,039	112,906,161



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 20. 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 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.

#### 21. OPERATING PROFIT/ (LOSS)

The following items have been charged/ (credited) in arriving at operating profit/ (loss):

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Auditors' remuneration:				
- Statutory audit	70,500	72,500	19,000	19,000
- Non-statutory audit	4,850	4,500	2,500	2,500

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 21. OPERATING PROFIT/ (LOSS) (cont'd)

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Directors' remuneration (Note 22)	1,643,618	1,769,806	367,000	21,000
(Gain)/ loss on foreign exchange:				
- Realised	(1,255,687)	597,991	-	-
- Unrealised	(184,997)	(52,803)	-	-
Hire of machine	3,600	15,670	-	-
Interest income	(67,946)	(95,817)	-	-
Inventories written down to net realisable value	-	3,252	-	-
Items relating to short-term lease	-	3,600	-	-
Net changes in fair value on derivative financial instruments:				
- Realised	-	(43,981)	-	-
Property, plant and equipment:				
- Depreciation	2,340,064	2,437,656	-	-
- Gain on disposal	(8,000)	(52,200)	-	-
- Written off	12,366	-	-	-
Rental income	-	(189,000)	-	-
Right-of-use assets:				
- Depreciation	96,898	90,557	-	-
- Gain on remeasurement	(3,909)	-	-	-
Staff costs:				
- Salaries, bonuses and allowances	17,342,938	22,126,091	-	-
- Employees' Provident Fund	656,801	774,936	-	-
- Other employee benefits	1,761,837	2,021,443	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 22. DIRECTORS' REMUNERATION

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<b>Directors of the Company</b>				
- Fees	415,000	-	367,000	-
- Salaries, bonuses and allowances	1,105,750	1,635,250	-	21,000
- Employees' Provident Fund	122,868	134,556	-	-
	1,643,618	1,769,806	367,000	21,000
Total Directors' remuneration	1,643,618	1,769,806	367,000	21,000
The estimated monetary value of other benefits not included in the above received by:				
- Directors of the Company	27,925	34,800	-	-

This represents remuneration received or receivable by the following Directors:

Directors of the Company:

- Dato' Haji Obet bin Tawil
- Dato' Teo Wee Cheng
- Datin Teo Chan Huat
- Tan Siong Sun
- Ng Sai Goey
- Dato' Tan Seng Hu (Resigned on 20th September 2022)

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 23. FINANCE COSTS

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Interests on:				
- bankers' acceptance	167,469	182,692	-	-
- term loan	393,259	-	-	-
- lease liabilities	7,735	11,304	-	-
- revolving credits	-	5,156	-	-
	568,463	199,152	-	-
Bank charges				
- current year	73,293	113,127	44	25
- over provision in prior year	-	(106)	-	(106)
	641,756	312,173	44	(81)

#### 24. 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 a 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 a Director and has financial interest.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 24. RELATED PARTY DISCLOSURES (cont'd)

##### (a) Related party relationships (cont'd)

- (iv) Key management personnel are referred to 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	
	2022	2021	2022	2021
	RM	RM	RM	RM
SHH Furniture Industries Sdn. Bhd.				
- advances from	-	-	539,397	242,000
Deseng Hardware (M) Sdn. Bhd.				
- purchase of goods	5,548,518	6,133,931	-	-
- workmanship charges	28,184	87,857	-	-
Rampai Persona Sdn. Bhd.				
- advances from shareholders	20,000	181,000	-	-

Information regarding outstanding balances arising from related party transactions as at 30th June 2022 and 30th June 2021 are disclosed in Note 19.

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# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

### 24. 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 22) were as follows:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
Salaries, bonuses and allowances	666,800	780,800
Employees' Provident Fund	74,286	87,306
	741,086	868,106
The estimated monetary value of other benefits not included in the above received by:		
- key management personnel	8,550	8,550

### 25. EARNINGS PER SHARE

#### (i) Basic Earnings Per Share

The earnings per share of the Group is calculated based on the profit attributable to shareholders divided by the weighted average number of ordinary shares in issue as follows:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
Profit attributable to owners of the Company (RM)	5,150,376	3,967,720
Number of ordinary shares in issue as at 1st July	99,995,000	49,997,500
Bonus issue	-	49,997,500
Weighted average number of ordinary shares in issue as at 30th June	99,995,000	99,995,000
Earnings per share (sen)	5.15	3.97

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 25. EARNINGS PER SHARE (cont'd)

##### (ii) Diluted Earnings Per Share

The diluted earnings per share of the Group for the financial year ended 30th June 2022 and 30th June 2021 are the same as the basic earnings per share of the Group as the Group has no dilutive potential ordinary shares.

#### 26. DE-CONSOLIDATION AND MEMBERS' VOLUNTARY WINDING UP OF SUBSIDIARY COMPANY

The financial statements of Metro Court Sdn. Bhd. has not been consolidated as this subsidiary company has filed with the Companies Commission of Malaysia for a members' voluntary winding up ("winding-up") pursuant to Section 439(2)(a) of the Companies Act 2016 on 30th June 2022.

The statement of financial position of the de-consolidated subsidiary company as at 30th June 2022 is as follows:

	RM
Tax asset	1,300
Cash and bank balances	178,223
Payables	<u>(1,385)</u>
Net assets	<u>178,138</u>
Cash and cash equivalents for de-consolidation of subsidiary company	<u>(178,223)</u>
Net cash outflow upon de-consolidation of subsidiary company	<u>(178,223)</u>

The analysis of the results of the de-consolidated subsidiary company is as follows:

	RM
Revenue	-
Other operating income	2,489
Administrative expenses	(12,760)
Finance cost	<u>(182)</u>
Loss for the financial year	<u>(10,453)</u>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Represented by:				
Deposits, cash and bank balances (Note 12)	20,052,086	15,531,591	50,169	18,270
Less:				
Deposits pledged to bank (Note 12)	(770,225)	(756,978)	-	-
	<u>19,281,861</u>	<u>14,774,613</u>	<u>50,169</u>	<u>18,270</u>

#### 28. CORPORATE GUARANTEE

##### Unsecured

The Company has provided corporate guarantees totalling RM72,263,000 (2021: RM64,363,000) to certain licensed banks for banking facilities granted to its subsidiary companies. As at 30th June 2022, the amount utilised under the corporate guarantee is RM4,497,491 (2021: RM3,703,015).

The Directors are of the view that the chances of the licensed banks calling on the corporate guarantees are remote. Please refer to accounting policy Note 2(h)(iii).

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 29. FINANCIAL INSTRUMENTS

##### (a) Categories of financial instruments

The table below provides an analysis of the financial instruments categorised as follows:

- (i) Financial assets and liabilities measured at amortised cost ("AC")

	Carrying amount RM	AC RM
<b>Group</b>		
<b>2022</b>		
<b>Financial assets</b>		
Receivables*	14,718,979	14,718,979
Deposits, cash and bank balances	20,052,086	20,052,086
	34,771,065	34,771,065
<b>Financial liabilities</b>		
Borrowings	12,309,753	12,309,753
Lease liabilities	170,018	170,018
Payables	15,075,249	15,075,249
	27,555,020	27,555,020

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# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

### 29. FINANCIAL INSTRUMENTS (cont'd)

#### (a) Categories of financial instruments (cont'd)

	Carrying amount RM	AC 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
	19,384,379	19,384,379
<b>Financial liabilities</b>		
Borrowings	11,036,832	11,036,832
Lease liabilities	186,176	186,176
Payables	16,305,990	16,305,990
	27,528,998	27,528,998
	Carrying amount RM	AC RM
<b>Company</b>		
<b>2022</b>		
<b>Financial assets</b>		
Receivables	1,000	1,000
Deposits, cash and bank balances	50,169	50,169
	51,169	51,169
<b>Financial liability</b>		
Payables	4,207,179	4,207,179

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (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
	19,270	19,270
<b>Financial liability</b>		
Payables	3,667,578	3,667,578

\* Receivables exclude prepayments as they do not meet the definition of a financial instrument.

##### (b) Net gains or losses arising from financial instruments

	2022 RM	Group 2021 RM
Net (gains)/ losses on:		
Fair value through profit or loss		
- Mandatorily required by MFRS 9	-	(43,981)
Financial assets at amortised cost	(67,946)	(95,817)
Financial liabilities at amortised cost	568,463	199,152
	500,517	59,354

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 29. FINANCIAL INSTRUMENTS (cont'd)

##### (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 manage 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 an 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 guarantee.

##### 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 total carrying amount of these receivables as disclosed in the statement of financial position. The Group extends credit to its receivables after a careful evaluation of the receivables' financial condition and credit history.

The analysis of the Group's credit risk on trade and other receivables and deposits are reflected in Note 10.

##### Deposits, cash and bank balances

The management believes that the Group's exposure to credit risk in term of bank balances is limited as their deposits are placed in credit worthy financial institutions.

##### Financial guarantee

The Group provides unsecured financial guarantees 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 repayments made by the subsidiary companies. As at the reporting date, there is no indication that the subsidiary companies would default on repayment. The financial guarantee has not been recognised as the fair value on initial recognition is not material.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

### 29. FINANCIAL INSTRUMENTS (cont'd)

#### (c) Financial risk management (cont'd)

##### (ii) Interest rate risk

The Group is exposed to interest rate risk mainly from its borrowings. The interest rate risk is monitored on an ongoing basis and the Group endeavours to keep the exposure at an acceptable level. The Group considers interest rate risk exposure for its deposits as minimal as they are short-term in nature and are not held for speculative purposes.

A change of 75 (2021: 50) basis points in interest rates at the reporting date would result in the profit after tax of the Group to be higher/lower by RM35,284 (2021: RM24,202). This analysis assumes that all other variables remain constant.

##### (iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and other prices, will affect the Group's financial position or cash flows.

##### Foreign currency risk

The Group is exposed to foreign currency risk on sales that are denominated in a currency other than Ringgit Malaysia. Foreign currency risk is monitored closely and managed to an acceptable level.

The net carrying amounts of financial assets and financial liabilities stated at currencies other than the functional currencies are as follows:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
<b>United States Dollar</b>		
Deposits, cash and bank balances	13,039,326	4,006,595
Receivables	14,124,869	3,272,079
Payables	(1,020,658)	(1,112,184)
	<hr/>	<hr/>
<b>Net exposure in the consolidated statement of financial position</b>	<b>26,143,537</b>	<b>6,166,490</b>
	<hr/>	<hr/>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

### 29. FINANCIAL INSTRUMENTS (cont'd)

#### (c) Financial risk management (cont'd)

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

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

A 5% (2021: 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	
	2022 RM	2021 RM
<b>RM against USD, weakened by 5% (2021: 5%)</b>		
- Increase in profit, net of tax	1,149,926	282,406
- Increase on equity	1,149,926	282,406

Conversely, a 5% (2021: 5%) strengthening of the RM against the USD at the end of the reporting period would have the equal but opposite effect on the amounts shown above assuming that all other variables remain constant.

##### (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 2022 (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	Carrying amount RM	Contractual interest rate/ Discount rate				Under 1 year RM	1 - 5 years RM	More than 5 years RM
		Contractual cash flows RM	rate %	Contractual cash flows RM	rate %			
<b>2022</b>								
Borrowings	12,309,753		1.86 - 6.65	13,399,914		7,592,911	5,807,003	-
Lease liabilities	170,018		4.15 - 5.00	185,600		71,600	114,000	-
Payables classified as financial instruments	15,075,249		-	15,075,249		15,075,249	-	-
	<u>27,555,020</u>			<u>28,660,763</u>		<u>22,739,760</u>	<u>5,921,003</u>	<u>-</u>
<b>2021</b>								
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 classified as financial instruments	16,305,990		-	16,305,990		16,305,990	-	-
	<u>27,528,998</u>			<u>28,886,956</u>		<u>21,735,722</u>	<u>5,990,780</u>	<u>1,160,454</u>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (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>2022</b>				
Payables	4,207,179	-	4,207,179	4,207,179
Financial guarantee contracts	-	-	4,497,491	4,497,491
	<u>4,207,179</u>		<u>8,704,670</u>	<u>8,704,670</u>
<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>

##### (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 involves 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 2022 (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 2022 and 30th June 2021 approximate their fair values due to the relatively short-term maturity of these financial instruments. The methods 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.

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (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 2022</b>					
<b>Asset carried at fair value</b>					
There is no such category for the financial year ended 30th June 2022.					
<b>Liability not carried at fair value</b>					
Term loan (Note 16)	-	5,095,527	-	5,095,527	5,095,527
<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 16)	-	6,116,737	-	6,116,737	6,116,737

As at 30th June 2022 and 30th June 2021, there were no transfers between the different levels of the fair value measurement hierarchy.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 31. SEGMENTAL INFORMATION

SHH Resources Holding Berhad and its subsidiary companies are principally engaged in the manufacture and trading of wooden furniture for the local and overseas markets and property development.

The Group is organised into two (2) (2021: 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 the results of the segments.

The accounting policies of the operating segments are the same as those described in the significant accounting policies.

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 31. SEGMENTAL INFORMATION (cont'd)

##### Business segment

Group 2022	Wooden furniture RM	Property development RM	Elimination RM	Consolidated RM
Revenue from external customer	92,710,039	-	-	92,710,039
<b>Results</b>				
Segment results	6,787,299	(5,993)	-	6,781,306
Interest income	50,030	17,916	-	67,946
Finance costs	(248,442)	(393,314)	-	(641,756)
Share of loss in an associated company	(87,055)	-	-	(87,055)
Profit before taxation				6,120,441
Taxation	(1,042,646)	(4,621)	-	(1,047,267)
Profit for the financial year				5,073,174
<b>Assets</b>				
Segment assets	95,472,567	12,893,372	(5,758,712)	102,607,227
Investment in an associated company	458,880	-	-	458,880
Investment in subsidiary company, held for distribution	178,138	-	-	178,138
Unallocated assets				80,029
				103,324,274

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 31. SEGMENTAL INFORMATION (cont'd)

##### Business segment (cont'd)

Group 2022	Wooden furniture RM	Property development RM	Elimination RM	Consolidated RM
<b>Liabilities</b>				
Segment liabilities	13,838,967	6,594,994	(5,358,712)	15,075,249
Borrowings	6,119,491	6,190,262	-	12,309,753
Lease liabilities	170,018	-	-	170,018
Unallocated liabilities				<u>1,557,264</u>
Total liabilities				<u>29,112,284</u>
<b>Capital expenditure</b>	427,074	-	-	427,074
<b>Non-cash items</b>				
Depreciation of property, plant and equipment	2,340,064	-	-	2,340,064
Depreciation of right-of-use assets	96,898	-	-	96,898
Gain on disposal of property, plant and equipment	(8,000)	-	-	(8,000)
Gain on remeasurement of right-of-use assets	(3,909)	-	-	(3,909)
Property, plant and equipment written off	12,366	-	-	12,366
Unrealised gain foreign exchange	<u>(184,997)</u>	<u>-</u>	<u>-</u>	<u>(184,997)</u>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 31. SEGMENTAL INFORMATION (cont'd)

##### Business segment (cont'd)

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	89,435,181	12,842,882	(5,163,712)	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 2022 (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	15,093,830	5,975,872	(4,763,712)	16,305,990
Borrowings	4,668,015	6,368,817	-	11,036,832
Lease liabilities	186,176	-	-	186,176
Unallocated liabilities				<u>1,493,104</u>
Total liabilities				<u>29,022,102</u>
<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	<u>(52,803)</u>	<u>-</u>	<u>-</u>	<u>(52,803)</u>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022 (cont'd)

#### 31. SEGMENTAL INFORMATION (cont'd)

##### Major customers

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

		Revenue			
		2022		2021	
	Segment	Percentage	RM'000	Percentage	RM'000
		%		%	
Customer #1	Malaysia	62	57,802	48	54,427
Customer #2	Malaysia	13	11,763	17	19,004
		75	69,565	65	73,431
Others		25	23,145	35	39,475
Total		100	92,710	100	112,906

#### 32. COMMITMENTS

Capital commitment at the end of the financial year is as follows:

		Group	
		2022	2021
		RM	RM
<b>Capital commitment</b>			
Approved and contracted for property, plant and equipment		144,000	-

Other than the above, the Group has no other capital commitments as at the end of the financial year.



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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 30.06.2022 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/ 28 - 30 years	11,207	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/ 29 years	468	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/ 17 years	3,211	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/ 22 years	491	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/ 29 years	4,278	8.9.1994 Revaluation

## LIST OF LANDED PROPERTIES (cont'd)

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 30.06.2022 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/ 23 years	6,235	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/ 19 years	2,829	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 7th October 2022

## 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	-	1,054

## Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	10	0.95	96	-
100 – 1,000	331	31.40	80,700	0.08
1,001 - 10,000	434	41.18	2,512,710	2.51
10,001 - 100,000	225	21.35	7,023,970	7.02
100,001 to less than 5% of issued shares	49	4.65	26,853,600	26.86
5% and above of issued shares	5	0.47	63,523,924	63.53
	1,054	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
SX Capital Sdn Bhd	30,000,400 (a)	-	30.00%	-
Lew Khim Khim	-	30,000,400 (e)	-	30.00%
Dato' Teo Wee Cheng	10,617,544(b)	6,542,230(f)	10.62%	6.54%
Puncak Intan Sdn Bhd	9,663,750	-	9.66%	-
Harry Lee Vui Khiun	7,912,800(c)	-	7.91%	-
Datin Teo Chan Huat	6,542,230(d)	10,617,544 (g)	6.54%	10.62%

## Notes:-

- (a) 30,000,400 shares are held through a nominee company.
- (b) 1,000,000 shares are held through a nominee company.
- (c) 7,912,800 shares are held through nominee companies.
- (d) 100,000 shares are held through a nominee company.
- (e) Deemed interested by virtue of his substantial shareholding in SX Capital Sdn Bhd.
- (f) Deemed interested by virtue of the shareholding of his spouse, Datin Teo Chan Huat.
- (g) Deemed interested by virtue of the shareholding of her spouse, Dato' Teo Wee Cheng.

## STATISTIC ON SHAREHOLDINGS

As at 7th October 2022 (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	10,617,544(a)	6,542,230 (d)	10.62%	6.54%
Datin Teo Chan Huat	6,542,230(b)	10,617,544 (e)	6.54%	10.62%
Tan Siong Sun	3,024,000 (c)	-	3.02%	-
Ng Sai Goey	155,200	-	0.16%	-
Lew Khim Khim	-	30,000,400(f)	-	30.00%
Grace Khoo Ting Ting	-	-	-	-
Datuk Yong Teck Shing	-	-	-	-

### Notes:-

- (a) 1,000,000 shares are held through nominee company.
- (b) 100,000 shares are held through a nominee company.
- (c) 1,324,000 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.
- (f) Deemed interested by virtue of his substantial shareholding in SX Capital Sdn Bhd.

## STATISTIC ON SHAREHOLDINGS

As at 7th October 2022 (cont'd)

### The 30 Largest Shareholders

	<b>Name of Shareholders</b>	<b>No. of Shares Held</b>	<b>% of Issued Share Capital</b>
1.	CIMSEC Nominees (Tempatan) Sdn Bhd (Account for SX Capital Sdn Bhd)	30,000,400	30.00
2.	Puncak Intan Sdn Bhd	9,663,750	9.66
3.	Dato' Teo Wee Cheng	9,617,544	9.62
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.	Johore Tenggara Oil Palm Berhad	2,740,000	2.74
7.	CGS-CIMB Nominees (Tempatan) Sdn Bhd (Account for Teo Chee Haw)	1,804,600	1.80
8.	Kenanga Nominees (Tempatan) Sdn Bhd (Account for Wan Quoris Shah Bin Wan Abdul Ghani)	1,700,000	1.70
9.	Tan Siong Sun	1,700,000	1.70
10.	Chua Kheng Khim	1,330,000	1.33
11.	Kenanga Nominees (Tempatan) Sdn Bhd (Account for Tan Siong Sun)	1,324,000	1.32
12.	Phang Chee Hor	1,220,500	1.22
13.	CIMB Group Nominees (Tempatan) Sdn Bhd (Account for Tan Sri Lee Fook Long)	1,150,000	1.15
14.	Beh Lian Yim	1,140,000	1.14
15.	Chua Kheng Khim	1,000,000	1.00
16.	HSBC Nominees (Tempatan) Sdn Bhd (Account for Dato' Teo Wee Cheng)	1,000,000	1.00
17.	Lee Kok Hin	839,600	0.84
18.	Lim Teng Cheu	796,800	0.80
19.	Ong Chin Lee	733,700	0.73

## STATISTIC ON SHAREHOLDINGS

As at 7th October 2022 (cont'd)

### The 30 Largest Shareholders (cont'd)

	<b>Name of Shareholders</b>	<b>No. of Shares Held</b>	<b>% of Issued Share Capital</b>
20.	Ho Wan Yee	721,200	0.72
21.	Chua Kean Chuan	700,000	0.70
22.	Chua Kean Kok	586,000	0.59
23.	Chua Kean Eng	514,000	0.51
24.	Ng See Kee	431,800	0.43
25.	Public Nominees (Tempatan) Sdn Bhd (Account for Tan Tian Sang @ Tan Tian Song)	374,000	0.37
26.	Lai Fook Hoy	370,700	0.37
27.	Kenanga Nominees (Tempatan) Sdn Bhd (Account for Hiew Chee Keong)	300,700	0.30
28.	Teu Liat Soo	280,000	0.28
29.	Slim Equities Sdn Bhd	267,000	0.27
30.	Lai Boon Kiat	260,000	0.26



# 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 28th Annual General Meeting of the Company to be held virtually at the Boardcast Venue at 12th Floor, Menara Symphony, No.5, Jalan Prof. Khoo Kay Kim, Section 13, 46200 Petaling Jaya, Selangor Darul Ehsan on 29th November 2022 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 2023		
Resolution 2	Re-election of Dato' Haji Obet bin Tawil		
Resolution 3	Re-election of Dato' Teo Wee Cheng		
Resolution 4	Re-election of Mr Lew Khim Khim (Ken Lew)		
Resolution 5	Re-election of Ms Grace Khoo Ting Ting		
Resolution 6	Re-election of Datuk Yong Teck Shing		
Resolution 7	Re-appointment of Auditors		
Resolution 8	Authority to Issue Shares		
Resolution 9	Shareholders' Mandate for Recurrent Related Party Transactions		
Resolution 10	Share Buy-Back Mandate		

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 \_\_\_\_\_ 2022.

\_\_\_\_\_  
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 Companies Act 2016.
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 [agm2022@shh.com.my](mailto:agm2022@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 28th Annual General Meeting or any adjournment thereof as Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad requires all resolutions set out in the Notice of 28th Annual General Meeting 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 28th Annual General Meeting as his/their proxy, provided always that the rest of the form of proxy, other than the particulars of the proxy, have been duly completed by the member(s).
6. Only members registered in the Record of Depositories as at 22nd November 2022 shall be eligible to attend the 28th Annual General Meeting 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 28th Annual General Meeting will be conducted fully virtual at Broadcast Venue, the members are advised to refer to the Administrative Notes on the registration and voting process for the 28th Annual General Meeting.

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Affix  
Stamp  
Here

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