



AT OFFICE SYSTEM®

**POH HUAT RESOURCES
HOLDINGS BERHAD** 443169-X

LOOKING BEYOND THE HORIZON

ANNUAL REPORT 2016

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CORPORATE STATEMENT

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

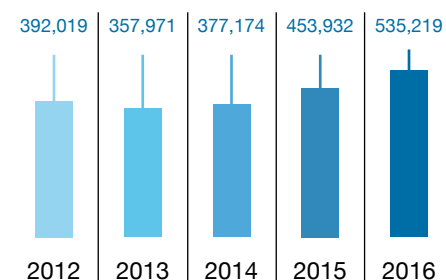
LOOKING BEYOND THE HORIZON

Inspired by the phrase 'looking beyond the horizon', this concept reflects Poh Huat's current strategic focus on seeking new market opportunities. The horizon symbolises the limitless opportunities while the sun illuminates the positive prospects of the company.

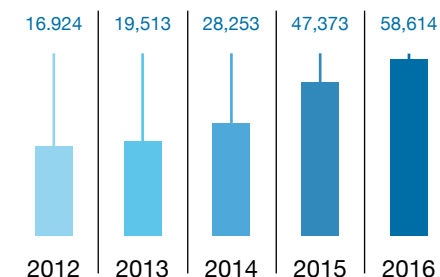


GROUP FINANCIAL HIGHLIGHTS

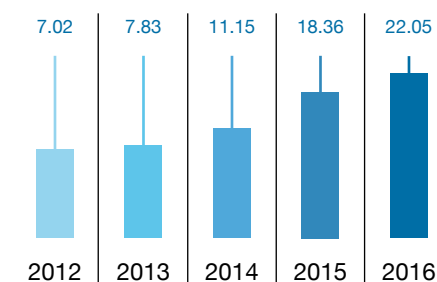
TURNOVER (RM'000)



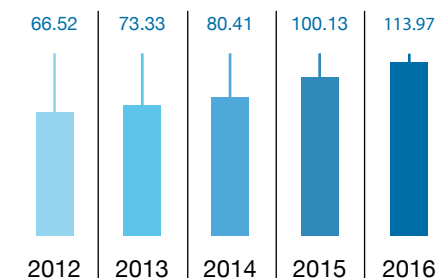
PROFIT BEFORE TAX (RM'000)



NET EARNINGS PER SHARE (Sen)



NET ASSETS PER SHARES (Sen)



Financial year ended 31 October

| | 2012 RM'000 | 2013 RM'000 | 2014 RM'000 | 2015 RM'000 | 2016 RM'000 |
|--|----------------|----------------|----------------|----------------|----------------|
| Turnover | 392,019 | 357,971 | 377,174 | 453,932 | 535,219 |
| Profit before tax | 16,924 | 19,513 | 28,253 | 47,373 | 58,614 |
| Profit after tax attributable to owners of the Company | 5,168 | 16,775 | 23,803 | 39,185 | 47,064 |
| Equity attributable to owners of the Company | 142,506 | 156,523 | 171,631 | 213,719 | 243,298 |

| | sen | sen | sen | sen | sen |
|-------------------------|-------|-------|-------|--------|--------|
| Net earnings per share* | 7.02 | 7.83 | 11.15 | 18.36 | 22.05 |
| Dividend per share* | 1.00 | 2.50 | 4.00 | 5.00 | 8.00 |
| Net assets per share* | 66.52 | 73.33 | 80.41 | 100.13 | 113.97 |

NOTES:-

- The preceding years of earnings, dividend and net assets per share were restated to reflect the retrospective adjustments arising from the share split involving the subdivision of every one existing ordinary share of RM1.00 each to two ordinary shares of RM0.50 each in the financial year ended 31 October 2015.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk Seri Zulkipli bin Mat Noor
*(Independent Non-Executive
Chairman)*

Tay Kim Huat
(Managing Director)

Tay Kim Hau
(Executive Director)

Toh Kim Chong
(Executive Director)

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

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

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

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

AUDIT COMMITTEE

Chua Syer Cin *(Chairman)*
Tay Khim Seng
Boo Chin Liong

NOMINATING COMMITTEE

Boo Chin Liong *(Chairman)*
Tay Khim Seng
Chua Syer Cin

REMUNERATION COMMITTEE

Boo Chin Liong *(Chairman)*
Tay Khim Seng
Chua Syer Cin

SENIOR INDEPENDENT DIRECTOR

Boo Chin Liong

SECRETARY

Pang Kah Man (MIA 18831)

REGISTERED OFFICE

No. 7 (1st Floor), Jalan Pesta 1/ 1,
Taman Tun Dr Ismail 1,
Jalan Bakri,
84000 Muar,
Johor Darul Takzim.
Tel No. : 606 - 954 1705
Fax No. : 606 - 954 1707

PRINCIPAL PLACE OF BUSINESS

PLO 1, Bukit Pasir Industrial Area,
Mukim Sungai Raya,
84300 Bukit Pasir, Muar,
Johor Darul Takzim.

REGISTRARS

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

AUDITORS

Crowe Horwath (AF 1018)
Chartered Accountants

PRINCIPAL BANKERS

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

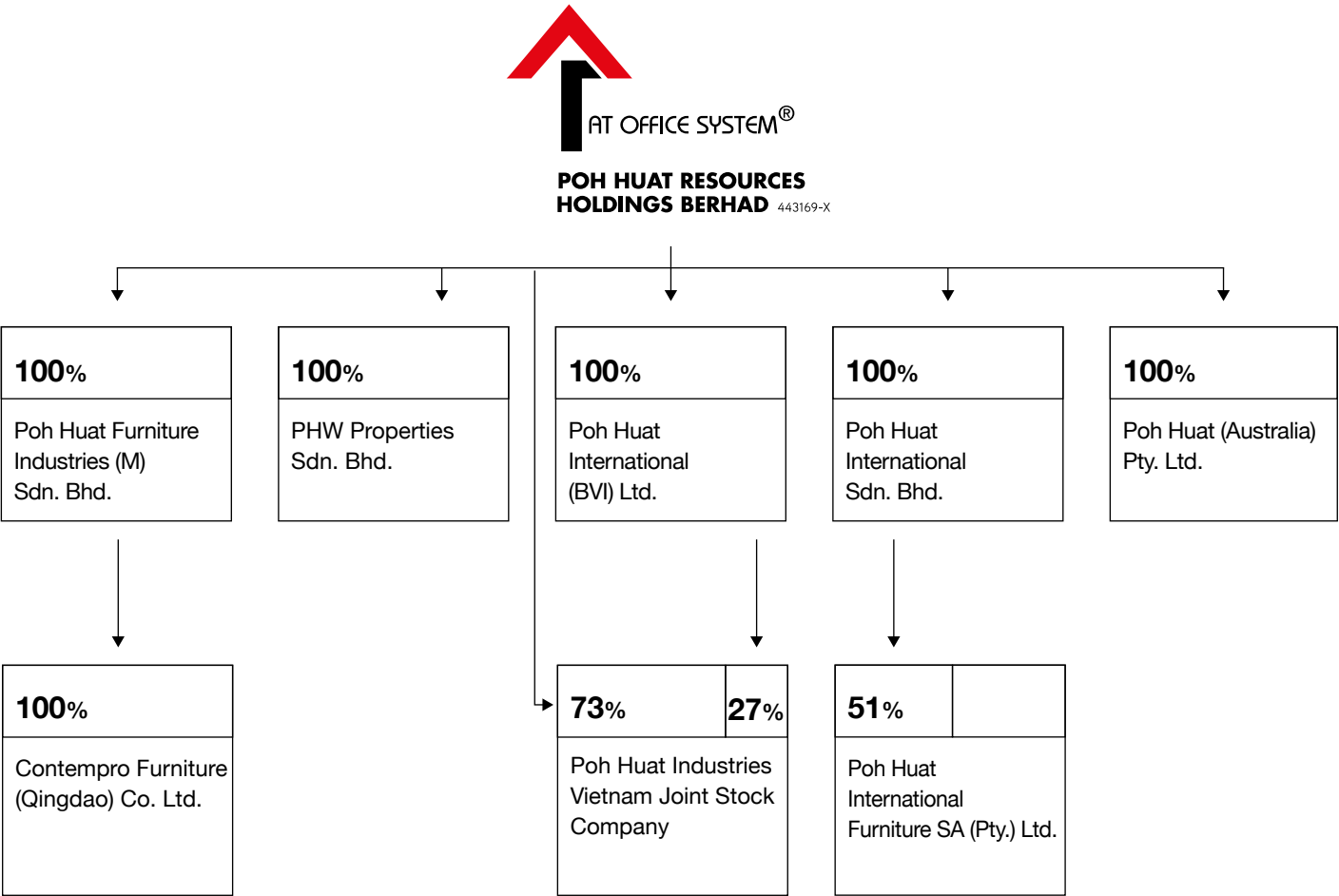
SOLICITORS

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

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

CORPORATE
STRUCTURE



CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the Board of Directors of Poh Huat Resources Holdings Berhad, I have the pleasure of presenting to you, the annual report and the financial statements of the company and its subsidiaries for the financial year ended 31 October 2016.

I am happy to report that we have again achieved new highs in turnover and profit performance. The Group turnover rose about 18% to a record of RM535 million for financial year 2016. Our Vietnam operations surged ahead with record turnover of RM365 million as growth in the US housing sector and the demand for home finishing continued to outpace the US economy. In Malaysia, we continued to do well with a higher turnover of RM168 million. With the higher turnover, the Group also achieved record profit before tax of RM59 million and after tax profit of RM47 million.

During the year, we also work closely with our US importers to move our product range to the upper medium segment of the market for better manufacturing margin. For the first time, we launched a range of panel based bedroom furniture for the US market to complement our upper-end spray orientated bedroom sets

manufactured in our Vietnam factories. Given the size of the US market, we hope that this will contribute meaningfully in the years to come. Going forward, we will continue to rationalise our products to maintain competitiveness and manufacturing efficiency.

We are committed to continuous upgrading of our manufacturing capabilities. During the year, we invested more than RM15 million in the new expanded finishing line and warehouse in Binh Duong Vietnam and about RM3 million for routine upgrading of woodworking machinery in Malaysia. As part of our ongoing operational enhancement programme, we will continue to invest in our production planning and enterprise resources management systems for better production monitoring, control and reporting.



Dividend

Reflective of the good performance of the Company, the Board has recommended a final single tier tax-exempt dividend of two (2) sen per share for the financial year ended 31 October 2016 for approval at the forthcoming Annual General Meeting of the Company. The Board is of the view that the proposed final dividend of two (2) sen per share, together with the three (3) interim dividends of two (2) sen per share each paid during the year provide a level of return commensurate with the present market price of the shares of Poh Huat.

CHAIRMAN'S STATEMENT (CONT'D)



PROFIT BEFORE TAX
RM59 MILLION



**CASH AND CASH
EQUIVALENTS**
RM72 MILLION



DIVIDENDS PAID
RM13 MILLION

Acknowledgement

On behalf of the Board, I would also like to take this opportunity to express our sincere appreciation and gratitude to the management and employees of the Group for their dedication, team spirit and hard work during these challenging times. The commendable performance of the Group is the result of the earnest efforts put in by our workforce.

The achievements of the Group are also made possible through the long-standing support, cooperation and assistance of our valued customers, suppliers and business associates. To our business partners, we express our gratitude for your contribution to the success of the Group.

Lastly, to you, our valued shareholders, our sincere appreciation for your faith in us and for your continuous support to the Group.

Yours sincerely,

Datuk Seri Zulkipli bin Mat Noor
Muar, Johor Darul Takzim
23 February 2017



INFORMATION ON DIRECTORS

DATUK SERI ZULKIPLI BIN MAT NOOR

SPDK, SPTJ, DIMP, DSAP, PJN, SIMP, KMN, JMN, PSPP

Chairman (Independent Non-Executive Director)

Datuk Seri Zulkipli bin Mat Noor, Malaysian, male, aged 67, was appointed as the Chairman of the Company on 1 January 2010.

Datuk Seri Zulkipli obtained a Diploma in Public Administration from Universiti Teknologi Mara and a Bachelor of Arts, Political Science (Honours) from Kansas University, USA in 1980. He furthered his study and obtained a Master of Arts, Strategic Studies & International Relations from Lancaster University, England in 1984.

Datuk Seri Zulkipli started his career with the Royal Malaysia Police Force as an Inspector in 1969. Upon completion of the basic training, Datuk Seri Zulkipli was absorbed into the Special Branch for 23 years during which he rose through the ranks. His last position with the Special Branch was the Head of Special Branch, Sabah. During his tenure with the Police Force, Datuk Seri Zulkipli held various commanding positions in the Police Force including, Deputy Director of Administration (Management), Bukit Aman, Deputy Director of Services and Personnel (Management), Bukit Aman, Chief Police Officer,

Johor, and Commissioner of Police, Sarawak, with the rank of Deputy Commissioner of Police.

On 1 April 2001, Datuk Seri Zulkipli was seconded to the Anti-Corruption Agency of Malaysia and served as the Director General of the Agency for 6 years until his retirement on 31 March 2007.

During his tenure with the Police Force, Datuk Seri Zulkipli also served as the 1st President of the Karate Association of the Royal Malaysia Police Force and was later the President of the Malaysian Karate Federation (MAKAF) for 2 years.

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

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

INFORMATION ON DIRECTORS (CONT'D)

MR TAY KIM HUAT

Managing Director
(Non-Independent Executive Director)

Mr Tay Kim Huat, Malaysian, male, aged 61, was appointed to the Board of the Company on 9 December 1999 and is presently the Managing Director of the Company.

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

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

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

MR TAY KIM HAU

Executive Director
(Non-Independent Executive Director)

Mr Tay Kim Hau, Malaysian, male, aged 69, was appointed to the Board of the Company on 9 December 1999 and is presently an Executive Director of the Company.

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

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



INFORMATION ON DIRECTORS (CONT'D)

MR TOH KIM CHONG

Director
(Non-independent Executive Director)

Mr Toh Kim Chong, Malaysian, male, aged 42, was appointed as an Executive Director of the Company on 29 April 2011.

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

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

MR BOO CHIN LIONG

Director
(Independent Non-Executive Director)

Mr Boo Chin Liong, Malaysian, male, aged 56, was appointed as an Independent Non-Executive Director of the Company on 9 December 1999 and is presently the Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee.

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

He is currently an Independent Non-Executive Director of Prolexus Bhd. and is a director of several private limited companies.

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

INFORMATION ON DIRECTORS (CONT'D)

MR TAY KHIM SENG

Director

(Non-Independent Non-Executive Director)

Mr Tay Khim Seng, Malaysian, male, aged 56, was appointed as a Non-Independent Non-Executive Director of the Company on 2 May 2001 and is presently a member of the Audit Committee, Remuneration Committee and the Nominating Committee.

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

He is presently a director of several private limited companies.

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

MR CHUA SYER CIN

Director

(Independent Non-Executive Director)

Mr Chua Syer Cin, Malaysian, male, aged 44, was appointed as an Independent Non-Executive Director of the Company on 17 May 2001 and is presently the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nominating Committee.

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

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

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

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

INFORMATION ON DIRECTORS (CONT'D)

MR LIM PEI TIAM @ LIAM AHAT KIAT

Director

(Non-Independent Non-Executive Director)

Mr Lim Pei Tiam @ Liam Ahat Kiat, Malaysian, male, aged 70, was appointed as a Non-Independent Non-Executive Director of the Company on 24 April 2014.

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

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

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

Conflict of Interest

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

Conviction of Offence

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



PROFILE OF KEY SENIOR MANAGEMENT

MR LEE ING TIONG

Mr Lee Ing Tiong, Malaysian, male, aged 46, is a fellow member of the Institute of Public Accountants, Australia. He started his career as officer/ executive in margin and credit control departments in stockbroking firms before transferred to research and dealing from February 1994 to March 2002. He joined Poh Huat Furniture Industries (M) Sdn. Bhd. as finance executive in April 2002 and was promoted to finance manager in January 2004. He left the company in March 2006, and joined UDS Capital Bhd (now known as SWS Capital Bhd) as financial controller from April 2006 to January 2011. He re-joined Poh Huat group of companies as group financial controller from February 2011 to present. He is not a director of any public company. He has no family relationship with any Director and/ or major shareholder of the Company.



MANAGEMENT DISCUSSION & ANALYSIS

1. INTRODUCTION

We are an established Malaysian furniture manufacturer with more than 25 years of experience in the international furniture business. We have our beginning in Muar, the heartland of Malaysian furniture industries in the south of Peninsular Malaysia and has over the years grown to be one of the key furniture players in South East Asia with manufacturing bases in Malaysia and Vietnam and sales offices and warehouses in South Africa and Australia.

Products and Markets

With an annual turnover of more than RM535 million, we are proud to be one of the leading furniture exporter in South East Asia. Our products have gained acceptance by customers in more than 30 countries. Of these, US and Canada are our main markets, making up about two-third and one quarter of the group's total sales, while the remaining of the sales comes from UK, Malaysia, Singapore and the Middle East region. Broadly, we manufacture 2 types of furniture, namely office furniture and home furniture.

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

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

sets. Our customers include top US furniture retailers like Big Lots Stores, Home Meridian, Aspen Furniture and Ashley Furniture Inc.



Manufacturing Bases

Our manufacturing bases are located in 2 countries, namely Malaysia and Vietnam. The Malaysian manufacturing base comprises 5 factories which are situated on 9.40 hectares of land in Muar, Johor. These factories have a total workforce of more than 1,000 people and are equipped with modern automated panel based wood-working machinery and finishing systems. The Muar factories specialise in the manufacture of panel based office and home-office furniture, primarily for the export market.

The manufacturing bases in Vietnam are situated in 2 locations, namely the districts of Binh Duong and Dong Nai, near Ho Chih Minh City, Vietnam. The Binh Duong manufacturing base comprises 3 factories, 1 administrative block and 1 hostel which are situated on 6.76 hectares of industrial land. The Dong Nai manufacturing base is sited on 12.39 hectares of industrial land and has 6 factories, 1 administrative building and 1 hostel. The 2 manufacturing bases in Vietnam have a combined workforce of more than 4,500 people and are equipped



MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

with modern woodworking machinery and finishing lines for large-scaled production of wooden household and home-office furniture. The furniture produced by these factories comprise mainly of medium to upper-medium home and home-office furniture for the North American market.

Corporate Statement

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

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

Corporate Objectives and Strategies

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

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

High Quality Innovative Products

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

In the design of our in-house office products, our key philosophy is to create pleasant, productive office environment with well-design office suites that integrate new office automation technology into the classic office environment. We specify materials which are often higher than comparable or similar range products incorporating latest functional, aesthetic and ergonomic trends to meet our design goals and pricing targets without diminishing quality. We have established ISO 9001-2008 manufacturing process that ensure that product quality standards, in-process quality control measures and final quality inspections are comply with.

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

Excellent Customers Services

Customers' service is an integral part of our product offering. Our service to customers begins on first contacts with potential customers and continues thereon with products review, selection and development; order negotiation and production programme co-ordination; customers' quality control, warehousing, shipment co-ordination and delivery; up to trade credits and post delivery services, including warranties and

replacements. Our emphasis is on long-term partnership with customers who are committed to sustainable business relationships.

Competitive Pricing

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

2. OVERVIEW OF THE BUSINESS ENVIRONMENT

Global Furniture Trade

Following the contraction in global furniture during the global financial crisis in the late 2000s, world furniture production has grown steadily at a CAGR of 3.6% from 2009 to 2013, due partly to the quantitative easing in the US and Europe and commodity and real estate boom in the Middle East and Asia Pacific on the other part.

World furniture consumption reached USD455 billion in 2014, up 3.7% or about USD17 billion on 2013, according to Centre for Industrial Studies' (CSIL) World Furniture Outlook Report 2016. The research and consultancy firm predicts a growth in furniture

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

consumption over 2.8% for both 2015 and 2016 based on research in 70 countries. According to CSIL, the US, Germany, France, the UK and Canada are the biggest importers of furniture. In the last five years, the US increase of furniture imports from USD19 billion in 2009 to USD32 billion in 2015 was the main engine of growth in international furniture trade. America and Canada have reached or exceeded the pre-recession level of imports, but Europe, due to the slow economic recovery, has so far failed to achieve this goal.

In export terms, China leads, said CSIL, followed “at a distance” by Germany, Italy, Poland and Vietnam, its researchers found. However, in 2014 and for the first time in many years, Chinese exports were “stagnant” while the fastest growing furniture exporter is Vietnam, although growth is from a low base, CSIL said.

US Furniture Market - Strong Leading Indicators

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

With a growing GDP and a healthy employment market, the US economy has continued to improve following the financial crisis. The economic environment has been particularly favourable to consumers, who have benefited from low energy prices and low inflation while realising gains in wages and salaries. The pace of growth of existing home sales and prices moderated to 3% in 2015 but remain strong overall. Total homes sales next year are expected to reach the

highest levels since 2006 on the back of new construction and the existing housing market with millennials (first time buyers) expected to make up the biggest demographic of homebuyers next year.

Higher employment, historically low mortgage rates and higher disposable income augur well for the US housing market and household spending including finishing and furniture. Consumer furniture and bedding expenditure in the US reached USD102 billion in 2015. The weak external environment, particularly cheaper base materials, surplus capacity and weaker currencies, were a windfall for US importers and retailers as US home furnishing spending grew in line with the strong housing sector and improved household income. While the housing market improves and discretionary spending increases, we will see this growth continue. Going forward, the industry expect that the category will continue to grow at a compound annual growth rate (CAGR) of 3% until 2020 on the back of healthy fundamentals.

US Consumers Preference & Trends

US consumers want quality and durability when they purchase furniture. Consumers expect wall décor and wood furniture to have a longer comparative life span, of more than 15 years.

Consumer surveys are that US shoppers care about quality more than price levels when they purchase furniture, but millennials have shown they are more price-sensitive than other age cohorts. They also expect short delivery times and products made in the US. Although e-commerce is still a nascent channel for the product category, brick-and-mortar furniture retailers should embrace its development and grasp the opportunities emerging in the market.

Several key industry trends have emerged, as new innovation and shifting consumer preferences influence the demand for furniture.

1. The rise of telecommuting is driving the demand for home office furniture.

The need for home offices increased during the financial crisis in 2008-2009 and the European debt crisis in 2011-2012, driving increased demand for computers, desks, office chairs, and filing cabinets. Consumers quickly found that their home offices had multiple uses, and they often preferred to buy versatile furniture that could cover up office equipment when not in use. As a whole, the market for global home office furniture is forecast to grow at a CAGR of 5.58% between 2014 and 2019.

2. Multi-functional, versatile furniture is gaining popularity.

The number of single- and two-person households has been increasing, resulting in the demand for small and portable furniture. Consumers have also been looking for furniture that is multi-purpose, foldable, and technology-driven, especially when it comes to living in smaller spaces.

3. Online is the fastest-growing channel in developing markets.

The U.S. home furnishings store industry includes about 15,000 stores with combined annual revenue of about USD27 billion. The industry is extremely concentrated, with 50 of the largest U.S. stores accounting for 75% of the industry revenue. But, the competition is rising. Online stores are becoming the fastest-growing channel at a CAGR of 16.6%. Many companies are putting more efforts towards their online retail stores, by adding benefits for consumers who shop online such as free delivery and installation and even same-day pick up.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

4. The demand for luxury furniture is increasing.

As the economy has grown, more consumers are willing to buy luxury items for their living and work environments. The global luxury furniture market is expected to grow at a CAGR of over 4% between 2015 to 2019 period. In terms of location, Europe has the largest market for luxury furniture, but developing countries such as China and India are not far behind.

5. More furniture vendors are choosing to go green.

With luxury comes the expanding trend to go green. Many vendors are developing eco-friendly furniture. This trend is driven by environmental concerns, such as the problem of deforestation. Although eco-friendly furniture is more expensive, the demand is on the rise, making it worthwhile for manufacturers and companies to offer these products.

3. BUSINESS OPERATIONS REVIEW

The Group continued to register higher production and shipping volume for both our Vietnam and Malaysian operations.

Vietnam Operations

In Vietnam, our main priority was to optimise our product mix vis-a-vis production capacity as we received strong orders from our customers. During the year, we worked with established upscale furniture importers and distributors in the US in the development of new bedroom suites for the upper middle market segment. Our involved collaboration with our US customers have resulted in a few range of new bedroom suites featured in the High Point Furniture Fair and Las Vegas Furniture Show, two of the most prominent furniture trade shows in the US and subsequent exposure to show

and trade publications. We visited existing and potential customers during these trade fairs and in turn hosted customers during their visit to our Vietnamese factories.

In September 2016, we commissioned a new 2-storey furnishing line and warehouse which were previously affected by the fire incident in August 2015. This helps boost production and storage capacity in our Binh Duong by around 20%, thus allowing us to accept and ship more orders to our customers in the final quarter of the financial year.

On procurement of raw materials, we worked with suppliers and sub-contractors on long-term supply arrangements to ensure continuous availability and stable pricing for major raw materials. As part of our efforts to enhance our material storage and logistic arrangement and to mitigate the shortfall in capacity during the reconstruction of the finishing line and warehouse facilities, we developed a tight sourcing programme with materials and parts suppliers to ensure timely delivery to optimise material handling and movements on the production floor and minimise storage requirements.

These efforts are part of our strategy to move up the value chain in line with the escalation of production costs and increase capacity utilisation rate of our factories in Vietnam.

Malaysia Operations

In Malaysia, our target market segments include the corporate executive, small business owner, and office. In the marketing of our office furniture, our strategy is to make our product offerings and information readily available to those seeking quality office furniture with specific technological needs via multi-media platforms including print media advertisement, catalogue distribution and promotion through our traditional dealers/contractors network.

We serve these segments through a variety of distribution channels from the traditional furniture distributors and retailers, office interior designer-outfitters and via factory direct channels.

We participated in the annual Malaysian International Furniture Fair and visited our customers in trade fairs in High Point, USA, Index International Design Expo in Dubai, Orgatec Trade in Germany and Shanghai International Furniture Fair in China.

During the year, we introduced panel-based bedroom sets in line with US consumers' demand. The manufacturing process of such bedroom sets is very similar to our existing office manufacturing process, using similar machinery set up. The offering of these bedroom sets will expand our product offerings for the home and SoHo segments of the US market and at the same time complement the upper-end spray orientated bedroom sets manufactured in our Vietnam factories. The panel-based bedroom set accounted for about 3% of Malaysia's sales currently.

4. FINANCIAL REVIEW

Revenue

The Group achieved a record revenue of RM535.22 million for financial year ended 31 October 2016, an increase of 17.91% over the Group's revenue of RM453.92 million in the previous financial year.

Increase in shipment of furniture from our home segment which accounts for about 71% of the Group revenue was the main driver for our revenue growth. Backed by higher shipping volume and better selling prices, our Vietnamese subsidiary recorded a turnover of RM365.08 million. The turnover for the last financial quarter were bolstered by

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

the commissioning of our new spraying line and warehouse in Binh Duong in September 2016.

The turnover from our Malaysian operations were also higher at RM168.07 million. The Group registered higher shipment of office furniture, particularly to Canada and US as we continue to expand our product offerings.

Manufacturing Costs

Total cost of sales for the Group for the year was RM427.98 million against RM363.57 million in the previous year. The increase in total cost of sales was in proportion with the higher turnover for the financial year. Gross profit margin improved slightly to 20.05% from 19.91% previously.

During the year, costs of raw material remained stable at approximately 55.50% of sale compared to 58.11% in the previous year. The lower material costs were due to better material utilisation (reduce wastage). Direct labour increased to 13.80% from 12.03%, in line with wage inflation in Vietnam and implementation of minimal wages policy in Malaysia. Factory overheads decline from 11.81% in the previous year to 10.83% in the current year due to the better plant utilisation and resumption of the Vietnam factory affected by the fire in August 2015.

Expenses

In line with the higher shipment of furniture, selling and distribution costs increased from RM21.68 million to RM24.67 million. Total selling and distribution costs as a percentage of revenue however improved from 4.78% in the previous year to 4.61% in the current year while total administration expenses as a percentage of revenue also improved from 4.64% to 4.48 due to higher revenue and economic of scale.

The Group recorded a net surplus of RM1.75 million under other income/expenses. During the year, the Group received insurance compensation of RM4.26 million and net interest income of RM1.11 million which helped off-set exchange losses of RM3.51 million for the year.

Finance costs

Despite the higher turnover, the Group also recorded a lower financial charges of RM1.81 million against RM1.99 million in the previous year. This was due to a reduction in bank borrowings from RM33.41 million to RM28.93 million.

Taxation

In line with the higher profit before tax, the Group incurred a higher tax expense of RM11.85 million in financial year ended 31 October 2016 compared with RM8.79 million in the previous financial year, of which the deferred taxation increased to RM1.75 million from RM1.29 million previously.

In Vietnam, the tax rate excluding the deferred tax, for the year was lower to 14.4% compared to 20.2% previously due to overprovision in the previous financial year.

Malaysian income tax rate was higher at 20.50% in current financial year from 12.6% in the previous financial year due to the full utilisation of business loss and investment allowance carried forward in the previous financial year.

Profit attributable to equity holders of the Company

The profit after tax attributable to owners of the Company increased by 20.11% from RM39.18 million in the previous financial year to RM47.06 million in the current financial year.

Liquidity and Capital Resources

The Group's cash position increased marginally from RM70.87 million as at 31 October 2015 to RM71.59 million as at 31 October 2016. Net cash generated from operations was RM32.35 million of which approximately RM18.44 million was used for capital expenditure, RM4.05 million was used for reduction of bank borrowing and RM12.81 million for payment of dividends.

The Group's capital expenditure incurred in 2016 amounted to RM18.44 million, a substantial amount of which was allocated for the re-construction of the factory building and warehouse in Binh Duong Vietnam which was destroyed by the fire incident in August 2015.

Gearing

Total Group loans, including hire purchase, decreased from RM33.41 million as at 31 October 2015 to RM28.92 million as at 31 October 2016. The decrease was due mainly to reduction in trade financing facilities vis-à-vis the use of surplus cash from operations to fund working capital requirements.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

Dividend Payout

The Company has declared and paid a first, second and third interim single-tier dividend of 2 sen per share each in respect of the financial year ending 31 October 2016. These interim dividends were paid on 22 January 2016, 29 July 2016 and 15 December 2016 respectively.

The Directors have also recommended a final single-tier dividend of 2 sen per ordinary share for the shareholders' approval at the Annual General Meeting on 22 March 2017. The total dividend declared/proposed will be 8 sen per share. This works out a dividend payout ratio of 36.3% in the current financial year against a dividend payout ratio of 27.2% (or 5 sen per share after the 1-to-2 subdivision of shares adjustment) in the previous financial year.

In view of our stronger net cash position and barring any major changes in the Group's capital commitment, operating environment or financial performance, the Group strives to maintain its dividend payout ratio of between 30% to 40% of net earnings attributable to shareholders.

5. OUTLOOK OF FUTURE PROSPECTS

In its World Economic Outlook, the International Monetary Fund projected global growth at 3.4 percent in 2016 and 3.6 percent in 2017. A projected stabilisation in energy and commodity prices may provide a small tailwind for resource rich economies in 2017 with modest positive signals emerging from the base scenario showing some strengthening in qualitative growth factors, such as more advanced technology, improved labour force skills, and greater productivity.

Growth in advanced economies is projected to rise by 0.2 percentage point in 2016 to 2.1 percent, and hold steady in 2017. Overall activity remains resilient in the United States, supported by still-easy financial conditions and strengthening housing and labour markets, but with US Dollar strength weighing on manufacturing activity and lower oil prices curtailing investment in mining structures and equipment. In the Euro area, stronger private consumption supported by lower oil prices and easy financial conditions is outweighing a weakening in net exports. Growth in Japan is also expected to firm in 2016, on the back of fiscal support, lower oil prices, accommodative financial conditions, and rising incomes.

Growth in emerging market and developing economies is projected to increase from 4 percent in 2015 to 4.3 and 4.7 percent in 2016 and 2017 respectively, with higher growth projection from the Middle East, India and the rest of emerging Asia. Growth in emerging economies are generally projected to continue growing at a robust pace, although with some countries facing strong headwinds from China's economic rebalancing, global manufacturing weakness and geo-political risks from Russian and Eastern Europe.

In US, steady improvement in employment, household income and low interest rates have been a boon for the housing sector. Thanks to millennials and thanks to homebuilders who are starting to produce more of the starter houses for young people, buyers purchased single-family houses at the annual rate of 654,000 units, the highest rate since October 2007. Steadily rising home prices across the country have also given a boost of confidence to existing homeowners whose home values were walloped in the mid-2000s.

On the back of healthy fundamentals, the demand for the Group's products, particularly from the North American market, is expected to remain for the next financial year. Over the last two years, furniture and home furnishings stores have fared better than other retail trade businesses such as department stores and clothing stores. The industry itself is performing roughly twice as well as the overall economy, due in large part to strong performances in bedroom and dining room furnishing sales. With the housing market improving and discretionary spending increasing, we will see demand for household furniture continuing over the next couple of years.

The Group is however mindful that the global environment continues to be volatile due to the prolonged economic downturn in Europe, low commodity prices and recent escalation of social and security issues in the Middle East and Europe. While the industry is riding on the housing sector boom, the biggest fear is that interest rate hikes could slow down the housing market. The Trump victory in the recent US election has also added elements of policy and regulatory uncertainties and could expose the world to rising protectionism and political risk.

CORPORATE GOVERNANCE

The Board recognises the importance of good corporate governance in ensuring that the interest of the Company, shareholders and other stakeholders are protected. The Board is committed to an established framework for governance and controls that are consistent with the principles and best practices recommended in the Malaysian Code on Corporate Governance 2012 (the “Code”) and other applicable laws, regulations and guidelines.

The Company is pleased to report to the shareholders on the manner in which the Group has applied the principles and the extent to which it has complied with the best practices outlined in the Code.

(A) ESTABLISH ROLES AND RESPONSIBILITIES

The Board’s role is to control and provide stewardship of the Group’s business and affairs on behalf of shareholders. The Board has the overall responsibility for the proper conduct of the Group businesses. The Board has adopted a Board Charter which clearly sets out the respective roles and responsibilities of the Board and the management to ensure accountability.

The Board’s Roles & Responsibilities

The Board assumes the following responsibilities in the management of the affairs of Group:-

- develop, review and monitor the Company’s long term business strategies and provide strategic direction to the Management;
- approve and monitor business plans, budgets, major capital commitments, capital management, acquisitions and divestitures;
- identify and review risks that the Company may face and ensure that it has systems in place for risk management and internal control;
- review and approve the Company’s financial statements and other reports;
- monitor compliance with legal, regulatory requirements (including continuous disclosure) and ethical standards;
- lead by example to establish a culture within the Company which strives for and rewards best practice in all areas of the business, particularly with regard to environmental issues;
- monitor whether the Board is appropriately skilled to meet the changing needs of the Company;
- review the adequacy and the integrity of the management information and internal controls systems of the Company and Group;
- provide input into and final approval of management’s development of corporate strategy and performance objectives;
- establish and maintain corporate governance standards including the Company’s Code of Ethics and Conduct;
- establish a succession plan and ensure that appropriate resources are available to senior executives; and
- develop and implement a shareholder communication policy for the Company.

CORPORATE GOVERNANCE (CONT'D)

(A) ESTABLISH ROLES AND RESPONSIBILITIES (CONT'D)

Clear Functions of the Board and Management

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

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

The Executive Directors are responsible for developing corporate strategies and managing a team of executives responsible for all functions undertaken to attain the desired corporate objectives and outcome as set by the Board. In the managing of the day-to-day operations of the Group, the Executive Directors provide the leadership, supervision and monitoring of the efficiency and effectiveness of the conduct of the Groups' business activities. The Executive Directors, being directly involved in the operations of the Group, are also in the best position to assess business opportunities and threats presented in the environment in which the Group operates. The Executive Directors, together with the management team, are to assess and, where appropriate, develop strategies to capitalise on such opportunities and put in place risk management and internal control practices to mitigate risks inherent in or associated with such opportunities. The Executive Directors also have the responsibility to highlight material developments and other relevant matters to the Board for information and/ or business decisions thereon.

The Independent 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 review the results of the Group's operations and status of implementation and compliance of the internal control systems. The Independent Non-Executive Directors are to highlight any concern that they have about the running of the Group businesses or a proposed action to be undertaken by the Company or the Group. All Non-Executive Directors are encouraged to update and refresh their skills, knowledge and familiarity with the businesses and affairs of the Company and of the Group.

Board Balance

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

The Executive Directors bring together expertise and experience in manufacturing and property investment. The strength of the Executive Directors is complemented by the experience and independent views of the Non-Executive Directors who are experienced in the fields of accountancy, law and public services.

Senior Independent Director

The Chairman of the Nominating Committee, Mr Boo Chin Liong (email address: clboo@pohhuat.com) has been designated as the Senior Independent Non-Executive Director identified by the Board pursuant to Recommendation 2.1 of the MCCG 2012.

CORPORATE GOVERNANCE (CONT'D)

(A) ESTABLISH ROLES AND RESPONSIBILITIES (CONT'D)

Board Proceedings

The Board of Directors meets formally to deliberate on matters relating to the strategic direction and objectives setting, operating plans and budgets, major capital expenditures, material acquisitions and disposals, material capital projects and monitoring of the Group's operating and financial performance. Key members of the management team are invited to attend and participate in these meetings to promote better exchange of information and understanding of the issues in the daily operations of the Group.

The Board meets on a quarterly basis to review the quarter results of the Group prior to announcement to Bursa Securities. During these meetings, the operational and financial performance of the Group together with any material development and issues relating to the business of the Group are discussed and where applicable responded to accordingly. During these meeting, the Board also review the internal audit reports on compliance and endorses corrective and improvement recommendations proposed by the internal audit function.

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

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. The Company Secretary organises and attends all Board and Board Committee meetings. All proceedings from the meetings are minuted by the Company Secretary and signed by the Chairman of the meeting.

CORPORATE GOVERNANCE (CONT'D)

(A) ESTABLISH ROLES AND RESPONSIBILITIES (CONT'D)

Board Charter and Code of Conduct

The Board Charter sets out the respective roles and responsibilities of the Board and the Management to ensure accountability. The Board Charter would act as a source reference to Board members and Management with regard to its role and responsibility. In addition, it will assist the Board in the assessment of its own performance as a whole and the Directors individually. 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 Charter and Code of Conduct will be periodically reviewed and updated to take into consideration the needs of the Company and to reflect the changes in the management best practices and regulatory requirements.

The Board has also 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.

Details of the Board Charter, Code of Conduct and Whistle Blowing Policy can be found on the Company's website at www.pohhuat.com.

Promoting Sustainability

The Group is committed to operating in a sustainable manner and seek to contribute positively to the well-being of stakeholders. Details of the Group's key corporate responsibility and approach toward sustainability are set out in the Corporate Responsibility statement on page 37 of this Annual Report.

CORPORATE GOVERNANCE (CONT'D)

(B) STRENGTHEN COMPOSITION

In the discharge of its fiduciary duties, a number of standing and ad-hoc committees have been established to assist the Board. The committees established, namely the Audit Committee, the Remuneration Committee and the Nominating Committee comprises members of the Board, the composition of which are determined after careful consideration of the mix of expertise, experience and independence of the members.

Nominating Committee

The Nominating Committee is primarily responsible for the identification of the desired mix of expertise, competencies and experiences for an effective Board and the assessment of the performance of the members of the Board.

As and when the need arises, this committee shall also identify and recommend the appointment of candidates with the necessary qualities to strengthen the Board.

The current members of the Nominating Committee are:-

1. Mr Boo Chin Liong
Chairman
Independent Non-Executive Director
2. Mr Tay Khim Seng
Non-Independent Non-Executive Director
3. Mr Chua Syer Cin
Independent Non-Executive Director

The Nominating Committee operates under its own Terms of Reference and the main functions of the Nominating Committee include the following:-

- (a) Recommend to the Board, candidates for appointment to the Board and/ or board committees and rotation of committee chairmanship;
- (b) Review and recommend to the Board, the training programmes for the Board members; and
- (c) Review and recommend to the Board, the Board's and senior management's succession plans.

The Nominating Committee met once during the financial year and was attended by all its members.

CORPORATE GOVERNANCE (CONT'D)

(B) STRENGTHEN COMPOSITION (CONT'D)

Directors' Assessment

The process of assessing the Directors is an on-going responsibility of the entire Board. The Board has put in place a formal evaluation process to assess the effectiveness of the Board as a whole, the Board Committees and the contribution and performance of each individual Director, including the Independent Non-Executive Directors on an annual basis.

The criteria used, amongst others, for the annual assessment of individual Directors include an assessment on their roles, duties, responsibilities, competency, expertise and contribution whereas for the Board and Board Committees, the criteria used include composition, structure, accountability, responsibilities, adequacy of information and processes.

In respect of the assessment for the financial year ended 31 October 2016, the Board was satisfied that the Board and Board Committees have discharged their duties and responsibilities effectively. The Board was also satisfied that the Board composition in terms of size, the balance between Executive, Non-Executive and Independent Directors and mix of skills was adequate.

Re-election of Directors

In accordance with Article 103 of the Company's Articles of Association, all directors who are appointed by the Board are subject to re-election by the shareholders of the Company at the first annual general meeting immediate after their appointment. In accordance with Article 95 of the Company's Articles of Association, one-third (1/ 3) of the remaining Directors, including the Managing Director, are required to submit themselves for re-election by rotation at each annual general meeting of the Company. In addition, all Directors must submit themselves for re-election at least once every three (3) years.

In accordance to the policy and procedures established for the Continuation in Office of Independent Directors, the independence of all Independent Directors who have served the Company for more than nine (9) years shall be individually assessed. If the Board is satisfied that the Directors remain independent, shareholders' approval shall be sought for the continuation of office of the Directors concerned as Independent Directors at every annual general meeting of the Company. More information on the assessment and re-election of Independent Directors can be found in Section C of this Statement.

The nomination of Directors for purpose of re-election shall also be determined and thereafter recommended by the Nominating Committee for approval by the Board. In nominating Directors for re-election, the Nominating Committee is guided by the provisions of the Articles of Association of the Company, the Code and the Listing Requirements.

Remuneration Committee

The Remuneration Committee is primarily responsible for the development and review of the remuneration policy and packages for the Board members. The current members of the Remuneration Committee are:-

1. Mr Boo Chin Liong
Chairman
Independent Non-Executive Director
2. Mr Tay Khim Seng
Non-Independent Non-Executive Director
3. Mr Chua Syer Cin
Independent Non-Executive Director

CORPORATE GOVERNANCE (CONT'D)

(B) STRENGTHEN COMPOSITION (CONT'D)

Remuneration Committee (cont'd)

The remuneration policy aims to attract and retain Directors necessary for proper governance and hence, success of the Group. The Remuneration Committee is responsible for recommending the remuneration packages of Executive Directors to the Board. None of the Executive Directors participated in any way in determining their individual remuneration. The Board as a whole recommends the remuneration of Non-Executive Directors with individual Directors abstaining from decision in respect of their individual remuneration. The Board, where appropriate, recommends payment of fees to all Directors for approval by shareholders at annual general meeting.

The Remuneration Committee met once during the financial year and was attended by all its members.

The details of Directors' remuneration payable to the Directors of the Company for the financial year ended 31 October 2016 are disclosed in the Note 24 to the Financial Statement herein.

While the Code's Principles B III has prescribed for individual disclosure of Directors' remuneration packages, the Board has considered and is of the view that the transparency and accountability aspects of corporate governance applicable for Directors' Remuneration are adequately served by the disclosure of Directors' remuneration in successive bands of RM50,000 as prescribed under the Listing Requirements.

(C) REINFORCE INDEPENDENCE

Tenure of Independent Directors

The Board noted Recommendation 3.2 of the Code that the tenure of an independent director should not exceed a cumulative term of nine (9) years. While the Board appreciates the rationale of the recommendation, it is of the view that the independence of directors cannot be judged solely based on the tenure of service. In line with the Code, Board has adopted the same criteria used in the definition of "independent directors" prescribed by the Listing Requirements but excluding the tenure prescribed by the Code. The Board is of the view that the independence of a director is best judged by the ability of the director to demonstrate and exercise objectivity and independence in the discharge his duties in the best interests of shareholders. The Board recognises the need to balance the integrity, competency and trust gained from the long service against the risk of complacency that comes about from familiarity and the benefits of fresh perspective from newer members.

The Board is of the view that ultimately the Independent Directors themselves are the best person to determine whether they can continue to bring independent and objective judgment to board deliberations. In this regard, the Board has prescribed that all independent directors provide an annual confirmation of his/ her independence to the Board based on its policy and criteria of assessing independence as prescribed by the Listing Requirements.

Annual Assessment and Shareholders' Approval for Independent Directors

The Board has assessed and concluded that the two (2) Independent Non-Executive Directors of the Company, namely Mr Boo Chin Liong and Mr Chua Syer Cin continue to demonstrate conduct and behaviour that are essential indicators of independence, and that each of them is independent of the Company's management and free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interest of the Company. Hence, the Board recommends that shareholders' approval be sought for the continuation in office of these directors as Independent Non-Executive Directors.

CORPORATE GOVERNANCE (CONT'D)

(C) REINFORCE INDEPENDENCE (CONT'D)

Separation of position of the Chairman and Executive Directors

The positions of the Chairman and the Executive Directors are clearly separated to ensure that there is a balance of power and authority. The Chairman is primarily responsible for ensuring the effective conduct of the Board whilst the Executive Directors have the overall responsibility for the implementation of Board decisions and operational effectiveness. The Independent Directors provide the necessary independent perspective and rigour in the formulation of strategies, deliberation of issues and implementation of major undertakings to ensure that the interest of not only the Group, but also stakeholders and the public in general, are represented.

(D) FOSTER COMMITMENT

Directors' Commitments

In line with Recommendation 4.1 of the Code whereby the Board should set out expectations on time commitment for its members and protocols for accepting new directorships, each Director is required to notify the Chairman of the Board prior to accepting directorships in other public and public listed companies incorporated in Malaysia as well as directorships in corporations with similar businesses operating in the same jurisdiction.

The Directors are also required to comply at all times with the restriction of the number of directorships as prescribed in the Listing Requirements.

Board Meetings

During the financial year ended 31 October 2016, four (4) board meetings were held. Details of the attendance of Directors at these board meetings are as follows:-

| Name | Attendance |
|----------------------------------|-------------------|
| Datuk Seri Zulkipli bin Mat Noor | 4/ 4 |
| Mr Tay Kim Huat | 4/ 4 |
| Mr Tay Kim Hau | 4/ 4 |
| Mr Boo Chin Liong | 4/ 4 |
| Mr Tay Khim Seng | 4/ 4 |
| Mr Chua Syer Cin | 4/ 4 |
| Mr Toh Kim Chong | 3/ 4 |
| Mr Lim Pei Tiam @ Liam Ahat Kiat | 3/ 4 |

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

CORPORATE GOVERNANCE (CONT'D)

(D) FOSTER COMMITMENT (CONT'D)

Directors' Training

The Board, through the Nominating Committee, ensures that it recruits to the Board individuals of sufficient calibre, knowledge and experience to fulfil the duties of a director appropriately. All Directors have attended and successfully completed the Mandatory Accreditation Programme.

During the year, all Directors of the Company attended professional and management development courses as follows:-

| Director | Courses/ Training Attended |
|----------------------------------|--|
| Datuk Seri Zulkipli bin Mat Noor | National Income Tax Seminar |
| Mr Tay Kim Huat | National Income Tax Seminar Management Discussion and Analysis |
| Mr Tay Kim Hau | National Income Tax Seminar |
| Mr Toh Kim Chong | National Income Tax Seminar |
| Mr Boo Chin Liong | Update on recent amendments to Listing Requirements and the new Companies Bill 2016 |
| Mr Tay Khim Seng | Disclosure & Compliance Requirements under Listing Requirements |
| Mr Chua Syer Cin | GST - Its Impact on Employee Benefit GST on Property Development |
| Mr Lim Pei Tiam @ Liam Ahat Kiat | Corporate Reporting: Best Practices |

CORPORATE GOVERNANCE (CONT'D)

(E) UPHOLD INTEGRITY IN FINANCIAL REPORTING

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, 1965 to prepare financial statements for each financial year which have been made out in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to 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 39 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, terms of reference and a summary of activities during the financial year is set out on page 30 of the Annual Report.

Suitability and Independence of External Auditors

The Company, through the Audit Committee, has an appropriate and transparent relationship with the external auditors. The Audit Committee had reviewed the suitability and independence of external auditors and recommended their re-appointment for the financial year ending 31 October 2016. 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.

Key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee's Report as detailed on page 30 of this annual report.

CORPORATE GOVERNANCE (CONT'D)

(F) RECOGNISE AND MANAGE RISKS

Risk Management

The Board is responsible for the Group's risk management framework and system of internal control and for reviewing their adequacy and integrity. The Board is committed to an ongoing process of identifying, evaluating and managing significant risks in the pursuit of its corporate objectives.

The Executive Directors and Senior Management assist the Board on the implementation and maintenance of the risk management process and compliance with Board's policies on risk and control.

Internal Audit Function

The Board recognises the importance of an effective internal control system in improving risk management, enhancing controls and ensuring compliance with applicable laws and regulations. The internal control system also designed to safeguard the Group's operations and assets and hence protect shareholders' investment in the Group. In this regard, the internal audit function of the Group is outsourced to an independent professional firm. The internal audit function is placed under the preview of the Audit Committee. The outsourced internal audit function provides the Audit Committee with quarterly independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control and management reporting system.

A Statement on Risk Management and Internal Control which provides an overview of the state of internal controls within the Group is set out on page 31 to 35 of this Annual Report.

(G) ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Policy on Corporate Disclosures

The Group acknowledges the importance of timely and equal dissemination of material information to the shareholders, investors and public at large. The Board will ensure that it adheres to and comply with the disclosure requirements of the 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 persons responsible for the preparation of the disclosure will conduct due diligence and verification to ensure accuracy and appropriateness of information contained in the disclosure. The Board is ultimately responsible for all public disclosures.

Effective and Timely Dissemination of Information

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

The Group maintains a website at www.pohhuat.com where shareholders as well as members of the public can access the latest 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.

CORPORATE GOVERNANCE (CONT'D)

(H) STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS

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 21 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.

To further promote participation of members, the Chairman of the meeting will brief the members, corporate representatives or proxies present at the meeting of their rights to speak and vote on the resolutions set forth in the general meeting,

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

In line with Paragraph 7.21A(2) of Listing Requirements for further promoting participation of members through proxies, the Chairman of the Annual General Meeting will brief the members, corporate representatives and proxies present of their right to speak and vote on the resolutions set out in the Notice of the 19th Annual General Meeting dated 27 February 2017. The Articles of Association further entitles a member to vote in person, by corporate representative, by proxy or by attorney. Essentially, a corporate representative, proxy or attorney shall be entitled to vote both on a show of hands and on a poll as if they were a member of the Company,

Voting by Poll

The rights of shareholders, including the right to demand for a poll, are found in the Articles of Association of the Company.

The Board is cognisant of the advantages of poll voting and electronic voting at general meetings to ensure accurate, transparency and efficiency of the voting process and outcomes at general meetings. All the resolutions to be tabled at the forthcoming Annual General Meeting shall be voted by poll. Given the shareholders base of the Company and shareholders' attendance for the Company's previous annual general meetings, the polling process for the forth coming annual general meeting will be conducted manually. The Chariman of the forthcoming Annual General Meeting of the Company shall notify the shareholders of the procedures for the poll.

Going forward, the Board shall adopt electronic voting should the need arises.

Communication with Shareholders and Stakeholders

All communication with the Company may also be channelled to the Company Secretary at the registered address of the Company.

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

AUDIT COMMITTEE

Audit Committee Report for the Financial Year Ended 31 October 2016

Meetings and Attendance

Five (5) Audit Committee meetings were held during the financial year ended 31 October 2016. Details of the attendance of members at Audit Committee Meetings are as follows:-

| Name | Attendance |
|--|-------------------|
| Mr Chua Syer Cin (Chairman of the Audit Committee) | 5/ 5 |
| Mr Boo Chin Liong | 5/ 5 |
| Mr Tay Khim Seng | 5/ 5 |

Activities of the Audit Committee

The activities of the Audit Committee during the financial year ended 31 October 2016 included the following:-

1. Reviewed and recommended to the Board the re-appointment of external and internal auditors and the payment of fees to these auditors;
2. Reviewed with the external auditors their scope of work and audit plans prior to the commencement of the audit activities;
3. Reviewed and discussed the Group audited financial statements for the year ended 31 October 2016 with the external auditors' including the audit notes and findings, and updates on new developments pertaining to accounting standards issued by the Malaysian Accounting Standards Board;
4. Reviewed and discussed with the internal auditors on the Group's three (3) years internal audit plans and the overall assessment of the system of internal controls of the Group;
5. Reviewed the quarterly findings of and discussed with the internal auditors their recommendations to strengthen the internal controls and monitored the implementation of such approved recommendations;
6. Reviewed the unaudited quarterly financial results of the Group and made recommendation to the Board;
7. Reviewed major investment and corporate proposals undertaken by the Group during the financial year; and
8. Reviewed related party transactions entered into by the Group in its ordinary course of business.

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

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, Board has delegated the responsibility to assess the effectiveness and efficiency of the Group's internal control and risk management framework to the Audit Committee.

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

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

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

1. Risk Management Policy Statement

The Company strives to:

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

2. Implementation of Policy

This policy is implemented within the Companies in the Group by:

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

3. Risk Management Process

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

4. Implementation of Risk Management Process

The Financial Controller is responsible for implementing the Risk Management Process in a manner which is appropriate for the Company. This process is reviewed and monitored across the group by management in conjunction with the Company's internal auditors.

Responsibilities of the Financial Controller include:

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

The Executive Directors and Heads of Department are expected to:

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

5. Risk Profile

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

- depleting woods resources and increasing in wood costs;
- tightening in regulation and law in countries where the Group operates and sell to;
- subject to world economic changes since the Group operate in and sell across the globe;
- sovereign risk;
- exposure to foreign exchange fluctuation;
- production availability and technical changes in manufacturing processes;
- health, safety, environment and security risk; and
- exposure to debts.

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

6. Internal Control and Internal Audit Function

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

Internal Control System

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

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

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

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

- clearly defined systems and procedures for key operational and financial departments, including maintenance of good operational and financial records and controls and the production of timely and accurate financial and management information and reports;
- monitoring and control of key financial risks through clearly laid down 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.

All the internal audit activities were outsourced to a firm of independent licensed auditors and the total costs incurred in managing the internal audit functions for the financial year ended 31 October 2016 was RM44,000.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

6. Internal Control and Internal Audit Function (cont'd)

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

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

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

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

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

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

The external auditors have reviewed the Statement On Risk Management And Internal Control pursuant to Paragraph 15.23 of the Listing Requirements and have reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process of adopted by the Board in reviewing the adequacy and integrity of the system of internal control and risk management. This statement was approved at the meeting of the Board on 22 December 2016.

ADDITIONAL COMPLIANCE INFORMATION

UTILISATION OF PROCEEDS

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

NON-AUDIT FEES PAYABLE TO EXTERNAL AUDITORS

No non-audit fees were paid to external auditors during the financial year.

MATERIAL CONTRACTS INVOLVING DIRECTORS'/ SUBSTANTIAL SHAREHOLDERS' INTERESTS

The Company has not entered into any material contract with any Directors or substantial shareholders of the Company nor any persons connected to a Directors or major shareholders of the Company.

RECURRENT RELATED PARTY TRANSACTIONS

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

CORPORATE RESPONSIBILITY

As an entity, the Group is an integral part of the community and environment in which it operates. The Group believes that its success depends on its ability to engage all stakeholders in a responsible manner. With regard to corporate integrity and responsibility, the Group takes a holistic approach toward the marketplace, workforce, community and environment.

The success of the Group in the marketplace hinges on how its activities are carried out at each level of the value-add/ supply chain. In the procurement of business, the Group interacts with both prospective and actual customers and end-users, a majority whom require assurance that the Group operates in an ethical and environmentally sustainable manner. These requirements encompass the sustainable use of environmentally friendly raw materials; ethical deployment, treatment and development of workforce; safe and conducive working environment; product safety and quality assurance; and customer services.

SUSTAINABLE USE OF ENVIRONMENTALLY FRIENDLY RAW MATERIALS

As a major wood-based furniture manufacturer, the Group believes in the sustainable use of environmentally friendly materials. The Group complies with the Forest Stewardship Council AC's Chain of Custody ("FSC COC") requirements and a majority of its products are certified as FSC COC compliant. FSC COC is an information trail about the path taken by products from forest or, in the case of recycled materials, reclamation site to the consumer including each stage of processing, transformation, manufacturing and distribution with a view of providing a credible guarantee to the consumer that the products originated from well managed, sustainable forests or controlled sources of reclaimed wood/ fibre based materials.

We are also working to further reduce the impact of our operations on the environment and to contribute to the realisation of a recycling-based society by achieving the targets set by world environment panels and organisations such as the FSC, Programme for the Endorsement of Forest Certification and the California Air Resources Board.

ETHICAL DEPLOYMENT, TREATMENT AND DEVELOPMENT OF WORKFORCE

We believe that employees are the key to the success of the Group. The Group has over 5,000 employees both Malaysian and foreigners, either deploy in Malaysia or their home country where the Group has operational bases. The Group policies on recruitment, working hours, remuneration and welfare exceed requirements set forth by the relevant authorities in the countries that we operate in. Most of the production workers in Malaysia and China are given accommodation arrangement and all production workers are given meal and medical benefits. Skilled employees and managerial staff attend technical and managerial upgrading programmes organised by the Group to strengthen their core skills and competencies with a view of enhancing career development, work quality and job performance.

CORPORATE RESPONSIBILITY (CONT'D)

SAFE AND CONDUCTIVE WORKING ENVIRONMENT

The Group has a fundamental responsibility and commitment to ensure that all employees work in a safe and healthy environment. A Safety, Health and Environment Committee has been set up to lead the activities in accordance with the Group-wide Safety, Health, Accident Prevention and Environmental Action Policy. In the critical areas, we strive to achieve the lowest rate of lost-work time injuries and have established “Zero Serious Accident” target by pursuing the Step-Up Zero Accident Program (an important part of the ISO 9001-2008 Manufacturing Technology Innovation Policy). The Group emphasise on development of technical competency and enforcement of safe work practices for its workers in the production areas. Production layout and workflow are organised in an orderly manner to ensure optimum workers’ movement, safety and sustainable work rate. Production debris and hazardous materials are handled and disposed of in accordance to the safety requirements and regulations to ensure a safe workplace and minimum harm to the environment.

Representatives from all levels also attend specific Occupational Safety and Health Administration (OSHA) courses conducted by external trainers to enhance their understanding and responsibility on employees’ health and safety. These programmes focus on identifying common hazards and unsafe work practices and implementing corrective actions to improve the work environment. In compliance with the OSHA requirements, First Aid and CPR training sessions are also organised to help staff and workers understand their role as Emergency First Responders.

PRODUCT SAFETY, QUALITY ASSURANCE AND CUSTOMER SERVICES.

The Group recognises the importance of product safety and quality assurance as a competitive edge in the marketplace. In this regard, the Group continuously emphasise the “Quality” and “Customer-focus” watchwords that reflect the quality commitment of the Group towards its customers. To help achieve the highest standards, the Group established a Product Safety and Quality Assurance Planning Committee to further strengthened the Group’s quality assurance systems that are centred on the Quality Assurance Department of each business area. The Product Safety and Quality Assurance Planning Committee works with all departments in a systematic manner to improve work practices in each business area that is subject to defined quality assurance regulations.

Steps were also taken to implement enhanced quality assurance management in relation to materials, parts and products made by external suppliers and to products manufactured and distributed throughout our supply chain globally.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

The financial statements are prepared on a going concern basis, in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965. It is the duty of the Directors to review the appropriateness of the basis before adopting the financial statements and lay them before the Annual General Meeting together with their Report and the Auditors' Report thereon.

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

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

FINANCIAL STATEMENTS



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DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 October 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 8 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

| | Group RM | Company RM |
|--|-------------|---------------|
| Profit/(Loss) after tax for the financial year | 46,762,694 | (1,267,002) |
| Attributable to: | | |
| Owners of the Company | 47,063,807 | (1,267,002) |
| Non-controlling interests | (301,113) | - |
| | 46,762,694 | (1,267,002) |

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

Dividends paid or declared by the Company since the end of the previous financial year were as follows:

A final single tier dividend of 4% equivalent to 2 sen per ordinary share amounting to RM4,269,564 in respect of the financial year ended 31 October 2015 was approved by the shareholders at the Annual General Meeting held on 28 April 2016 and paid on 19 May 2016.

A first interim single tier dividend of 4% equivalent to 2 sen per ordinary share amounting to RM4,268,945 in respect of the financial year ended 31 October 2016 was declared on 18 December 2015 and paid on 22 January 2016.

A second interim single tier dividend of 4% equivalent to 2 sen per ordinary share amounting to RM4,269,564 in respect of the financial year ended 31 October 2016 was declared on 30 June 2016 and paid on 29 July 2016.

A third interim single tier dividend of 4% equivalent to 2 sen per ordinary share amounting to RM4,269,564 in respect of the financial year ended 31 October 2016 was declared on 24 September 2016 and paid on 15 December 2016.

At the forthcoming Annual General Meeting, a final single tier dividend of 4% equivalent to 2 sen per ordinary share in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for as a liability in the financial year ending 31 October 2017.

DIRECTORS' REPORT (CONT'D)

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year other than those disclosed in the statements of changes in equity and Note 23 to the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up share capital from RM113,387,105 to RM113,402,905 by way of an issuance of 31,600 new ordinary shares of RM0.50 each for cash arising from the exercise of Warrants 2015/2020 at the exercise price for RM1.00 per warrant as disclosed in Note 14 to the financial statements.

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

There were no issues of debentures during the financial year.

TREASURY SHARES

At 31 October 2016, the Company held as treasury shares a total of 13,327,600 out of its 226,805,810 issued and fully paid-up ordinary shares. The treasury shares are held at carrying amount of RM2,836,481. Relevant details on the treasury shares are disclosed in Note 15 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

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

WARRANTS

The salient features of the Warrants are set out in Note 14 to the financial statements.

DIRECTORS

The directors who served since the date of the last report are as follows:

Tay Kim Huat
Tay Kim Hau
Boo Chin Liong
Tay Khim Seng
Chua Syer Cin
Datuk Seri Zulkipli Bin Mat Noor
Toh Kim Chong
Lim Pei Tiam @ Liam Ahat Kiat

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS

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

The Company

| | | Number Of Ordinary Shares Of RM0.50 Each | | | |
|----------------------------------|------------------------------------|---|---------|-----------|--------------------------|
| | | Balance At 01.11.2015 | Bought | Sold | Balance At 31.10.2016 |
| Tay Kim Huat | - Direct interest | 51,286,276 | 183,100 | - | 51,469,376 |
| | - Indirect interest ⁽¹⁾ | 11,781,072 | 11,000 | - | 11,792,072 |
| Tay Kim Hau | - Direct interest | 300,000 | - | - | 300,000 |
| Boo Chin Liong | - Direct interest | 39,000 | - | - | 39,000 |
| Tay Khim Seng | - Direct interest | 4,598,660 | 110,000 | 1,152,000 | 3,556,660 |
| Toh Kim Chong | - Direct interest | 6,601,288 | 456,800 | - | 7,058,088 |
| Lim Pei Tiam @ Liam Ahat Kiat | - Direct interest | 27,999,600 | 400,300 | - | 28,399,900 |
| | - Indirect interest ⁽²⁾ | 3,362,000 | 12,000 | - | 3,374,000 |

The Company

| | | Number Of Warrants | | | | |
|----------------|------------------------------------|--------------------------|----------|----------|-----------|--------------------------|
| | | Balance At 01.11.2015 | Entitled | Acquired | Disposed | Balance At 31.10.2016 |
| Tay Kim Huat | - Direct interest | 12,071,468 | - | - | 5,616,200 | 6,455,268 |
| | - Indirect interest ⁽¹⁾ | 2,945,268 | - | - | 1,252,500 | 1,692,768 |
| Boo Chin Liong | - Direct interest | 9,749 | - | - | - | 9,749 |
| Tay Khim Seng | - Direct interest | 1,149,665 | - | 300,000 | 1,149,665 | 300,000 |
| Toh Kim Chong | - Direct interest | 1,650,322 | - | - | 1,650,322 | - |
| Lim Pei Tiam @ | - Direct interest | 6,999,900 | - | - | 6,960,000 | 39,900 |
| Liam Ahat Kiat | - Indirect interest ⁽²⁾ | 840,500 | - | - | 840,500 | |

Notes:

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

(2) Indirect interest by virtue of the shareholdings of his children.

By virtue of his shareholding in the Company, Mr Tay Kim Huat is deemed to have interests in shares in all the subsidiaries during the financial year to the extent of the Company's interests, in accordance with Section 6A of the Companies Act 1965.

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

DIRECTORS' REPORT (CONT'D)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interest as disclosed in Note 29 to the financial statements.

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

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables and satisfied themselves that there are no known bad debts and that no allowance for impairment losses on receivables is required; and
 - (ii) to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances:
 - (i) that would require the writing off of bad debts, or the allowance for impairment losses on receivables in the financial statements of the Group and of the Company; or
 - (ii) which would render the values attributed to current assets in the financial statements misleading; or
 - (iii) which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
 - (iv) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (c) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other persons; or
 - (ii) 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)

(d) In the opinion of the directors:

- (i) no contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due; and
- (ii) 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 the operations of the Group and of the Company for the financial year.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors dated 23 January 2017

Tay Kim Huat

Tay Kim Hau

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT 1965

We, Tay Kim Huat and Tay Kim Hau, being two of the directors of Poh Huat Resources Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 51 to 124 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 October 2016 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 34, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors dated 23 January 2017

Tay Kim Huat
Director

Tay Kim Hau
Director

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT 1965

I, TAY KIM HUAT, being the director primarily responsible for the financial management of Poh Huat Resources Holdings Berhad, do solemnly and sincerely declare that the financial statements and supplementary information set out on pages 51 to 125 are, to the best of my knowledge and belief, 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
TAY KIM HUAT at Muar in
Johor Darul Takzim on
this 23 January 2017

Before me
Commissioner for Oaths

TAY KIM HUAT

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF POH HUAT RESOURCES HOLDINGS BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Poh Huat Resources Holdings Berhad, which comprise the statements of financial position as at 31 October 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 51 to 124.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 October 2016 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF POH HUAT RESOURCES HOLDINGS BERHAD (CONT'D)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 8 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 34 on page 125 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

INDEPENDENT AUDITORS' REPORT **TO THE MEMBERS OF POH HUAT RESOURCES HOLDINGS BERHAD (CONT'D)**

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath

Firm No.: AF 1018

Chartered Accountants

Ng Kim Kiat

Approval No.: 02074/10/2018 J

Chartered Accountant

Date: 23 January 2017

Muar, Johor Darul Takzim

STATEMENTS OF FINANCIAL POSITION

AT 31 OCTOBER 2016

| | Note | 2016 RM | Group 2015 RM | 2016 RM | Company 2015 RM |
|------------------------------------|------|-------------|---------------------|-------------|-----------------------|
| ASSETS | | | | | |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 5 | 129,282,950 | 120,138,638 | - | - |
| Land held for property development | 6 | 20,912,187 | 20,912,187 | - | - |
| Investment properties | 7 | 8,431,810 | 7,278,968 | - | - |
| Investment in subsidiaries | 8 | - | - | 126,961,466 | 123,948,266 |
| Long term receivables | 9 | - | - | 3,391,638 | 2,421,786 |
| Deferred tax assets | 10 | - | 861,067 | - | - |
| | | 158,626,947 | 149,190,860 | 130,353,104 | 126,370,052 |
| CURRENT ASSETS | | | | | |
| Inventories | 11 | 70,712,036 | 67,244,395 | - | - |
| Trade and other receivables | 9 | 72,854,209 | 56,934,170 | 152,560 | 106,460 |
| Other investment | 12 | 522,321 | 1,149,106 | 522,321 | 1,149,106 |
| Dividend receivable | | - | - | 1,100,832 | 15,705,396 |
| Deposits, bank and cash balances | 13 | 71,594,878 | 70,869,385 | 6,754,143 | 9,622,185 |
| | | 215,683,444 | 196,197,056 | 8,529,856 | 26,583,147 |
| TOTAL ASSETS | | 374,310,391 | 345,387,916 | 138,882,960 | 152,953,199 |

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

**STATEMENTS OF
FINANCIAL POSITION**
AT 31 OCTOBER 2016 (CONT'D)

| | Note | 2016 RM | Group 2015 RM | 2016 RM | Company 2015 RM |
|---|------|-------------|---------------------|-------------|-----------------------|
| EQUITY AND LIABILITIES | | | | | |
| EQUITY | | | | | |
| Share capital | 14 | 113,402,905 | 113,387,105 | 113,402,905 | 113,387,105 |
| Treasury shares | 15 | (2,836,481) | (2,836,481) | (2,836,481) | (2,836,481) |
| Reserves | 16 | 132,731,954 | 103,167,997 | 23,960,556 | 42,289,395 |
| Equity attributable to owners of the Company | | 243,298,378 | 213,718,621 | 134,526,980 | 152,840,019 |
| Non-controlling interests | | (93,827) | 241,763 | - | - |
| TOTAL EQUITY | | 243,204,551 | 213,960,384 | 134,526,980 | 152,840,019 |
| NON-CURRENT LIABILITIES | | | | | |
| Bank borrowings | 17 | 61,419 | 2,230,257 | - | - |
| Hire purchase payables | 18 | 362,277 | 320,779 | - | - |
| Deferred tax liabilities | 10 | 5,962,000 | 5,030,000 | - | - |
| | | 6,385,696 | 7,581,036 | - | - |
| CURRENT LIABILITIES | | | | | |
| Trade and other payables | 19 | 89,474,279 | 86,028,178 | 86,416 | 113,180 |
| Bank borrowings | 17 | 28,203,780 | 30,595,760 | - | - |
| Hire purchase payables | 18 | 297,294 | 264,506 | - | - |
| Dividend payable | | 4,269,564 | - | 4,269,564 | - |
| Tax payable | | 2,253,042 | 6,958,052 | - | - |
| Derivative liabilities | 20 | 222,185 | - | - | - |
| | | 124,720,144 | 123,846,496 | 4,355,980 | 113,180 |
| TOTAL LIABILITIES | | 131,105,840 | 131,427,532 | 4,355,980 | 113,180 |
| TOTAL EQUITY AND LIABILITIES | | 374,310,391 | 345,387,916 | 138,882,960 | 152,953,199 |

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016

| | Note | 2016 RM | Group 2015 RM | 2016 RM | Company 2015 RM |
|---|------|---------------|---------------------|-------------|-----------------------|
| REVENUE | 21 | 535,218,985 | 453,932,441 | - | 27,453,248 |
| COST OF SALES | | (428,255,032) | (363,571,216) | - | - |
| GROSS PROFIT | | 106,963,953 | 90,361,225 | - | 27,453,248 |
| OTHER INCOME | | 7,113,399 | 11,990,298 | 119,895 | 2,848,886 |
| SELLING AND DISTRIBUTION EXPENSES | | (24,668,848) | (21,678,898) | - | - |
| ADMINISTRATIVE EXPENSES | | (23,977,245) | (21,043,898) | (993,135) | (795,382) |
| OTHER EXPENSES | | (5,008,007) | (10,265,257) | (390,600) | (605,804) |
| FINANCE COSTS | 22 | (1,809,678) | (1,990,465) | (3,162) | (3,578) |
| PROFIT/(LOSS) BEFORE TAX | 23 | 58,613,574 | 47,373,005 | (1,267,002) | 28,897,370 |
| TAX EXPENSE | 25 | (11,850,880) | (8,793,896) | - | (1,942) |
| PROFIT/(LOSS) AFTER TAX | | 46,762,694 | 38,579,109 | (1,267,002) | 28,895,428 |
| OTHER COMPREHENSIVE (EXPENSE)/INCOME | | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Foreign currency translation differences | | (472,490) | 12,530,286 | - | - |
| TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE FINANCIAL YEAR | | 46,290,204 | 51,109,395 | (1,267,002) | 28,895,428 |

**STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

| | Note | 2016 RM | Group 2015 RM | 2016 RM | Company 2015 RM |
|---|------|------------|---------------------|-------------|-----------------------|
| PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO: | | | | | |
| Owners of the Company | | 47,063,807 | 39,185,439 | (1,267,002) | 28,895,428 |
| Non-controlling interests | | (301,113) | (606,330) | - | - |
| | | 46,762,694 | 38,579,109 | (1,267,002) | 28,895,428 |
| TOTAL COMPREHENSIVE INCOME/(EXPENSES) ATTRIBUTABLE TO: | | | | | |
| Owners of the Company | | 46,625,794 | 51,692,881 | (1,267,002) | 28,895,428 |
| Non-controlling interests | | (335,590) | (583,486) | - | - |
| | | 46,290,204 | 51,109,395 | (1,267,002) | 28,895,428 |
| EARNINGS PER ORDINARY SHARE (SEN) | | | | | |
| | 26 | | | | |
| Basic | | 22.05 | 18.36 | | |
| Diluted | | 20.15 | 18.31 | | |

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016

Group

| Note | Share Capital RM | Treasury Shares RM | Non- Distributable Foreign Exchange Translation Reserve RM | Distributable Retained Profits RM | Attributable to Owners of the Company RM | Non- controlling Interests RM | Total Equity RM |
|---|------------------------|--------------------------|--|--|--|--|-----------------------|
| | | | | | | | |
| Balance at 1 November 2014 | 113,387,105 | (2,836,481) | (17,130,570) | 78,210,783 | 171,630,837 | 826,840 | 172,457,677 |
| Profit after tax for the financial year | - | - | - | 39,185,439 | 39,185,439 | (606,330) | 38,579,109 |
| Other comprehensive income for the financial year - Foreign currency translation differences | - | - | 12,507,442 | - | 12,507,442 | 22,844 | 12,530,286 |
| Total comprehensive income for the financial year | - | - | 12,507,442 | 39,185,439 | 51,692,881 | (583,486) | 51,109,395 |
| Contributions by and distributions to owners of the Company | | | | | | | |
| - Dividends | | | | | | | |
| - by the Company | - | - | - | (9,605,097) | (9,605,097) | - | (9,605,097) |
| - by subsidiary to non-controlling interests | - | - | - | - | - | (1,591) | (1,591) |
| Total transactions with owners | - | - | - | (9,605,097) | (9,605,097) | (1,591) | (9,606,688) |
| Balance at 31 October 2015 | 113,387,105 | (2,836,481) | (4,623,128) | 107,791,125 | 213,718,621 | 241,763 | 213,960,384 |

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

Group

| | Note | Non-Distributable | | | | Distributable | Attributable to Owners of the Company RM | Non-controlling Interests RM | Total Equity RM |
|---|------|-------------------|-------------------|-------------------|---|---------------------|--|------------------------------|-----------------|
| | | Share Capital RM | Treasury Share RM | Shares Premium RM | Foreign Exchange Translation Reserve RM | Retained Profits RM | | | |
| Balance at 1 November 2015 | | 113,387,105 | (2,836,481) | - | (4,623,128) | 107,791,125 | 213,718,621 | 241,763 | 213,960,384 |
| Profit after tax for the financial year | | - | - | - | - | 47,063,807 | 47,063,807 | (301,113) | 46,762,694 |
| Other comprehensive income/(expense) for the financial year | | | | | | | | | |
| - Foreign currency translation differences | | - | - | - | (438,013) | - | (438,013) | (34,477) | (472,490) |
| Total comprehensive income for the financial year | | - | - | - | (438,013) | 47,063,807 | 46,625,794 | (335,590) | 46,290,204 |
| Contributions by and distributions to owners of the Company | | | | | | | | | |
| - Exercise of warrants | | 15,800 | - | 15,800 | - | - | 31,600 | - | 31,600 |
| - Dividends | | | | | | | | | |
| - by the Company | 27 | - | - | - | - | (17,077,637) | (17,077,637) | - | (17,077,637) |
| Total transactions with owners | | 15,800 | - | 15,800 | - | (17,077,637) | (17,046,037) | - | (17,046,037) |
| Balance at 31 October 2016 | | 113,402,905 | (2,836,481) | 15,800 | (5,061,141) | 137,777,295 | 243,298,378 | (93,827) | 243,204,551 |

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

Company

| | | | | Non-Distributable | Distributable | |
|--|------|------------------|--------------------|-------------------|---------------------|-----------------|
| | Note | Share Capital RM | Treasury Shares RM | Share Premium RM | Retained Profits RM | Total Equity RM |
| Balance at 1 November 2014 | | 113,387,105 | (2,836,481) | - | 22,999,064 | 133,549,688 |
| Profit after tax / Total comprehensive income for the financial year | | - | - | - | 28,895,428 | 28,895,428 |
| Contributions by and distributions to owners of the Company | | | | | | |
| - Dividends | 27 | - | - | - | (9,605,097) | (9,605,097) |
| At 31 October 2015 / 1 November 2015 | | 113,387,105 | (2,836,481) | - | 42,289,395 | 152,840,019 |
| Loss after tax / Total comprehensive expenses for the financial year | | - | - | - | (1,267,002) | (1,267,002) |
| Contributions by and distributions to owners of the Company | | | | | | |
| - Exercise of warrants | | 15,800 | - | 15,800 | - | 31,600 |
| - Dividends | 27 | - | - | - | (17,077,637) | (17,077,637) |
| | | 15,800 | - | 15,800 | (17,077,637) | (17,046,037) |
| Balance at 31 October 2016 | | 113,402,905 | (2,836,481) | 15,800 | 23,944,756 | 134,526,980 |

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016

| | Group | | Company | |
|---|--------------|--------------|-------------|--------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES | | | | |
| Profit/(Loss) before tax | 58,613,574 | 47,373,005 | (1,267,002) | 28,897,370 |
| Adjustments for: | | | | |
| Allowance for impairment losses on receivables | - | 25,789 | - | - |
| Depreciation | 7,540,989 | 7,115,086 | - | - |
| Dividend income | - | - | - | (27,453,248) |
| Fair value loss on derivatives | 222,185 | - | - | - |
| Inventories value written down | 275,475 | 939,181 | - | - |
| Inventories written off | - | 6,120,016 | - | - |
| Gain on disposal of property, plant and equipment | (274,150) | (167,338) | - | - |
| Gain on disposal of other investment | (119,895) | - | (119,895) | - |
| Property, plant and equipment written off | 274,384 | 3,146,873 | - | - |
| Unrealised (gain)/loss on foreign exchange | (229,300) | (5,777,232) | 26,210 | (2,848,886) |
| Interest income | (1,113,176) | (1,106,815) | - | - |
| Interest expenses | 1,293,594 | 1,472,456 | - | - |
| OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES | 66,483,620 | 59,141,021 | (1,360,687) | (1,404,764) |
| Changes In Working Capital | | | | |
| Inventories | (4,983,648) | (8,795,013) | - | - |
| Trade and other receivables | (18,516,872) | (11,213,790) | (2,835,152) | (26,046) |
| Trade and other payables | 4,127,283 | 14,870,978 | (26,764) | 52,595 |
| CASH FROM/(FOR) OPERATIONS | 47,110,383 | 54,003,196 | (4,222,603) | (1,378,215) |
| Interest received | 1,113,176 | 1,106,815 | - | - |
| Interest paid | (1,293,594) | (1,472,456) | - | - |
| Tax refund | - | 30,600 | - | - |
| Tax paid | (14,583,746) | (4,998,063) | - | (1,942) |
| NET CASH FROM/(FOR) OPERATING ACTIVITIES | 32,346,219 | 48,670,092 | (4,222,603) | (1,380,157) |

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

| | Note | Group | | Company | |
|---|------|--------------|--------------|--------------|--------------|
| | | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES | | | | | |
| Subscription of additional shares in subsidiaries | | - | - | (1,194,000) | - |
| Dividends received from subsidiaries | | - | - | 14,578,354 | 14,596,738 |
| Purchase of property, plant and equipment | 5(c) | (18,441,568) | (15,989,920) | - | - |
| Purchase of other investment | | - | (1,149,106) | - | (1,149,106) |
| Purchase of investment properties | | (259,139) | - | - | - |
| Proceeds from disposal of other investment | | 746,680 | - | 746,680 | - |
| Proceeds from disposal of property, plant and equipment | | 724,615 | 745,057 | - | - |
| NET CASH (FOR)/FROM INVESTING ACTIVITIES | | (17,229,412) | (16,393,969) | 14,131,034 | 13,447,632 |
| CASH FLOWS (FOR) FINANCING ACTIVITIES | | | | | |
| Exercise of warrants | | 31,600 | - | 31,600 | - |
| Drawdown of term loans | | - | 2,000,000 | - | - |
| Net movements in trade bills | | (460,898) | (7,672,414) | - | - |
| Repayment of term loans | | (3,162,975) | (1,870,695) | - | - |
| Repayment of hire purchase payables | | (425,714) | (491,788) | - | - |
| Dividends paid | | (12,808,073) | (14,941,262) | (12,808,073) | (14,941,262) |
| Dividends paid to non-controlling interests by subsidiary | | - | (1,591) | - | - |
| NET CASH (FOR) FINANCING ACTIVITIES | | (16,826,060) | (22,977,750) | (12,776,473) | (14,941,262) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (1,709,253) | 9,298,373 | (2,868,042) | (2,873,787) |
| EFFECTS OF FOREIGN EXCHANGE TRANSLATION | | 2,434,746 | 8,689,994 | - | - |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | | 70,869,385 | 52,881,018 | 9,622,185 | 12,495,972 |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR | 28 | 71,594,878 | 70,869,385 | 6,754,143 | 9,622,185 |

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:

Registered office : No. 7 (1st Floor), Jalan Pesta 1/1
Taman Tun Dr. Ismail 1
Jalan Bakri
84000 Muar
Johor Darul Takzim

Principal place of business : PLO 1, Jorak Industrial Area
Mukim Sungai Raya
84300 Bukit Pasir, Muar
Johor Darul Takzim

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 23 January 2017.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 8. There have been no significant changes in the nature of these principal activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

- 3.1 No new accounting standards and/or interpretations (including the consequential amendments) have been adopted by the Group during the current financial year.
- 3.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:

| MFRSs and/or IC Interpretations (including the Consequential Amendments) | | Effective date |
|---|--|-----------------------|
| MFRS 9 | : Financial Instruments (IFRS 9 issued by IASB in July 2014) | 1 January 2018 |
| MFRS 14 | : Regulatory Deferral Accounts | 1 January 2016 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

3. BASIS OF PREPARATION (CONT'D)

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

| MFRSs and/or IC Interpretations (including the Consequential Amendments) | | | Effective date |
|---|---|---|-------------------------------|
| MFRS 15 | : | Revenue from Contracts with Customers | 1 January 2018 |
| MFRS 16 | : | Leases | 1 January 2019 |
| IC Interpretation 22 | : | Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| Amendments to MFRS 2 | : | Classification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| Amendments to MFRS 4 | : | Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts | 1 January 2018* |
| Amendments to MFRS 10 and MFRS 128 | : | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred until further notice |
| Amendments to MFRS 10, MFRS 12 and MFRS 128 | : | Investment Entities – Applying the Consolidation Exception | 1 January 2016 |
| Amendments to MFRS 11 | : | Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| Amendments to MFRS 15 | : | Effective Date of MFRS 15 | 1 January 2018 |
| Amendments to MFRS 15 | : | Clarifications to MFRS 15 'Revenue from Contracts with Customers' | 1 January 2018 |
| Amendments to MFRS 101 | : | Disclosure Initiative | 1 January 2016 |
| Amendments to MFRS 107 | : | Disclosure Initiative | 1 January 2017 |
| Amendments to MFRS 112 | : | Recognition of Deferred Tax Assets for Unrealised Losses | 1 January 2017 |
| Amendments to MFRS 116 and MFRS 138 | : | Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 141 | : | Agriculture – Bearer Plants | 1 January 2016 |
| Amendments to MFRS 127 | : | Equity Method in Separate Financial Statements | 1 January 2016 |
| Amendments to MFRS 140 | : | Transfers of Investment Property | 1 January 2018 |
| Annual Improvements to MFRSs 2012 – 2014 Cycle | | | 1 January 2016 |
| Annual Improvements to MFRS Standards 2014 – 2016 Cycles: | | | |
| • Amendments to MFRS 12: Clarification of the Scope of Standard | | | 1 January 2017 |
| Annual Improvements to MFRS Standards 2014 – 2016 Cycles: | | | |
| • Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters | | | |
| • Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value | | | 1 January 2018 |

* Entities that meet the specific criteria in MFRS 4.20B may choose to defer the application of MFRS 9 until the earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

3. BASIS OF PREPARATION (CONT'D)

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:

(a) Depreciation of property, plant and equipment

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

(b) Income tax

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

(c) Impairment of non-financial assets

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Critical accounting estimates and judgements (cont'd)

(d) Write-down of inventories

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

(e) Classification between investment properties and owner-occupied properties

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

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(f) Impairment of trade and other receivables

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

(g) Classification of leasehold land

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

(h) Fair value estimates for certain financial assets and financial liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Basis of consolidation

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

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

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

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

(a) Business combinations

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

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

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

(b) Non-controlling interests

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Basis of consolidation (cont'd)

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

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

(d) Loss of control

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

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.3 Investment in subsidiaries

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses, if any.

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

| | |
|---|--|
| Leasehold land | Over the lease period of 43 - 57 years |
| Warehouse and factory buildings | 2.00% |
| Plant and machinery | 10.00% - 20.00% |
| Vehicles, hostel, furniture, fittings and equipment | 10.00% - 33.33% |

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

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The cost of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Land held for property development

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

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

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

4.6 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

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

Freehold land and investment properties under construction are not depreciated.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Impairment

(a) Impairment of financial assets

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

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

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

(b) Impairment of non-financial assets

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

An impairment loss is recognised in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Leased assets

(a) Finance assets

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

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

(b) Operating lease

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

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

4.9 Inventories

Inventories comprising raw materials, packing materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value. Cost is determined on the weighted average or first-in-first-out bases, as applicable.

The costs of raw materials and packing materials comprise the original purchase price plus cost incurred in bringing the inventories to their present location and condition whilst the costs of work-in-progress and finished goods include the costs of raw materials, packing materials, direct labour and an appropriate proportion of production overheads based on normal operating capacity.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments

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

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

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

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

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

(a) Financial assets

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

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

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (cont'd)

(a) Financial assets (cont'd)

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

(iii) Loans and receivables financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (cont'd)

(a) Financial assets (cont'd)

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss. Interest income calculated for a debt instrument using the effective interest method is recognised in profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

(b) Financial liabilities

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

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significant reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

(ii) Other financial liabilities

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (cont'd)

(c) Equity instruments

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

(i) Ordinary shares

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds.

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

(ii) Treasury shares

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

Where treasury shares are sold, the difference between the sales consideration and the carrying amount of the treasury shares are shown as a movement in equity. When the consideration received is more than the carrying amount, the credit difference arising is taken to the share premium account. Where the consideration received is less than the carrying amount, the debit difference is offset against reserves.

(d) Derivative financial instruments

Derivatives financial instruments are initially recognised at fair value on the date on which a derivatives contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the reporting period, other than those accounted for under hedge accounting, are recognised directly in profit or loss.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is categorised as at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the host contract.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (cont'd)

(e) Derecognition

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

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(f) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

4.11 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 Fair value measurements (cont'd)

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

- Level 1 : Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
- Level 2 : Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 : Inputs are unobservable inputs for the asset or liability.

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

4.12 Borrowing costs

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

4.13 Income taxes

(a) Current tax

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

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

(b) Deferred tax

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 Income taxes (cont'd)

(b) Deferred tax (cont'd)

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

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

Revenues, expenses and assets are recognised net of GST. However, when the GST incurred are related to purchases of assets or services which are recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

Receivables and payables are stated with the amount of GST included (where applicable).

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

4.14 Earnings per ordinary share

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 Cash and cash equivalents

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

4.16 Revenue and other income

(a) Sale of goods

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns, cash and trade discounts.

(b) Dividend income

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

(c) Interest income

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

(d) Rental income

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

4.17 Employee benefits

(a) Short-term benefits

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

(b) Defined contribution plans

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.18 Related parties

A party is related to an entity (referred to as the “reporting entity”) if:

- (a) A person or a close member of that person’s family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity.

- (b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
 - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including any director (whether executive or otherwise) of that entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 Functional and foreign currencies

(a) Functional and presentation currency

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

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

(b) Transactions and balances

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

(c) Foreign operations

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 Functional and foreign currencies (cont'd)

(c) Foreign operations (cont'd)

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

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

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

4.20 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT

Group

| | Freehold land RM | Leasehold land RM | Warehouse and factory buildings RM | Plant and machinery RM | Vehicles, hostel, furniture, fittings and equipment RM | Capital work-in- progress RM | Total RM |
|---|------------------------|-------------------------|--|------------------------------|---|---------------------------------------|-------------|
| At cost | | | | | | | |
| At 1 November 2015 | 4,915,663 | 18,576,110 | 86,134,760 | 73,302,425 | 11,559,554 | 3,631,942 | 198,120,454 |
| Additions | 1,000 | - | 553,409 | 2,856,822 | 1,038,698 | 15,233,514 | 19,683,443 |
| Disposals | (145,749) | - | (340,079) | (33,128) | (1,018,634) | - | (1,537,590) |
| Write off | - | - | - | (1,597,694) | (395,893) | - | (1,993,587) |
| Reclassifications | - | - | 14,083,118 | 1,633,739 | 942,481 | (16,659,338) | - |
| Transfer to investment properties (Note 7) | (424,210) | - | (638,408) | - | - | - | (1,062,618) |
| Foreign exchange differences | (69,044) | (118,650) | (828,928) | (1,072,456) | (112,635) | (123,507) | (2,325,220) |
| At 31 October 2016 | 4,277,660 | 18,457,460 | 98,963,872 | 75,089,708 | 12,013,571 | 2,082,611 | 210,884,882 |
| Less: Accumulated depreciation | | | | | | | |
| At 1 November 2015 | - | 5,075,984 | 18,913,964 | 46,988,298 | 7,003,570 | - | 77,981,816 |
| Charge for the financial year | - | 355,413 | 1,768,115 | 4,008,065 | 1,328,527 | - | 7,460,120 |
| Disposals | - | - | (54,413) | (14,079) | (1,018,634) | - | (1,087,126) |
| Write off | - | - | - | (1,331,056) | (388,147) | - | (1,719,203) |
| Reclassifications | - | - | 2,149,785 | (2,181,339) | 31,554 | - | - |
| Transfer to investment properties (Note 7) | - | - | (88,046) | - | - | - | (88,046) |
| Foreign exchange differences | - | (32,084) | (120,708) | (735,927) | (56,910) | - | (945,629) |
| At 31 October 2016 | - | 5,399,313 | 22,568,697 | 46,733,962 | 6,899,960 | - | 81,601,932 |
| Carrying amount | | | | | | | |
| At 31 October 2016 | 4,277,660 | 13,058,147 | 76,395,175 | 28,355,746 | 5,113,611 | 2,082,611 | 129,282,950 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

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

Group

| | Freehold land RM | Leasehold land RM | Warehouse and factory buildings RM | Plant and machinery RM | Vehicles, hostel, furniture, fittings and equipment RM | Capital work-in- progress RM | Total RM |
|---|------------------------|-------------------------|--|------------------------------|---|---------------------------------------|--------------|
| At cost | | | | | | | |
| At 1 November 2014 | 7,774,712 | 17,674,366 | 81,327,206 | 71,920,873 | 10,571,004 | 873,821 | 190,141,982 |
| Additions | 31,264 | - | - | 6,296,163 | 1,125,016 | 8,732,720 | 16,185,163 |
| Disposals | - | - | - | (658,773) | (848,861) | (271,130) | (1,778,764) |
| Write off | - | - | (3,398,474) | (13,316,814) | (775,777) | - | (17,491,065) |
| Reclassifications | - | - | 473,981 | 828,435 | 424,974 | (1,727,390) | - |
| Transfer to investment properties (Note 7) | (2,926,205) | - | - | - | - | (4,352,763) | (7,278,968) |
| Foreign exchange differences | 35,892 | 901,744 | 7,732,047 | 8,232,541 | 1,063,198 | 376,684 | 18,342,106 |
| At 31 October 2015 | 4,915,663 | 18,576,110 | 86,134,760 | 73,302,425 | 11,559,554 | 3,631,942 | 198,120,454 |
| Less: Accumulated depreciation | | | | | | | |
| At 1 November 2014 | - | 4,474,694 | 16,694,985 | 51,340,681 | 6,373,883 | - | 78,884,243 |
| Charge for the financial year | - | 352,115 | 1,702,625 | 3,700,178 | 1,360,168 | - | 7,115,086 |
| Disposals | - | - | - | (612,039) | (589,006) | - | (1,201,045) |
| Write off | - | - | (712,182) | (12,928,311) | (703,699) | - | (14,344,192) |
| Foreign exchange differences | - | 249,175 | 1,228,536 | 5,487,789 | 562,224 | - | 7,527,724 |
| At 31 October 2015 | - | 5,075,984 | 18,913,964 | 46,988,298 | 7,003,570 | - | 77,981,816 |
| Carrying amount | | | | | | | |
| At 31 October 2015 | 4,915,663 | 13,500,126 | 67,220,796 | 26,314,127 | 4,555,984 | 3,631,942 | 120,138,638 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

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

- (a) The following property, plant and equipment of the Group have been pledged to licensed banks as security for banking facilities granted to the Group (Note 17(a)):

| | Group | |
|------------------------|-------------------|-------------------|
| | 2016 | 2015 |
| | RM | RM |
| Carrying Amount | | |
| Freehold land | - | 1,061,036 |
| Leasehold land | 4,919,238 | 5,140,994 |
| Factory buildings | 12,001,646 | 14,833,371 |
| Plant and machinery | 6,420,307 | 6,919,259 |
| Vehicles and equipment | 99,194 | 525,516 |
| | 23,440,385 | 28,480,176 |

- (b) The motor vehicles with carrying amount of RM1,198,863 (2015: RM1,120,193) were acquired under hire purchase terms (Note 18(a)). These leased assets have been pledged as security for the related finance lease liabilities of the Group.
- (c) Purchases of property, plant and equipment are as follows:

| | Group | |
|---|-------------------|-------------------|
| | 2016 | 2015 |
| | RM | RM |
| Cost of property, plant and equipment purchased | 19,683,443 | 16,185,163 |
| Amount financed through hire purchase | (500,000) | (440,000) |
| Unpaid balances included under sundry payables (Note 19(c)) | (965,823) | (223,948) |
| Cash disbursed in respect of purchased in previous financial year | 223,948 | 468,705 |
| Cash disbursed for purchase of property, plant and equipment | 18,441,568 | 15,989,920 |

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

6. LAND HELD FOR PROPERTY DEVELOPMENT

This represents freehold land and share in freehold land of the Group stated at cost.

7. INVESTMENT PROPERTIES

| | Group | |
|--|------------|------------|
| | 2016 RM | 2015 RM |
| Cost | | |
| At 1 November | 7,278,968 | - |
| Additions | 259,139 | - |
| Transfer from property, plant and equipment (Note 5) | 1,062,618 | 7,278,968 |
| At 31 October | 8,600,725 | 7,278,968 |
| Less: Accumulated depreciation | | |
| Charge for the financial year | 80,869 | - |
| Transfer from property, plant and equipment (Note 5) | 88,046 | - |
| At 31 October | 168,915 | - |
| | 8,431,810 | 7,278,968 |
| Represented by: | | |
| Freehold land | 3,420,900 | 2,926,205 |
| Warehouse and factory building | 4,519,803 | - |
| Capital work-in-progress | 491,107 | 4,352,763 |
| | 8,431,810 | 7,278,968 |

8. INVESTMENT IN SUBSIDIARIES

| | Company | |
|-------------------------------|-------------|-------------|
| | 2016 RM | 2015 RM |
| Unquoted shares, at cost | | |
| - in Malaysia | 103,969,069 | 101,269,069 |
| - outside Malaysia | 29,311,468 | 28,998,268 |
| | 133,280,537 | 130,267,337 |
| Accumulated impairment losses | (6,319,071) | (6,319,071) |
| | 126,961,466 | 123,948,266 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

| Name of Subsidiaries | Principal Place of Business | Effective Equity Interest | | Principal Activities |
|--|-----------------------------|--|--|--|
| | | 2016 | 2015 | |
| Subsidiaries | | | | |
| Poh Huat Furniture Industries (M) Sdn. Bhd. | Malaysia | 100.00% | 100.00% | Manufacturing and sale of furniture and investment holding. |
| PHW Properties Sdn. Bhd. | Malaysia | 100.00% | 100.00% | Property developer and building contractor. |
| Poh Huat International Sdn. Bhd. | Malaysia | 100.00% | 100.00% | Trading of furniture and investment holding. However, the Company has ceased its business operations of trading of furniture since January 2015. |
| # Poh Huat Furniture Industries Vietnam Joint Stock Company | Vietnam | 72.98% (Direct) ^ 27.01% (Indirect) | 72.98% (Direct) ^ 27.01% (Indirect) | Processing and manufacturing of wooden household furniture. |
| * Poh Huat International (BVI) Limited | British Virgin Islands | 100.00% | 100.00% | Investment holding. |
| * Poh Huat (Australia) Pty Ltd | Australia | 100.00% | - | Investment holding. |
| Subsidiary Of Poh Huat Furniture Industries (M) Sdn. Bhd. | | | | |
| # Contempro Furniture (Qingdao) Co. Ltd. | People's Republic of China | 100.00% | 100.00% | Dormant. |
| Subsidiary Of Poh Huat International Sdn. Bhd. | | | | |
| # Poh Huat International Furniture S.A. | South Africa | 51.00% | 51.00% | Trading of furniture. |

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

These subsidiaries were audited by other firms of chartered accountants.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

- (b) On 13 October 2016, the Company subscribed 880,800 new ordinary shares of RM1.00 each in Poh Huat International Sdn. Bhd. ("PHI") at par for cash and 1,819,200 new ordinary shares of RM1.00 each at par through debt capitalisation.
- (c) On 17 October 2016, the Company subscribed 100,000 new ordinary shares of AUD1.00 each representing 100% of the total share capital of Poh Huat (Australia) Pty Ltd for a total cash consideration of AUD100,000 (equivalent to RM313,200).
- (d) The non-controlling interests at the end of the reporting period comprise the following:

| | Effective Equity Interest | | Group | |
|---|---------------------------|-----------|------------|------------|
| | 2016 % | 2015 % | 2016 RM | 2015 RM |
| PHI(SA) | 49.00 | 49.00 | (100,881) | 236,830 |
| Others individually immaterial subsidiary | | | 7,054 | 4,933 |
| | | | (93,827) | 241,763 |

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

| | PHI(SA) | |
|--|-------------|-------------|
| | 2016 RM | 2015 RM |
| At 31 October | | |
| Non-current assets | 1,096,726 | 3,216,743 |
| Current assets | 1,822,833 | 1,735,245 |
| Non-current liabilities | - | (1,451,506) |
| Current liabilities | (3,125,442) | (3,017,158) |
| Net (liabilities)/assets | (205,883) | 483,324 |
| Financial year ended 31 October | | |
| Revenue | 2,075,450 | 3,704,606 |
| (Loss) for the financial year | (618,716) | (1,239,835) |
| Total comprehensive (expenses) | (618,716) | (1,239,835) |
| Total comprehensive (expenses) attributable to non-controlling interests | (303,171) | (607,519) |
| Net cash flows (for)/from operating activities | (287,813) | 205,005 |
| Net cash flows from investing activities | 2,176,200 | 69,984 |
| Net cash flows (for) financing activities | (1,634,263) | (329,961) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

9. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|--|-------------|-------------|-------------|-------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| NON-CURRENT | | | | |
| Long Term Receivables | | | | |
| Amount due from subsidiaries | - | - | 4,275,625 | 3,305,773 |
| Allowance for impairment losses | - | - | (883,987) | (883,987) |
| | - | - | 3,391,638 | 2,421,786 |
| CURRENT | | | | |
| Trade Receivables | | | | |
| Advances to suppliers | 2,996,610 | 1,075,648 | - | - |
| Other trade receivables | 47,531,676 | 38,923,901 | - | - |
| Allowance for impairment losses | (1,574) | (2,074) | - | - |
| | 50,526,712 | 39,997,475 | - | - |
| Other Receivables | | | | |
| Deposits | 1,505,737 | 77,554 | 1,000 | 1,000 |
| Prepayments | 603,958 | 427,639 | 3,560 | 4,156 |
| Goods and services tax recoverable | 1,152,434 | 935,312 | - | - |
| Tax recoverable | 3,833 | 5,874 | - | - |
| Fire insurance compensation receivable | - | 4,246,000 | - | - |
| Sundry receivables | 25,873,850 | 18,056,631 | 6,901,600 | 6,854,904 |
| Allowance for impairment losses | (6,812,315) | (6,812,315) | (6,753,600) | (6,753,600) |
| | 19,061,535 | 11,244,316 | 148,000 | 101,304 |
| | 22,327,497 | 16,936,695 | 152,560 | 106,460 |
| | 72,854,209 | 56,934,170 | 152,560 | 106,460 |
| Allowance for impairment losses | | | | |
| At 1 November | 6,814,389 | 6,788,600 | 7,637,587 | 7,637,587 |
| Additions | - | 25,789 | - | - |
| Reversal | (500) | - | - | - |
| At 31 October | 6,813,889 | 6,814,389 | 7,637,587 | 7,637,587 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

9. TRADE AND OTHER RECEIVABLES (CONT'D)

- (a) The Group's normal trade terms range from cash term to 120 days (2015: cash term to 120 days).
- (b) The amount due from subsidiaries represents unsecured, interest free advances and payments made on behalf. The amount owing is repayable on demand and to be settled in cash.
- (c) The advance to suppliers are unsecured and interest free. The amount owing will be offset against future purchases from the suppliers.

10. DEFERRED TAX ASSETS/(LIABILITIES)

| | Group | |
|--|--------------------|--------------------|
| | 2016 RM | 2015 RM |
| At 1 November | (4,168,933) | (2,974,499) |
| Recognised in profit or loss (Note 25) | (1,753,806) | (1,285,185) |
| Foreign exchange differences | (39,261) | 90,751 |
| At 31 October | (5,962,000) | (4,168,933) |
| Presented after appropriate offsetting as follows: | | |
| Deferred tax assets | - | 861,067 |
| Deferred tax liabilities | (5,962,000) | (5,030,000) |
| | (5,962,000) | (4,168,933) |

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

(i) Deferred tax liabilities:

| | Property, plant and equipment RM | Others RM | Total RM |
|--------------------------------------|---|----------------------|---------------------|
| Group | | | |
| At 1 November 2014 | (5,309,000) | - | (5,309,000) |
| Recognised in profit or loss | 327,000 | (48,000) | 279,000 |
| At 31 October 2015 / 1 November 2015 | (4,982,000) | (48,000) | (5,030,000) |
| Recognised in profit or loss | (952,000) | 20,000 | (932,000) |
| At 31 October 2016 | (5,934,000) | (28,000) | (5,962,000) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

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

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

(ii) Deferred tax assets:

| | Unused tax losses RM | Unabsorbed capital allowances RM | Others RM | Total RM |
|--------------------------------------|----------------------------|---|--------------|-------------|
| Group | | | | |
| At 1 November 2014 | 1,893,000 | 386,000 | 55,501 | 2,334,501 |
| Recognised in profit or loss | (1,893,000) | (386,000) | 714,815 | (1,564,185) |
| Foreign exchange differences | - | - | 90,751 | 90,751 |
| At 31 October 2015 / 1 November 2015 | - | - | 861,067 | 861,067 |
| Recognised in profit or loss | - | - | (821,806) | (821,806) |
| Foreign exchange differences | - | - | (39,261) | (39,261) |
| At 31 October 2016 | - | - | - | - |

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

| | Group | |
|--|--------------------|--------------------|
| | 2016 RM | 2015 RM |
| Unused tax losses | 15,723,000 | 14,544,000 |
| Unabsorbed capital allowances | 4,535,000 | 4,535,000 |
| Unutilised reinvestment allowances | 7,800,000 | 7,800,000 |
| Unutilised increased export allowances | 12,053,000 | 12,053,000 |
| | 40,111,000 | 38,932,000 |

No deferred tax assets are recognised in respect of the above items as it is not probable that taxable profits of the subsidiaries will be available against which the deductible temporary differences can be utilised. The unused tax losses, unabsorbed capital allowances, unutilised reinvestment allowances and unutilised increased export allowances do not expire under current tax legislation. However, the availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act 1967 and guidelines issued by the tax authority.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

11. INVENTORIES

| | Group | |
|---|-------------|-------------|
| | 2016 RM | 2015 RM |
| At cost | | |
| Raw materials | 31,099,845 | 28,013,213 |
| Packing materials | 79,830 | 97,046 |
| Work-in-progress | 21,124,039 | 20,408,583 |
| Goods-in-transit | 2,749,535 | 3,458,915 |
| Finished goods | 15,151,781 | 13,754,149 |
| | 70,205,030 | 65,731,906 |
| At net realisable value | | |
| Finished goods | 507,006 | 1,512,489 |
| | 70,712,036 | 67,244,395 |
| Recognised in profit or loss | | |
| Inventories recognised as cost of sales | 428,255,032 | 363,571,216 |
| Amount written down to net realisable value | 275,415 | 939,181 |

Inventories of a foreign subsidiary pledged as security for its bank borrowings (Note 17(a)) from a licensed bank at the year end was maintained at minimum value of USD1 million (equivalent to RM4.19 million).

12. OTHER INVESTMENT

| | Group and Company | |
|------------------------------------|-------------------|------------|
| | 2016 RM | 2015 RM |
| Quoted share in Malaysia - at cost | 522,321 | 1,149,106 |
| Market value | 520,000 | 1,232,000 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

13. DEPOSITS, BANK AND CASH BALANCES

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Cash and bank balances | 64,379,653 | 58,511,184 | 6,754,143 | 9,622,185 |
| Short term deposits placed with licensed banks | 7,215,225 | 12,358,201 | - | - |
| | 71,594,878 | 70,869,385 | 6,754,143 | 9,622,185 |

The short term deposits placed with licensed banks of the Group at the end of the reporting period bear effective interest rates at 2.0% - 4.1% (2015: 3.9% - 4.1%) per annum. The short term deposits have maturity period ranging from 1 day to 1 month (2015: 1 month).

14. SHARE CAPITAL

| | Par value RM | 2016 Ordinary shares | Group and Company | | |
|---------------------------------|-----------------|----------------------------|----------------------------|-------------|-------------|
| | | | 2015 Ordinary shares | 2016 RM | 2015 RM |
| Authorised | | | | | |
| As at 1 November | 0.50/1.00 | 1,000,000,000 | 500,000,000 | 500,000,000 | 500,000,000 |
| Effect of subdivision of shares | | - | 500,000,000 | - | - |
| As at 31 October | 0.50 | 1,000,000,000 | 1,000,000,000 | 500,000,000 | 500,000,000 |
| Issued and fully paid-up | | | | | |
| As at 1 November | 0.50/1.00 | 226,774,210 | 113,387,105 | 113,387,105 | 113,387,105 |
| Effect of subdivision of shares | | - | 113,387,105 | - | - |
| Exercise of warrants | | 31,600 | - | 15,800 | - |
| As at 31 October | 0.50 | 226,805,810 | 226,774,210 | 113,402,905 | 113,387,105 |

During the financial year, the Company increased its issued and paid-up share capital from RM113,387,105 to RM113,402,905 through an issuance of 31,600 new ordinary shares of RM0.50 each for cash arising from the exercise of Warrants 2015/2020 at the exercise price of RM1.00 per warrant.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per share at meetings of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

14. SHARE CAPITAL (CONT'D)

Warrants 2015/2020

A total of 53,361,427 free warrants were issued by the Company on 22 October 2015 on the basis of one (1) free warrant for every four (4) existing ordinary shares held. Each warrant entitles the holder the right to subscribe for one (1) new ordinary share of RM0.50 each in the Company at an exercise price of RM1.00 per new ordinary share. At the end of the reporting period, the number of outstanding warrants was 53,329,827. The warrants will expire on 21 October 2020.

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

- (a) The Warrants are constituted by a Deed Poll executed on 15 October 2015.
- (b) The Warrants are traded separately.
- (c) The Warrants can be exercised at any time within a period of five (5) years commencing from and including the date of issue, 22 October 2015 to 21 October 2020 ("Exercise Period"). Any Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid.
- (d) Each Warrant entitles the holder of the Warrants to subscribe for one (1) new ordinary share ("Shares") in the Company.
- (e) The exercise price and the number of unexercised Warrants shall be adjusted in the event of alteration to the share capital of the Company, capital distribution or issue of shares in accordance with the provisions of the Deed Poll.
- (f) The holders of the Warrants are not entitled to vote in any general meetings and/or entitled in any dividends, rights, allotment and/or other forms of distribution other than on winding-up, compromise or arrangement of the Company unless and until the holders of the Warrants becomes a shareholder of the Company by exercising his/her Warrants into new ordinary shares or unless otherwise resolved by the Company in general meeting.

15. TREASURY SHARES

Of the total 226,805,810 (2015: 226,774,210) issued and fully paid-up ordinary shares at the end of the reporting period, 13,327,600 ordinary shares (2015: 13,327,600 ordinary shares) are held as treasury shares by the Company. None of the treasury shares were resold or cancelled during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

16. RESERVES

| | Group | | Company | |
|--------------------------------------|-------------|-------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Non-Distributable | | | | |
| Share premium | 15,800 | - | 15,800 | - |
| Foreign exchange translation reserve | (5,061,141) | (4,623,128) | - | - |
| | (5,045,341) | (4,623,128) | 15,800 | - |
| Distributable | | | | |
| Retained profits | 137,777,295 | 107,791,125 | 23,944,756 | 42,289,395 |
| | 132,731,954 | 103,167,997 | 23,960,556 | 42,289,395 |

(a) Share Premium

The share premium reserve represents the premium paid on subscription of ordinary shares in the Company over and above the par value of the shares issued, net of transaction costs (if any). The share premium reserve is not distributed by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

(b) Foreign Exchange Translation Reserve

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

17. BANK BORROWINGS

| | Group | |
|------------------------------|------------|------------|
| | 2016 | 2015 |
| | RM | RM |
| CURRENT | | |
| Secured - Trade bills | 20,467,594 | 20,894,489 |
| - Term loans | 718,283 | 1,896,348 |
| Unsecured - Trade bills | 7,017,903 | 7,804,923 |
| | 28,203,780 | 30,595,760 |
| NON-CURRENT | | |
| Secured - Term loans | 61,419 | 2,230,257 |
| | 28,265,199 | 32,826,017 |
| TOTAL BANK BORROWINGS | | |
| Secured - Trade bills | 20,467,594 | 20,894,489 |
| - Term loans | 779,702 | 4,126,605 |
| Unsecured - Trade bills | 7,017,903 | 7,804,923 |
| | 28,265,199 | 32,826,017 |

- (a) The secured bank borrowings of the Group are secured by the followings:
- (i) Freehold land, leasehold land, factory buildings, plant and machinery, vehicles and equipment of the Group (Note 5(a)).
 - (ii) Certain inventories of the Group (Note 11).
 - (iii) Corporate guarantee by the Company.
- (b) The security arrangements of the unsecured bank borrowings of the Group are guaranteed by the Company.
- (c) The effective interest rates (% per annum) at the end of the reporting period for bank borrowings are as follows:

| | Group | |
|-------------|-----------|------------|
| | 2016 | 2015 |
| | % | % |
| Trade bills | 1.8 - 2.1 | 2.5 - 2.8 |
| Term loans | 5.2 | 5.2 - 10.5 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

17. BANK BORROWINGS (CONT'D)

(d) At the end of the reporting period, the term loans of the Group are repayable as follows:

| | Group | |
|--|------------|------------|
| | 2016 RM | 2015 RM |
| CURRENT | | |
| Not later than one year | 718,283 | 1,896,348 |
| NON-CURRENT | | |
| Later than one year and not later than two years | 61,419 | 1,063,782 |
| Later than two years and not later than five years | - | 1,166,475 |
| | 61,419 | 2,230,257 |
| | 779,702 | 4,126,605 |

18. HIRE PURCHASE PAYABLES

| | Group | |
|---|------------|------------|
| | 2016 RM | 2015 RM |
| Minimum hire purchase payments | | |
| Not later than one year | 323,016 | 285,976 |
| Later than one year and not later than five years | 374,174 | 333,680 |
| | 697,190 | 619,656 |
| Less: Future finance charges | (37,619) | (34,371) |
| Present value of hire purchase payables | 659,571 | 585,285 |
| Current | | |
| Not later than one year | 297,294 | 264,506 |
| Non-current | | |
| Later than one year and not later than five years | 362,277 | 320,779 |
| | 659,571 | 585,285 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

18. HIRE PURCHASE PAYABLES (CONT'D)

- (a) The hire purchase payables of the Group are secured against certain motor vehicles under hire purchase plan (Note 5(b)).
- (b) The hire purchase payables of the Group at the end of the reporting period bear effective interest rates at 4.6% - 5.1% (2015: 4.5% - 7.3%) per annum. The interest rates are fixed at the inception of the hire purchase arrangements.

19. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Trade Payables | | | | |
| Advance from customers | 1,713,446 | 3,033,799 | - | - |
| Other trade payables | 66,517,247 | 66,370,217 | - | - |
| | 68,230,693 | 69,404,016 | - | - |
| Other Payables | | | | |
| Amount due to a director of a subsidiary | 236,774 | 211,072 | - | - |
| Amount due to shareholders of a subsidiary | 68,574 | 68,288 | - | - |
| Accruals | 16,033,368 | 12,199,174 | 81,500 | 62,000 |
| Deposit payable | 86,232 | 14,000 | - | - |
| Goods and services tax payable | 1,230 | 1,219 | - | - |
| Sundry payables | 4,817,408 | 4,130,409 | 4,916 | 51,180 |
| | 21,243,586 | 16,624,162 | 86,416 | 113,180 |
| | 89,474,279 | 86,028,178 | 86,416 | 113,180 |

- (a) The normal credit terms granted to the Group range from 15 to 120 days (2015: 15 to 120 days).
- (b) The amounts due to a director of a subsidiary and shareholders of a subsidiary are unsecured, interest free and repayable on demand. The amount owing is to be settled in cash.
- (c) Included in sundry payables of the Group is an amount of RM965,823 (2015: RM223,948) payable for the purchase of property, plant and equipment (Note 5(c)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

20. DERIVATIVE LIABILITIES

| | Contract/Notional amount | | Group | |
|------------------------------------|--------------------------|------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Forward foreign exchange contracts | 24,960,750 | - | 222,185 | - |

- (a) The Group uses forward foreign exchange contracts to manage some of its transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency translation exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting. The settlement dates on forward foreign exchange contracts range between 1 to 3 months (2015: N/A) after the end of the reporting period.
- (b) The Group has recognised a loss of RM222,185 (2015: RM NIL) arising from fair value changes of derivatives during the financial year as disclosed in Note 23. The fair value changes were attributed to changes in the foreign exchange spot and forward rates. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 33.4.

21. REVENUE

| | Group | | Company | |
|--|-------------|-------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Dividend income | - | - | - | 27,453,248 |
| Sale of furniture and furniture parts net of discounts, returns, sales tax and sales rebate | 535,218,985 | 453,932,441 | - | - |
| | 535,218,985 | 453,932,441 | - | 27,453,248 |

22. FINANCE COSTS

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Interest expenses on financial liabilities not at fair value through profit or loss: | | | | |
| Hire purchase | 32,287 | 23,620 | - | - |
| Term loans | 280,532 | 356,158 | - | - |
| Trade bills | 980,775 | 1,092,678 | - | - |
| | 1,293,594 | 1,472,456 | - | - |
| Bank commission and charges | 516,084 | 518,009 | 3,162 | 3,578 |
| | 1,809,678 | 1,990,465 | 3,162 | 3,578 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

23. PROFIT/(LOSS) BEFORE TAX

| | Group | | Company | |
|---|-------------|-------------|-----------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| | RM | RM | RM | RM |
| This is arrived at after charging: | | | | |
| Allowance for impairment losses on receivables | - | 25,789 | - | - |
| Audit fees: | | | | |
| - current financial year | 216,382 | 185,750 | 35,000 | 31,000 |
| - (over)provision in previous financial year | (837) | (923) | - | - |
| Depreciation | 7,540,989 | 7,115,086 | - | - |
| Fair value loss on derivatives | 222,185 | - | - | - |
| Inventories value written down | 275,415 | 939,181 | - | - |
| Inventories written off | - | 6,120,016 | - | - |
| Lease rental | 452,560 | 407,043 | - | - |
| Property, plant and equipment written off | 274,384 | 3,146,873 | - | - |
| Realised loss on foreign exchange | 3,631,285 | - | 364,390 | 605,668 |
| Rental | 238,539 | 238,614 | - | - |
| Staff costs (including key management personnel as disclosed in Note 29(c)) | 118,221,937 | 94,417,814 | 310,000 | 186,000 |
| Unrealised loss on foreign exchange | - | - | 26,210 | - |
| And crediting: | | | | |
| Fire insurance compensation | (4,260,229) | (3,832,400) | - | - |
| Gain on disposal of property, plant and equipment | (274,150) | (167,338) | - | - |
| Gain on disposal of other investment | (119,895) | - | (119,895) | - |
| Interest income | (1,113,176) | (1,106,815) | - | - |
| Realised gain on foreign exchange | - | (293,879) | - | - |
| Rental income | (458,710) | (88,288) | - | - |
| Reversal of allowance for impairment losses on receivables | (500) | - | - | - |
| Unrealised gain on foreign exchange | (229,300) | (5,777,232) | - | (2,848,886) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

24. DIRECTORS' REMUNERATION

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

| | Group | | Company | |
|---|------------------|------------------|----------------|----------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Executive directors of the Company | | | | |
| Fee | 263,500 | 194,000 | 263,500 | 186,000 |
| Salaries and other emoluments | 3,481,408 | 3,066,866 | 46,500 | - |
| Pension costs - defined contribution plan | 102,878 | 129,672 | - | - |
| Social security costs | 1,212 | 1,181 | - | - |
| | 3,848,998 | 3,391,719 | 310,000 | 186,000 |
| Estimated monetary value of benefits-in-kind | 28,000 | 28,000 | - | - |
| | 3,876,998 | 3,419,719 | 310,000 | 186,000 |
| Non-executive directors of the Company | | | | |
| Fee | 263,500 | 186,000 | 263,500 | 186,000 |
| Salaries and other emoluments | 46,500 | - | 46,500 | - |
| | 310,000 | 186,000 | 310,000 | 186,000 |
| Executive directors of the subsidiaries | | | | |
| Salaries and other emoluments | 273,972 | 295,883 | - | - |
| Total directors' remuneration | 4,460,970 | 3,901,602 | 620,000 | 372,000 |
| Analysis excluding monetary value of benefits-in-kind: | | | | |
| Total executive directors' remuneration | 4,122,970 | 3,687,602 | 310,000 | 186,000 |
| Total non-executive directors' remuneration | 310,000 | 186,000 | 310,000 | 186,000 |
| | 4,432,970 | 3,873,602 | 620,000 | 372,000 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

24. DIRECTORS' REMUNERATION (CONT'D)

(b) The number of the Company's directors with total remuneration falling in bands of RM50,000 are as follows:

| | Group | |
|--------------------------------|------------|------------|
| | 2016 RM | 2015 RM |
| Executive Directors | | |
| RM50,001 - RM100,000 | - | 1 |
| RM100,001 - RM150,000 | 1 | - |
| RM900,001 - RM950,000 | - | 1 |
| RM950,001 - RM1,000,000 | 1 | - |
| RM2,400,001 - RM2,450,000 | - | 1 |
| RM2,750,001 - RM2,800,000 | 1 | - |
| Non-executive Directors | | |
| RM1 - RM50,000 | - | 3 |
| RM50,001 - RM100,000 | 3 | 1 |
| RM100,001 - RM150,000 | 1 | - |

25. TAX EXPENSE

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| (a) Components of tax expense | | | | |
| Current tax expense | | | | |
| - Malaysian tax | 4,191,409 | 2,667,000 | - | - |
| - Foreign tax | 5,667,152 | 4,798,752 | - | - |
| - Underprovision in previous financial year | 238,513 | 42,959 | - | 1,942 |
| | 10,097,074 | 7,508,711 | - | 1,942 |
| Deferred tax expense (Note 10) | | | | |
| - Relating to origination of temporary differences | 1,165,806 | 2,197,185 | - | - |
| - Effect of changes in corporate income tax rate | (191,000) | - | - | - |
| - Under/(Over)provision in previous financial year | 779,000 | (912,000) | - | - |
| | 1,753,806 | 1,285,185 | - | - |
| | 11,850,880 | 8,793,896 | - | 1,942 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

25. TAX EXPENSE (CONT'D)

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

| | Group | | Company | |
|--|-------------|-------------|-------------|-------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Profit/(Loss) before tax | 58,613,574 | 47,373,005 | (1,267,002) | 28,897,370 |
| Tax at Malaysian statutory tax rate | 14,067,000 | 11,843,000 | (304,000) | 7,224,000 |
| Effect of changes in corporate income tax rate | (191,000) | - | - | - |
| Effects of differential in tax rates of subsidiaries | (3,717,000) | (2,283,000) | - | - |
| Tax effect of non-taxable income | (101,000) | (1,272,000) | (29,000) | (7,424,000) |
| Tax effect of non-deductible expenses | 1,131,367 | 1,060,000 | 333,000 | 200,000 |
| Tax effect of double deduction expenses | (182,000) | (366,000) | - | - |
| Tax saving from reinvestment allowance | (467,000) | - | - | - |
| Deferred tax assets not recognised during the financial year | 293,000 | 324,000 | - | - |
| Under/(Over)provision in previous financial year: | | | | |
| - current tax expense | 238,513 | 42,959 | - | 1,942 |
| - deferred tax expense | 779,000 | (912,000) | - | - |
| Others | - | 356,937 | - | - |
| | 11,850,880 | 8,793,896 | - | 1,942 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

26. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

| | Group | |
|--|---------------|---------------|
| | 2016 RM | 2015 RM |
| Profit attributable to owners of the Company | 47,063,807 | 39,185,439 |
| | | |
| | 2016 Units | 2015 Units |
| Weighted average number of ordinary shares in issued: | | |
| Ordinary shares at 1 November | 213,446,610 | 113,387,105 |
| Effect of exercise of warrants | 25,455 | - |
| Effect of share split - ordinary shares | - | 113,387,105 |
| Effect of share split - treasury shares held | - | (13,327,600) |
| Weighted average number of ordinary shares at 31 October | 213,472,065 | 213,446,610 |
| Basic earnings per ordinary share (Sen) | 22.05 | 18.36 |

(b) Diluted earnings per ordinary share

| | Group | |
|--|---------------|---------------|
| | 2016 RM | 2015 RM |
| Profit attributable to owners of the Company | 47,063,807 | 39,185,439 |
| | | |
| | 2016 Units | 2015 Units |
| Weighted average number of ordinary shares for computation of basic earnings per share | 213,472,065 | 213,446,610 |
| Shares deemed to be issued for no consideration: | | |
| - Warrants | 20,050,684 | 507,321 |
| Weighted average number of ordinary shares for computation of diluted earnings per share | 233,522,749 | 213,953,931 |
| Diluted earnings per ordinary share (Sen) | 20.15 | 18.31 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

27. DIVIDENDS

| | Group and Company | |
|--|--------------------------|------------------|
| | 2016 | 2015 |
| | RM | RM |
| In respect of the financial year ended 31 October 2014 | | |
| Final single tier dividend of 3% equivalent to 3 sen per ordinary share on 106,723,305 ordinary shares of RM1.00 each | - | 3,201,699 |
| In respect of the financial year ended 31 October 2015 | | |
| First interim single tier dividend of 3% equivalent to 3 sen per ordinary share on 106,723,305 ordinary shares of RM1.00 each | - | 3,201,699 |
| Second interim single tier dividend of 3% equivalent to 3 sen per ordinary share on 106,723,305 ordinary shares of RM1.00 each | - | 3,201,699 |
| Final single tier dividend of 4% equivalent to 2 sen per ordinary share on 213,478,210 ordinary shares of RM0.50 each | 4,269,564 | - |
| In respect of the financial year ended 31 October 2016 | | |
| First interim single tier dividend of 4% equivalent to 2 sen per ordinary share on 213,447,210 ordinary shares of RM0.50 each | 4,268,945 | - |
| Second interim single tier dividend of 4% equivalent to 2 sen per ordinary share on 213,478,210 ordinary shares of RM0.50 each | 4,269,564 | - |
| Third interim single tier dividend of 4% equivalent to 2 sen per ordinary share on 213,478,210 ordinary shares of RM0.50 each | 4,269,564 | - |
| | 17,077,637 | 9,605,097 |

At the forthcoming Annual General Meeting, a final single tier dividend of 4% equivalent to 2 sen per ordinary share in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for as a liability in the financial year ending 31 October 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

28. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:

| | Group | | Company | |
|----------------------------------|------------|------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Deposits, bank and cash balances | 71,594,878 | 70,869,385 | 6,754,143 | 9,622,185 |

29. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

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

(b) Significant related party transactions and balances

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

| | Group | | Company | |
|---|------------|------------|------------|--------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Subsidiaries | | | | |
| - Dividend received / receivable | - | - | - | (27,453,248) |
| Director | | | | |
| - Rental | 180,000 | 180,000 | - | - |
| - Proceeds from disposal of property, plant and equipment | (70,784) | - | - | - |

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

No expense was recognised during the financial year for bad or doubtful debts in respect of the amounts due from the related parties other than those disclosed in Note 9 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

29. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(c) Compensation of key management personnel

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

30. COMMITMENTS

(a) Capital commitment

| | Group 2016 RM | 2015 RM |
|---|---------------------|------------|
| Contracted but not provided for: | | |
| Purchase of property, plant and equipment | 13,454,000 | 4,717,000 |

(b) Lease commitment

At 31 October, the future minimum lease payments under the non-cancellable operating leases are as follows:

| | Group 2016 RM | 2015 RM |
|---|---------------------|------------|
| Not later than one year | 639,304 | 602,137 |
| Later than one year and not later than five years | 2,557,216 | 2,408,550 |
| Later than five years | 15,510,003 | 15,210,455 |
| | 18,706,523 | 18,221,142 |

Operating lease payments represent the rentals payable by the Group in respect of land lease in Vietnam.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

31. OPERATING SEGMENTS

(a) Business segments

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

(b) Geographical information

| | Revenue | | Non-Current Assets | |
|--------------|-------------|-------------|--------------------|-------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| South Africa | 2,075,450 | 3,704,606 | 1,096,726 | 3,216,743 |
| Vietnam | 365,077,971 | 301,927,712 | 66,114,138 | 55,813,253 |
| Malaysia | 168,065,564 | 148,300,123 | 91,416,083 | 90,160,864 |
| | 535,218,985 | 453,932,441 | 158,626,947 | 149,190,860 |

(c) Major customers

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

| | Revenue | |
|------------|-------------|-------------|
| | 2016 RM | 2015 RM |
| Customer A | 111,265,029 | 105,674,330 |
| Customer B | 81,526,456 | 61,248,202 |
| Customer C | 71,137,602 | 51,350,965 |
| | 263,929,087 | 218,273,497 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 30 June 2013, the Company completed the disposal of its entire equity interest in a wholly-owned subsidiary, Poh Huat Furniture Industries (Qingdao) Co., Ltd. for a total cash consideration of RMB31.00 million (equivalent to RM14.95 million) to Qingdao Dengta Brewage Co., Ltd. (also known as Qingdao Beacon Brewing Co., Ltd.) ("QDB"). However, the Company had only received a total of RMB17.00 million (equivalent to RM8.20 million) from QDB.

On 26 September 2013, the Company filed a statement of claims along with the cause papers and payment of the required statutory litigation fee, into the Qingdao City Intermediate People's Court ("QCI People's Court" or "the Court") for the recovery of the outstanding amount of RMB14.00 million (equivalent to RM6.75 million) ("Outstanding Amount"), interests for the delay in payment of the Outstanding Amount and associated legal and litigation fees for an estimated amount of RMB16.02 million (equivalent to RM8.30 million). The Defendant, QDB has filed a counter claim of RMB22.00 million (equivalent to RM11.39 million) for delay in the handover of the land and building, land use rights fees and legal fees.

On 3 June 2014, the Company and QDB signed a consent judgement (mediated by the Court) duly recorded at the QCI People's Court and received the "Civil Conciliation Statement" for the case, inter alia, states:

- (i) QDB shall pay RMB9.00 million (equivalent to RM4.84 million) for the share transfer to the Company. This payment will be made equally in 30 monthly instalment beginning from June 2014, and the amount of the monthly payment is RMB300,000 (equivalent to RM161,400);
- (ii) Failure in making prompt monthly payment, QDB shall pay delay payment interest at the rate which is 4 times of the RMB loan benchmark interest rate for the financial institutions published by the People's Bank of China till the date of actual payment of the delayed amount;
- (iii) The Court Fee amounts to RMB117,920 (equivalent to RM63,441), half of which RMB58,960 (equivalent to RM31,720) will be exempted and the balance shall be paid by the Company; and
- (iv) There is no other dispute between the parties and the parties shall not make any further claim against each other.

However, QDB had yet to fulfil their obligation in the recorded consent judgement.

Since July 2015, the Company had made various applications to the QCI People's Court to enforce the above consent judgement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

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

(a) (Cont'd)

On 29 June 2016 and 22 November 2016, the Company received notification from QCI People's Court that the Court had received a total sum of RMB1.33 million (equivalent to RM805,480) and RMB2.20 million (equivalent to RM1,353,000) respectively. However, the Court did not disburse the said amount to the Company due to certain legal action taken by QDB.

On 20 December 2016, the Company re-applied to the QCI People's Court for the following applications to pursue the execution of the outstanding principal and interest amount of RMB6.90 million and RMB1.25 million totalling RMB8.15 million (equivalent to RM5,049,500) as at the application date:

- (a) "Enforcement Proceedings" application;
- (b) "Blacklist of judgement debtor"; and
- (c) "Restraint on the High Consumption (luxury lifestyle)" application.

In any case, the Company had made an impairment loss of RMB14.00 million (equivalent to RM6.75 million) during financial year 2013 for this non-trade receivable (Note 9).

- (b) On 9 September 2016, Poh Huat Australia Pty Ltd, a wholly-owned subsidiary of the Company entered into a contract of sale of real estate to acquire a detached warehouse cum office-showroom situated on 61, Assembly Drive, Dandenong South, Victoria 3175, Australia for a total cash consideration of AUD4.25 million. A deposit of AUD425,000 (equivalent to RM1.36 million) had been paid and included in other receivables as at 31 October 2016 (Note 9). The acquisition was completed on 11 November 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

33. FINANCIAL INSTRUMENTS

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

33.1 Financial risk management policies

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

(a) Market risk

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily Chinese Remimbi ("RMB"), Euro ("EURO"), Singapore Dollar ("SGD"), South African Rand ("RAND"), United States Dollar ("USD") and Vietnam Dong ("VND"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. On occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

(a) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

Foreign currency exposure

| | EURO RM | RMB RM | SGD RM | USD RM | VND RM | RAND RM | RM RM | Others RM | Total RM |
|--|------------|-------------|-----------|--------------|--------------|------------|--------------|--------------|---------------|
| Group 2016 | | | | | | | | | |
| Financial assets | | | | | | | | | |
| Other investment | - | - | - | - | - | - | 522,321 | - | 522,321 |
| Trade and other receivables (N1) | - | 148,000 | 756,315 | 45,903,530 | 19,522,253 | 247,570 | 3,010,579 | - | 69,588,247 |
| Deposits, bank and cash balances | - | 3,137,698 | 10,331 | 29,302,617 | 5,044,702 | 735,638 | 33,332,319 | 31,573 | 71,594,878 |
| | - | 3,285,698 | 766,646 | 75,206,147 | 24,566,955 | 983,208 | 36,865,219 | 31,573 | 141,705,446 |
| Financial liabilities | | | | | | | | | |
| Trade and other payables (N2) | (63,574) | - | - | (11,998,559) | (51,583,746) | (719,821) | (24,956,017) | (65,100) | (89,386,817) |
| Bank borrowings | - | - | - | (27,485,497) | - | - | (779,702) | - | (28,265,199) |
| Hire purchase payables | - | - | - | - | - | - | (659,571) | - | (659,571) |
| Dividend payable | - | - | - | - | - | - | (4,269,564) | - | (4,269,564) |
| Derivative liabilities | - | - | - | - | - | - | (222,185) | - | (222,185) |
| | (63,574) | - | - | (39,484,056) | (51,583,746) | (719,821) | (30,887,039) | (65,100) | (122,803,336) |
| Net financial assets/(liabilities) | (63,574) | 3,285,698 | 766,646 | 35,722,091 | (27,016,791) | 263,387 | 5,978,180 | (33,527) | 18,902,110 |
| Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies | - | (3,137,698) | - | - | 27,016,791 | (263,387) | (5,978,180) | (639) | 17,636,887 |
| Less: Forward foreign currency contracts (contracted notional principal) | - | - | - | (24,960,750) | - | - | - | - | (24,960,750) |
| Currency exposure | (63,574) | 148,000 | 766,646 | 10,761,341 | - | - | - | (34,166) | 11,578,247 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

(a) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

Foreign currency exposure (cont'd)

| | EURO RM | RMB RM | SGD RM | USD RM | VND RM | RAND RM | RM RM | Others RM | Total RM |
|--|------------|-------------|-----------|--------------|--------------|-------------|--------------|--------------|---------------|
| Group 2015 | | | | | | | | | |
| Financial assets | | | | | | | | | |
| Other investment | - | - | - | - | - | - | 1,149,106 | - | 1,149,106 |
| Trade and other receivables (N1) | - | 101,957 | 1,037,195 | 34,384,412 | 15,768,064 | 166,329 | 4,029,834 | - | 55,487,791 |
| Deposits, bank and cash balances | - | 3,518,591 | 17,358 | 37,909,594 | 17,300,913 | 470,052 | 11,639,155 | 13,722 | 70,869,385 |
| | - | 3,620,548 | 1,054,553 | 72,294,006 | 33,068,977 | 636,381 | 16,818,095 | 13,722 | 127,506,282 |
| Financial liabilities | | | | | | | | | |
| Trade and other payables (N2) | (158,605) | (72,175) | (17,814) | (15,874,064) | (46,596,643) | (425,770) | (22,867,888) | - | (86,012,959) |
| Bank borrowings | - | - | - | (28,699,412) | - | (1,818,191) | (2,308,414) | - | (32,826,017) |
| Hire purchase payables | - | - | - | - | - | - | (585,285) | - | (585,285) |
| | (158,605) | (72,175) | (17,814) | (44,573,476) | (46,596,643) | (2,243,961) | (25,761,587) | - | (119,424,261) |
| Net financial assets/(liabilities) | (158,605) | 3,548,373 | 1,036,739 | 27,720,530 | (13,527,666) | (1,607,580) | (8,943,492) | 13,722 | 8,082,021 |
| Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies | - | (3,507,690) | - | - | 13,527,852 | 1,607,580 | 8,943,492 | - | 20,571,234 |
| Currency exposure | (158,605) | 40,683 | 1,036,739 | 27,720,530 | 186 | - | - | 13,722 | 28,653,255 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

33. FINANCIAL INSTRUMENTS (CONT'D)**33.1 Financial risk management policies (Cont'd)****(a) Market risk (cont'd)****(i) Foreign currency risk (cont'd)*****Foreign currency exposure (cont'd)***

| | USD RM | RM | RM | RM | Total RM |
|---|-----------|---------|-------------|----|-------------|
| Company 2016 | | | | | |
| Financial assets | | | | | |
| Other investment | - | - | 522,321 | | 522,321 |
| Other receivables (N1) | - | 148,000 | - | | 148,000 |
| Cash and bank balances | - | - | 6,754,143 | | 6,754,143 |
| Dividend receivable | 1,100,832 | - | - | | 1,100,832 |
| | 1,100,832 | 148,000 | 7,276,464 | | 8,525,296 |
| Financial liabilities | | | | | |
| Other payables (N2) | - | - | (86,416) | | (86,416) |
| Dividend payable | - | - | (4,269,564) | | (4,269,564) |
| | - | - | (4,355,980) | | (4,355,980) |
| Net financial assets | 1,100,832 | 148,000 | 2,920,484 | | 4,169,316 |
| Less: Net financial (assets) denominated in the Company's functional currency | - | - | (2,920,484) | | (2,920,484) |
| Currency exposure | 1,100,832 | 148,000 | - | | 1,248,832 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

33. FINANCIAL INSTRUMENTS (CONT'D)**33.1 Financial risk management policies (Cont'd)****(a) Market risk (cont'd)****(i) Foreign currency risk (cont'd)****Foreign currency exposure (cont'd)**

| | USD RM | RMB RM | RM RM | Total RM |
|---|------------|-----------|--------------|--------------|
| Company 2015 | | | | |
| Financial assets | | | | |
| Other investment | - | - | 1,149,106 | 1,149,106 |
| Other receivables (N1) | - | 101,304 | - | 101,304 |
| Cash and bank balances | - | - | 9,622,185 | 9,622,185 |
| Dividend receivable | 15,705,396 | - | - | 15,705,396 |
| | 15,705,396 | 101,304 | 10,771,291 | 26,577,991 |
| Financial liabilities | | | | |
| Other payables (N2) | - | - | (113,180) | (113,180) |
| | - | - | (113,180) | (113,180) |
| Net financial assets | 15,705,396 | 101,304 | 10,658,111 | 26,464,811 |
| Less: Net financial (assets) denominated in the Company's functional currency | - | - | (10,658,111) | (10,658,111) |
| Currency exposure | 15,705,396 | 101,304 | - | 15,806,700 |

N1 - Excluding deposits, prepayments, tax recoverable and certain receivables.

N2 - Excluding deposit payables and certain payables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

(a) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

Foreign currency risk sensitivity analysis

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

| | Group | | Company | |
|------------------------------------|------------|-------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Effects on profit after tax | | | | |
| EURO / RM | | | | |
| - strengthened by 5% | (2,416) | (5,948) | - | - |
| - weakened by 5% | 2,416 | 5,948 | - | - |
| RMB / RM | | | | |
| - strengthened by 5% | 5,624 | 1,526 | 5,624 | 3,799 |
| - weakened by 5% | (5,624) | (1,526) | (5,624) | (3,799) |
| SGD / RM | | | | |
| - strengthened by 5% | 29,133 | 38,878 | - | - |
| - weakened by 5% | (29,133) | (38,878) | - | - |
| USD / RM | | | | |
| - strengthened by 5% | 408,931 | 1,039,520 | 41,832 | 588,952 |
| - weakened by 5% | (408,931) | (1,039,520) | (41,832) | (588,952) |
| VND / RM | | | | |
| - strengthened by 5% | - | 7 | - | - |
| - weakened by 5% | - | (7) | - | - |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

(a) Market risk (cont'd)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

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

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 17.

Interest rate risk sensitivity analysis

Any reasonably possible change in the interest rates of floating rate term loans at the end of the reporting period does not have material impact on the profit after tax and other comprehensive income of the Group and of the Company and hence, no sensitivity analysis is presented.

(iii) Equity price risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to equity price risk by maintaining a portfolio of equities with different risk profiles.

Equity price risk sensitivity analysis

Any reasonably possible change in the prices of quoted investments at the end of the reporting period does not have material impact on the profit after tax of the Group and hence, no sensitivity analysis is presented.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

(b) Credit risk

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

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

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

The Company provides financial guarantee to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

(i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by three (2015: two) customers which constituted approximately 64% (2015: 51%) of its trade receivables at the end of the reporting period.

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

| | Group | |
|---------------------------|-------------------|-------------------|
| | 2016 | 2015 |
| | RM | RM |
| Africa | 223,317 | - |
| Asia (excluding Malaysia) | 1,307,123 | 1,759,145 |
| North America | 42,610,174 | 30,935,432 |
| Europe | 823,604 | 3,390,451 |
| Malaysia | 2,565,884 | 2,836,799 |
| | 47,530,102 | 38,921,827 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

(b) Credit risk (cont'd)

(ii) Exposure to credit risk

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

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiaries as disclosed under the 'Maturity Analysis' of item (c) below, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

(iii) Ageing analysis

The ageing analysis of trade receivables is as follows:

| | Gross Amount RM | Individual Impairment RM | Carrying Amount RM |
|----------------------|-----------------------|--------------------------------|--------------------------|
| Group 2016 | | | |
| Not past due | 42,822,703 | - | 42,822,703 |
| Past due | | | |
| - less than 3 months | 4,706,121 | - | 4,706,121 |
| - over 6 months | 2,852 | (1,574) | 1,278 |
| | 47,531,676 | (1,574) | 47,530,102 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

(b) Credit risk (cont'd)

(iii) Ageing analysis (cont'd)

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

| | Gross Amount RM | Individual Impairment RM | Carrying Amount RM |
|----------------------|-----------------------|--------------------------------|--------------------------|
| Group 2015 | | | |
| Not past due | 38,569,269 | - | 38,569,269 |
| Past due | | | |
| - less than 3 months | 351,435 | - | 351,435 |
| - 3 to 6 months | 1,123 | - | 1,123 |
| - over 6 months | 2,074 | (2,074) | - |
| | 38,923,901 | (2,074) | 38,921,827 |

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

(c) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

| | Effective interest rate % | Carrying amount RM | Contractual undiscounted cash flows RM | Within 1 year RM | 1-5 years RM |
|---|---------------------------------|--------------------------|---|------------------------|-----------------|
| Group 2016 | | | | | |
| <u>Non-derivative financial liabilities</u> | | | | | |
| Trade and other payables (N1) | - | 89,386,817 | 89,386,817 | 89,386,817 | - |
| Bank borrowings | | | | | |
| - Trade bills | 1.8 - 2.1 | 27,485,497 | 27,485,497 | 27,485,497 | - |
| - Term loans | 5.2 | 779,702 | 801,635 | 739,971 | 61,664 |
| Hire purchase payables | 4.6 - 5.1 | 659,571 | 697,190 | 323,016 | 374,174 |
| <u>Derivative financial liabilities</u> | | | | | |
| Forward currency contract (gross settled): | - | 222,185 | | | |
| - gross payments | - | | 24,960,750 | 24,960,750 | - |
| | | 118,533,772 | 143,331,889 | 142,896,051 | 435,838 |
| 2015 | | | | | |
| <u>Non-derivative financial liabilities</u> | | | | | |
| Trade and other payables (N1) | - | 86,012,959 | 86,012,959 | 86,012,959 | - |
| Bank borrowings | | | | | |
| - Trade bills | 2.5 - 2.8 | 28,699,412 | 28,699,412 | 28,699,412 | - |
| - Term loans | 5.2 - 10.5 | 4,126,605 | 4,665,610 | 2,151,534 | 2,514,076 |
| Hire purchase payables | 4.5 - 7.3 | 585,285 | 619,656 | 285,976 | 333,680 |
| | | 119,424,261 | 119,997,637 | 117,149,881 | 2,847,756 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (cont'd)

(c) Liquidity risk (cont'd)

| | Carrying amount RM | Contractual undiscounted cash flows RM | Within 1 year RM |
|---|--------------------------|---|------------------------|
| Company | | | |
| 2016 | | | |
| <u>Non-derivative financial liabilities</u> | | | |
| Trade and other payables (N1) | 86,416 | 86,416 | 86,416 |
| Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries * | - | 28,924,770 | 28,924,770 |
| | 86,416 | 29,011,186 | 29,011,186 |
| 2015 | | | |
| <u>Non-derivative financial liabilities</u> | | | |
| Trade and other payables (N1) | 113,180 | 113,180 | 113,180 |
| Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries * | - | 31,456,632 | 31,456,632 |
| | 113,180 | 31,569,812 | 31,569,812 |

N1 - Excluding deposit payable and certain payables.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debts divided by total equity.

The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interests. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:

| | Group | |
|--|------------------|------------------|
| | 2016 | 2015 |
| | RM | RM |
| Bank borrowings | 28,265,199 | 32,826,017 |
| Hire purchase payables | 659,571 | 585,285 |
| | 28,924,770 | 33,411,302 |
| Less: Short term deposits placed with licensed banks | (7,215,225) | (12,358,201) |
| Less: Cash and bank balances | (64,379,653) | (58,511,184) |
| Excess funds | (42,670,108) | (37,458,083) |
| Total equity | 243,204,551 | 213,960,384 |
| Debt-to-equity ratio | Not applicable * | Not applicable * |

* The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total debts.

There was no change in the Group's approach to capital management during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.3 Classification of financial instruments

| | Group | | Company | |
|--|-------------|-------------|-----------|------------|
| | 2016 | 2015 | 2016 | 2015 |
| | RM | RM | RM | RM |
| Financial assets | | | | |
| <u>Loans and receivables financial assets</u> | | | | |
| Trade and other receivables (N1) | 69,588,247 | 55,487,791 | 148,000 | 101,304 |
| Deposits, bank and cash balances | 71,594,878 | 70,869,385 | 6,754,143 | 9,622,185 |
| Dividend receivable | - | - | 1,100,832 | 15,705,396 |
| | 141,183,125 | 126,357,176 | 8,002,975 | 25,428,885 |
| <u>Fair value through profit or loss: Held-for-trading</u> | | | | |
| Other investment | 522,321 | 1,149,106 | 522,321 | 1,149,106 |
| Financial liabilities | | | | |
| <u>Other financial liabilities</u> | | | | |
| Trade and other payables (N2) | 89,386,817 | 86,012,959 | 86,416 | 113,180 |
| Bank borrowings | 28,265,199 | 32,826,017 | - | - |
| Hire purchase payables | 659,571 | 585,285 | - | - |
| Dividend payable | 4,269,564 | - | 4,269,564 | - |
| | 122,581,151 | 119,424,261 | 4,355,980 | 113,180 |
| <u>Fair value through profit or loss: Held-for-trading</u> | | | | |
| Derivative liabilities | 222,185 | - | - | - |

N1 - Excluding deposits, prepayments, tax recoverable and certain receivables.

N2 - Excluding deposit payable and certain payables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.4 Fair value information

The fair values of the financial assets and financial liabilities of the Group which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms. The fair values of term loans approximate their carrying amounts as they are repriced to market interest rates on or near the reporting date.

The following table sets out the fair value profile of other financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:

| | Fair Value Of Financial Instruments Carried At Fair Value | | | Fair Value Of Financial Instruments Not Carried At Fair Value | | | Total Fair Value RM | Carrying Amount RM |
|------------------------------|--|---------|---------|--|---------|---------|---------------------------|--------------------------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 | | |
| | RM | RM | RM | RM | RM | RM | | |
| Group 2016 | | | | | | | | |
| Financial Assets | | | | | | | | |
| Other investment | | | | | | | | |
| - quoted shares | - | - | - | 520,000 | - | - | 520,000 | 522,321 |
| Financial Liabilities | | | | | | | | |
| Hire purchase payables | - | - | - | - | 659,456 | - | 659,456 | 659,571 |
| Derivative liabilities | | | | | | | | |
| - forward currency contract | - | 222,185 | - | - | - | - | 222,185 | 222,185 |

| | Fair Value Of Financial Instruments Not Carried At Fair Value | | | Total Fair Value RM | Carrying Amount RM |
|------------------------------|--|---------|---------|---------------------------|--------------------------|
| | Level 1 | Level 2 | Level 3 | | |
| | RM | RM | RM | | |
| <hr/> | | | | | |
| Group 2015 | | | | | |
| Financial Assets | | | | | |
| Other investment | | | | | |
| - quoted shares | 1,232,000 | - | - | 1,232,000 | 1,149,106 |
| Financial Liabilities | | | | | |
| Hire purchase payables | - | 581,225 | - | 581,225 | 585,285 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.4 Fair value information (cont'd)

(a) Fair value of financial instruments carried at fair value

- (i) The fair values of forward currency contracts are determined using forward exchange rates at the end of the reporting period with the resulting value discounted back to present value.
- (ii) There was no transfer between level 1 and level 2 during the financial year.

(b) Fair value of financial instruments not carried at fair value

- (i) The fair value of quoted investments is determined at their quoted closing bid prices at the end of the reporting period.
- (ii) The fair values of hire purchase payables are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates (per annum) used to discount the estimated cash flows are as follows:

| | Group | |
|------------------------|-------|------|
| | 2016 | 2015 |
| | % | % |
| Hire purchase payables | 2.6 | 2.8 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016 (CONT'D)

34. SUPPLEMENTARY INFORMATION DISCLOSED OF REALISED AND UNREALISED PROFITS / LOSSES

The breakdown of the retained profits of the Group and of the Company at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants, as follows:

| | Group | | Company | |
|--|--------------|--------------|------------|------------|
| | 2016 | 2015 | 2016 | 2015 |
| | RM | RM | RM | RM |
| Total retained profits of the Company and its subsidiaries | | | | |
| - realised | 163,961,288 | 127,090,355 | 23,970,966 | 39,440,509 |
| - unrealised | (5,954,885) | 1,608,298 | (26,210) | 2,848,886 |
| Less: Consolidation adjustments | 158,006,403 | 128,698,653 | 23,944,756 | 42,289,395 |
| | (20,229,108) | (20,907,528) | - | - |
| At 31 October | 137,777,295 | 107,791,125 | 23,944,756 | 42,289,395 |

LIST OF MATERIAL LANDED PROPERTIES

AS AT 31 OCTOBER 2016

| Address/ Location | Description | Land Area (hectare) | Use | Tenure/ Age of Building | Net Book Value as at 31.10.2016 RM'000 | Date of Revaluation or Acquisition |
|--|---|---------------------------|--|---|---|---|
| Lot 25 Tam Phuoc Commune Long Thanh District Dong Nai Province Vietnam | 1 plot of industrial land with an office building, 1 hostel, 3 factory buildings ancillary structures | 12.39 | Office with furniture manufacturing facilities | 50 years lease expiring in 2052/ 12 years | 24,456 | 29.8.02 (Date of Acquisition) |
| No. 17, Road 26 Song Than Industrial Zone II Di An District Binh Duong Province Vietnam | 1 plot of industrial land with an office building, 1 hostel, 3 factory buildings and ancillary structures | 6.76 | Office with furniture manufacturing and accom- modation | 50 years lease expiring in 2045/ 14 years | 20,476 | 1.3.02 (Date of Acquisition) |
| PTD Nos. 1470 & 1535 Bukit Pasir Industrial Area Mukim of Sungai Terap District of Muar Johor Darul Takzim | 2 plots of industrial land with an office building, a warehouse cum factory building and ancillary structures | 2.21 | Office with furniture manufacturing and warehousing facilities | 60 years leasehold expiring in 2060/ 11 year | 13,582 | 21.10.03 (Date of Acquisition) |
| PTD No. 1473 Bukit Pasir Industrial Area Mukim of Sungai Terap District of Muar Johor Darul Takzim | 1 plot of industrial land with an office building, 1 block of factory building and ancillary structures | 1.62 | Office with furniture manufacturing and kiln drying facilities | 60 years leasehold expiring in 2056/ 16 years | 9,274 | 12.9.00 (Date of Acquisition) |
| GM No. 3000, Lot 3081 GM No. 2548, Lot 1980 HSM No. 7207, Ptd 12933 GM No. 3001, Lot 3082 GM No. 2479, Lot 1981 Mukim Jalan Bakri District of Muar Johor Darul Takzim | 1 plot of agriculture land | 2.35 | vacant land | freehold/ 3 years | 8,769 | 22.07.13 (Date of Acquisition) |

LIST OF MATERIAL LANDED PROPERTIES **AS AT 31 OCTOBER 2016 (CONT'D)**

| Address/ Location | Description | Land Area (hectare) | Use | Tenure/ Age of Building | Net Book Value as at 31.10.2016 RM'000 | Date of Revaluation or Acquisition |
|--|---|------------------------------------|---|---|---|---|
| PTD No. 1546 Bukit Pasir Industrial Area Mukim of Sungai Terap District of Muar Johor Darul Takzim | 1 plot of industrial land with an office building, 1 block of factory building and ancillary structures | 1.62 | Office with furniture manufacturing facilities | 60 years leasehold expiring in 2056/ 20 years | 6,575 | 17.6.99 (Date of Revaluation) |
| GM No. 1712, Lot 831 GM No. 1968, Lot 832 GM No. 1850, Lot 827 Mukim Sungai Terap District of Muar Johor Darul Takzim | 1 plot of agriculture land | 1.95 | vacant land | freehold/ 2 year | 6,169 | 26.12.13 (Date of Acquisition) |
| GRN No. 100856, Lot 3209 Bandar Maharani District of Muar Johor Darul Takzim | 1 plot of agriculture land | 0.93 | vacant land | freehold/ 2 year | 5,975 | 28.04.14 (Date of Acquisition) |
| GM No. 446, Lot 418 Mukim of Sungai Terap District of Muar Johor Darul Takzim | 1 plot of industrial land with 4 block of factory building | 1.21 | Factory | freehold/ 5 years | 5,559 | 30.06.11 (Date of Acquisition) |
| PTD Nos. 1547 & 1548 Bukit Pasir Industrial Area Mukim of Sungai Terap District of Muar Johor Darul Takzim | 2 plots of industrial land with 1 block of factory building and ancillary structures | 1.92 | Furniture manufacturing facilities | 60 years leasehold expiring in 2056/ 18 years | 5,275 | 27.7.99 (Date of Revaluation) |

ANALYSIS OF SHAREHOLDINGS

AS AT 31 JANUARY 2017

PRINCIPAL STATISTICS

| | | |
|----------------------------------|---|--|
| Authorised Share Capital | - | RM500,000,000 |
| Issued and Paid-up Share Capital | - | RM113,402,905 |
| Class of Shares | - | Ordinary shares of RM0.50 each |
| No. of shares in Issue | - | 213,478,210 shares |
| Voting Rights | - | One vote per ordinary share at any shareholders' meeting |
| Number of Shareholders | - | 4,631 shareholders |

Note: All information on shareholdings disclosed hereunder excludes 13,327,600 treasury shares held by the Company

DISTRIBUTION OF SHAREHOLDINGS

| Category | Shareholders | % | Shareholdings | % |
|--|--------------|---------------|--------------------|---------------|
| Less than 100 | 119 | 2.57 | 6,359 | 0.00 |
| 100 to 1,000 | 639 | 13.80 | 352,620 | 0.17 |
| 1,001 to 10,000 | 2,831 | 61.13 | 13,746,483 | 6.44 |
| 10,001 to 100,000 | 913 | 19.71 | 25,706,922 | 12.04 |
| 100,001 to less than 5% of issued shares | 126 | 2.72 | 93,796,550 | 43.94 |
| 5% and above of issued shares | 3 | 0.07 | 79,869,276 | 37.41 |
| TOTAL | 4,631 | 100.00 | 213,478,210 | 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 |
| Tay Kim Huat | 51,469,376 | 11,792,072 ^(a) | 24.11 | 5.52 |
| Lim Pei Tiam @ Liam Ahat Kiat | 28,399,900 | 3,374,000 ^(b) | 13.30 | 1.58 |

Notes:-

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

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

ANALYSIS OF SHAREHOLDINGS

AS AT 31 JANUARY 2017 (CONT'D)

DIRECTORS' SHAREHOLDINGS

(BASED ON THE REGISTER OF DIRECTORS' SHAREHOLDINGS)

| Name of Directors | No. of Shares Held | | % of Issued Share Capital | |
|----------------------------------|--------------------|---------------------------|---------------------------|--------|
| | Direct | Deemed | Direct | Deemed |
| Datuk Seri Zulkipli bin Mat Noor | - | - | - | - |
| Tay Kim Huat | 51,469,376 | 11,792,072 ^(a) | 24.11 | 5.52 |
| Tay Kim Hau | 300,000 | - | 0.14 | - |
| Boo Chin Liong | 39,000 | - | 0.02 | - |
| Tay Khim Seng | 3,556,660 | - | 1.67 | - |
| Chua Syer Cin | - | - | - | - |
| Toh Kim Chong | 7,158,088 | - | 3.35 | - |
| Lim Pei Tiam @ Liam Ahat Kiat | 28,399,900 | 3,374,000 ^(b) | 13.30 | 1.58 |

Notes:-

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

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

LIST OF TOP THIRTY (30) LARGEST SHAREHOLDERS

| Names | | Shareholding | % |
|-------|---|--------------|-------|
| 1 | Tay Kim Huat | 28,738,338 | 13.46 |
| 2 | Lim Pei Tiam @ Liam Ahat Kiat | 28,399,900 | 13.30 |
| 3 | Tay Kim Huat | 22,731,038 | 10.65 |
| 4 | Goi Mui Khim | 7,831,000 | 3.67 |
| 5 | Toh Kim Chong | 7,158,088 | 3.35 |
| 6 | Lim Pay Kaon | 6,700,000 | 3.14 |
| 7 | DB (Malaysia) Nominee (Asing) Sdn. Bhd. Deutsche Bank AG Singapore For Pangolin Asia Fund | 5,712,400 | 2.68 |
| 8 | Sim Sheau Yun | 4,995,530 | 2.34 |
| 9 | Amanahraya Trustees Berhad Public Islamic Opportunities Fund | 3,859,700 | 1.81 |
| 10 | RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Fong Siling (CEB) | 3,000,000 | 1.41 |
| 11 | Tay Yuan Sen | 2,876,108 | 1.35 |
| 12 | Lim Jia Chean | 2,600,000 | 1.22 |
| 13 | Tay Khim Seng | 2,556,660 | 1.20 |
| 14 | Yeo Gek Cheng | 2,330,028 | 1.09 |
| 15 | Tay Li Ping | 2,320,500 | 1.09 |
| 16 | Tay Li Chin | 2,134,448 | 1.00 |
| 17 | Tay Lee Thing | 2,129,988 | 1.00 |
| 18 | Lim Ah Waa | 2,000,800 | 0.94 |

ANALYSIS OF SHAREHOLDINGS

AS AT 31 JANUARY 2017 (CONT'D)

LIST OF TOP THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

| | Names | Shareholding | % |
|----|---|--------------|-------|
| 19 | Lu Chin Poh | 1,982,400 | 0.93 |
| 20 | DB (Malaysia) Nominee (Tempatan)) Sdn. Bhd. Exempt AN For Kumpulan Sentiasa Cemerlang Sdn. Bhd. (TSTAC/CLNT) | 1,270,000 | 0.59 |
| 21 | Su Ming Keat | 1,146,400 | 0.54 |
| 22 | Ng Chai Go | 1,045,100 | 0.49 |
| 23 | Alliance Group Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Tay Khim Seng | 1,000,000 | 0.47 |
| 24 | Lim Shu Chiah | 927,000 | 0.43 |
| 25 | Sow Kim Chye | 856,000 | 0.40 |
| 26 | Cha Au Peng | 847,500 | 0.40 |
| 27 | Lim Sian Min | 780,000 | 0.37 |
| 28 | Lim Shu Chuen | 770,000 | 0.36 |
| 29 | HSBC Nominees (Asing) Sdn. Bhd. TNTC For Globeflex Emerging Markets Small Cap, L.P. | 740,400 | 0.35 |
| 30 | Alliance Group Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Ronie Tan Choo Seng (8058147) | 700,000 | 0.33 |
| | Total | 150,139,326 | 70.33 |

ANALYSIS OF WARRANTHOLDINGS

AS AT 31 JANUARY 2017

PRINCIPAL STATISTICS

| | | |
|--------------------------|---|---|
| Name of Warrants | - | Poh Huat Warrants 2015/2020 |
| No. of Warrants in issue | - | 53,329,827 warrants |
| Exercise Price | - | RM1.00 per ordinary share |
| Expiry Date | - | 21 October 2020 |
| Voting Rights | - | One vote per warrant at any warrantholders' meeting |
| Number of warrantholders | - | 3,082 |

DISTRIBUTION OF WARRANTHOLDINGS

| Category | Warrantholders | % | Warrantholdings | % |
|--|----------------|---------------|-------------------|---------------|
| Less than 100 | 412 | 13.37 | 12,933 | 0.02 |
| 100 to 1,000 | 751 | 24.37 | 613,441 | 1.15 |
| 1,001 to 10,000 | 1,280 | 41.53 | 5,732,539 | 10.75 |
| 10,001 to 100,000 | 560 | 18.17 | 17,485,428 | 32.79 |
| 100,001 to less than 5% of warrants in issue | 77 | 2.50 | 20,795,418 | 39.00 |
| 5% and above of warrants in issue | 2 | 0.06 | 8,690,068 | 16.29 |
| TOTAL | 3,082 | 100.00 | 53,329,827 | 100.00 |

LIST OF TOP THIRTY (30) LARGEST WARRANTHOLDERS AS AT 31 JANUARY 2017

| | Names | Warrantholdings | % |
|----|---|-----------------|-------|
| 1 | Tay Kim Huat | 5,615,068 | 10.53 |
| 2 | UOB Kay Hian Nominees (Asing) Sdn. Bhd. Exempt An For UOB Kay Hian Pte. Ltd. (A/C Clients) | 3,075,000 | 5.77 |
| 3 | CIMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Chiew Chieng Siew (Kuching-CL) | 1,377,700 | 2.58 |
| 4 | DB (Malaysia) Nominee (Asing) Sdn. Bhd. Deutsche Bank AG Singapore For Pangolin Asia Fund | 1,338,700 | 2.51 |
| 5 | Yeo Khee Choon | 1,064,000 | 2.00 |
| 6 | Goi Mui Khim | 1,000,000 | 1.88 |
| 7 | Koay Wan Fing | 800,000 | 1.50 |
| 8 | Ong Lei Im | 699,000 | 1.31 |
| 9 | Lim Pay Kaon | 535,000 | 1.00 |
| 10 | Kogilavanan A/L Krishnasamy | 500,000 | 0.94 |
| 11 | Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Tan Boon Huat | 443,400 | 0.83 |

ANALYSIS OF WARRANTHOLDINGS

AS AT 31 JANUARY 2017 (CONT'D)

LIST OF TOP THIRTY (30) LARGEST WARRANTHOLDERS (CONT'D)

| | Names | Warrantholdings | % |
|----|---|------------------------|--------------|
| 12 | Amanahraya Trustees Berhad Public Islamic Opportunities Fund | 396,450 | 0.74 |
| 13 | Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Soh Tong Hwa (STF) | 378,900 | 0.71 |
| 14 | Tay Yuan Sen | 376,027 | 0.71 |
| 15 | Tay Li Ping | 370,125 | 0.69 |
| 16 | Ong Kek Bing | 360,000 | 0.68 |
| 17 | Ong Kim Leng | 343,000 | 0.64 |
| 18 | CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank For Chiew Chieng Siew (MK0111) | 326,800 | 0.61 |
| 19 | Tay Li Chin | 321,612 | 0.60 |
| 20 | Yeo Gek Cheng | 312,507 | 0.59 |
| 21 | Tay Lee Thing | 312,497 | 0.59 |
| 22 | Su Ming Keat | 286,600 | 0.54 |
| 23 | Sow Kim Chye | 270,000 | 0.51 |
| 24 | Alliance Group Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Tay Khim Seng | 250,000 | 0.47 |
| 25 | Tan Kuan Kae | 250,000 | 0.47 |
| 26 | UOB Kay Hian Nominees (Tempatan) Sdn. Bhd. Exempt AN For UOB Kay Hian Pte. Ltd. (A/C Clients) | 246,000 | 0.46 |
| 27 | Tay Yee Yee | 235,300 | 0.44 |
| 28 | Tay Yee Yee | 223,000 | 0.42 |
| 29 | RHB Nominees (Tempatan) Sdn. Bhd. Tan Chin Thong | 222,500 | 0.42 |
| 30 | HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Wong Ah Kim | 220,500 | 0.41 |
| | Total | 22,149,686 | 41.53 |

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 19th Annual General Meeting of the Company will be held at Classic 1, Ballroom, Classic Hotel No. 69, Jalan Ali, 84000 Muar Johor Darul Takzim on Wednesday, 22 March 2017 at 11.00 a.m. for the transaction of the following businesses:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 October 2016 together with the Reports of the Directors and the Auditors thereon. *(Please refer to Note 9)*
2. To approve the payment of Directors' fees for the financial year ended 31 October 2016. **(Ordinary Resolution 1)**
3. To declare a final single tier dividend of 2 sen per share in respect of the financial year ended 31 October 2016. **(Ordinary Resolution 2)**
4. To re-elect the following Directors who retire pursuant to Section 205(3)(b) of the Companies Act, 2016 ("the Act"):
 - Tay Khim Seng **(Ordinary Resolution 3)**
 - Chua Syer Cin **(Ordinary Resolution 4)**
 - Boo Chin Liong **(Ordinary Resolution 5)**
5. To re-appoint Messrs Crowe Horwath as Auditors of the Company and to authorise the Directors to determine their remuneration. **(Ordinary Resolution 6)**

AS SPECIAL BUSINESSES

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

AS ORDINARY RESOLUTIONS

6. **Continuing in Office as Independent Non-Executive Directors**
 - (i) THAT subject to the passing of Ordinary Resolution 4 above, authority be and is hereby given to Mr Chua Syer Cin, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company. **(Ordinary Resolution 7)**
 - (ii) THAT subject to the passing of Ordinary Resolution 5 above, authority be and is hereby given to Mr Boo Chin Liong, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company. **(Ordinary Resolution 8)**

7. **Share Buy-Back Mandate**

"THAT subject always to the Act, the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad's ("Bursa Securities") and all other applicable laws, regulations and guidelines, the Directors of the Company be and

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

are hereby given full authority, to allocate an amount not exceeding the total available retained profits and share premium 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 as may be determined by the Directors of the Company from time to time through the Bursa Securities as the Directors may deem fit and in the best interest of the Company provided that the aggregate number of shares to be purchased and/or held as treasury shares pursuant to this resolution does not exceed ten percentum (10%) of the issued and paid-up share capital of the Company at any point in time;

AND THAT, upon the purchase by the Company of its own shares, the Directors are authorised to retain such shares so purchased as treasury shares or cancel the shares so purchased or retain part of the shares so purchased as treasury shares and cancel the remainder. The Directors are further authorised to distribute the treasury shares as dividends to the shareholders of the Company and/or resell the shares on the Bursa Securities in accordance with the relevant rules of the Bursa Securities or subsequently cancel the treasury shares or any combination thereof;

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

- a. the conclusion of the next annual general meeting of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- b. the expiration of the period within which the next annual general meeting is required to be held pursuant to Section 340(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340 (2) 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 the Bursa Securities and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities;

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

(Ordinary Resolution 9)

AS SPECIAL RESOLUTION

8. Proposed amendments to the Articles of Association of the Company

"THAT the proposed amendments to the Company's Articles of Association ("Proposed Amendments") as set out in the Appendix 1 attached to the Annual Report 2016 be and is hereby approved.

AND THAT the Directors and/or the Secretary of the Company be and are hereby authorised to take all steps as are necessary and expedite in order to implement, finalise and give full effect to the Proposed Amendments."

(Special Resolution 1)

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

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

NOTICE OF ENTITLEMENT DATE AND DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT the proposed final single tier dividend of 2 sen per share in respect of the financial year ended 31 October 2016, if approved, will be paid on 21 April 2017 to depositors registered in the Record of Depositors of the Company at the close of business on 7 April 2017.

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

- a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 7 April 2017 in respect of ordinary transfers; or
- b) Shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

BY ORDER OF THE BOARD

Pang Kah Man
(MIA 18831)
Secretary

Muar, Johor Darul Takzim
27 February 2017

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

Notes:-

1. A proxy may but need not be a member of the Company pursuant to Section 334 of the Act.
2. To be valid, the form of proxy, duly completed, must be deposited at the Registered Office of the Company at No. 7, (1st Floor), Jalan Pesta 1/1, Taman Dr Ismail 1, Jalan Bakri, 84000 Muar, Johor Darul Takzim not less than forty-eight (48) hours before the time of the 19th Annual General Meeting.
3. In the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the Meeting as his/their proxy, provided always that the rest of the form of proxy, other than the particulars of the proxy, have been duly completed by the member(s).
4. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the 19th Annual General Meeting provided that the provisions of Section 334(2) of the Act are complied with.
5. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
6. If the appointer is a corporation, the form of proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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 account ("Omnibus Account"), there is no limit to the number of proxies which the Exempted Authorised Nominee may appoint in respect of each Omnibus Account it holds.*
8. *Only depositors whose names appear in the Register of Depositors as at 16 March 2017 shall be entitled to attend in person or appoint proxies to attend and/or vote on their behalf at the 19th Annual General Meeting.*
9. **Explanatory Notes for Item No. 1 Audited Financial Statements**

Item No. 1 is meant for discussion only as the provision of Section 244(2)(a) the Act does not require the Company to obtain shareholders' approval for its Audited Financial Statements. Henceforth, this item is not put forward for voting.
10. **Explanatory Notes for Item No. 6 Continuing in Office as Independent Non-Executive Directors**

*The Ordinary Resolutions proposed under Item No. 6 (**Resolutions 7 & 8**) of the Notice of 19th Annual General Meeting relate to the approval by shareholders for the named directors to continue in office as Independent Non-Executive Directors. The Board has assessed the independence of each of the directors who has served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years. The Board is satisfied that each of these directors has met the independence guidelines as set out in Chapter 1 of the Main Market Listing Requirements. The length of their service does not interfere with their ability and exercise of independent judgement as Independent Directors. Therefore, the Board has recommended that the approval of the shareholders be sought for Mr Boo Chin Liong and Mr Chua Syer Cin to continue to act as an Independent Non-Executive Directors of the Company.*
11. **Explanatory Notes for Item No. 7 Share Buy-Back Mandate**

*The Ordinary Resolution proposed under Item No. 7 (**Resolution 9**), if passed, will empower the Directors to purchase shares in the Company up to an amount not exceeding ten percentum (10%) of the issued and paid-up share capital of the Company as they consider would be in the interest of the Company. Further details on the Share Buy-back Mandate are provided in the Circular to Shareholders dated 27 February 2017.*
12. **Special Resolution No. 1 Proposed Amendments to the Articles of Association of the Company**

The proposed Special Resolution No. 1 is intended to streamline the Company's Articles of Association to be aligned with the recent amendments to Chapter 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which took effect on 31 December 2015 as well as to enhance administrative efficiency. Further details on the Proposed Amendments are provided in the Appendix 1 attached to the Annual Report 2016.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

DETAILS OF INDIVIDUALS STANDING FOR ELECTION AS DIRECTORS

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"))

No individual is seeking election as a Director at the 19th Annual General Meeting of the Company.

NAME OF DIRECTORS STANDING FOR RE-ELECTION

The Directors standing for re-election at the 19th Annual General Meeting are as follows:-

- Tay Khim Seng
- Boo Chin Liong
- Chua Syer Cin

Mr Tay Khim Seng, Mr Boo Chin Liong and Mr Chua Syer Cin are retiring pursuant to Section 205(3)(b) of the Companies Act 2016.

Mr Boo Chin Liong and Mr Chua Syer Cin are seeking shareholders' approval to continue as Independent Non-Executive Directors of the Company in accordance with the procedures adopted by the Board for the continuing in office of Independent Directors whose tenure exceed a cumulative term of more than nine (9) years.

DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

Four (4) board meetings were held during the financial year ended 31 October 2016. Details of the attendance of Directors at the board meetings are as follows:-

| Name | Attendance |
|----------------------------------|------------|
| Datuk Seri Zulkipli bin Mat Noor | 4/4 |
| Mr Tay Kim Huat | 4/4 |
| Mr Tay Kim Hau | 4/4 |
| Mr Boo Chin Liong | 4/4 |
| Mr Tay Khim Seng | 4/4 |
| Mr Chua Syer Cin | 4/4 |
| Mr Toh Kim Chong | 3/4 |
| Mr Lim Pei Tiam @ Liam Ahat Kiat | 3/4 |



19TH
ANNUAL GENERAL
MEETING



22nd March 2017
Wednesday



11.00 a.m.



Classic Hotel,
Classic 1, Ballroom,
No. 69, Jalan Ali,
84000 Muar,
Johor Darul Takzim.

APPENDIX 1

DETAILS OF THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF POH HUAT RESOURCES HOLDINGS BERHAD

The proposed deletions, alterations, modifications, variations and additions to the Articles of Association of the Company ("Proposed Amendments") are as follows:

| EXISTING ARTICLE | AMENDMENT TO THE EXISTING ARTICLE |
|--|---|
| <p>Article 150: To whom copies of profit and loss account etc, may be sent</p> <p>The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in a general meeting, such profit and loss accounts, balance sheets and reports as are referred to in the Section 169 of the Act and the Listing Requirements. An annual report which is to be laid before the Company in a general meeting (including every document required by law to be annexed thereto) together with a copy of the Auditors' and the Directors' Report relating thereto, shall not exceed six (6) months from the close of the financial year and the said annual report shall be sent to every Member and every holder of debenture of the Company not less than twenty-one (21) days before the date of said meeting.</p> <p>A copy of each such documents may be sent in printed form or in CD-ROM form or in such other form of electronic media, (including other documents required by law to be annexed thereto) shall together with the notice of the annual general meeting be sent to every member under the provisions of the Act or of these Articles.</p> <p>In the event that the annual report is sent in CD-ROM form or such of electronic media and a member requires a printed form of such documents, the Company shall send such documents to the Member within four (4) market days from the date of receipt of the Members' request.</p> <p>Notwithstanding the above, the annual audited financial statements together with the Directors' and Auditors' reports shall be filed with the Exchange for public release within four (4) months after the close of its financial year.</p> | <p>Article 150: To whom copies of profit and loss account etc, may be sent</p> <p>The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in a general meeting, such profit and loss accounts, balance sheets and reports as are referred to in the Section 169 of the Act and the Listing Requirements. An annual report which is to be laid before the Company in a general meeting (including every document required by law to be annexed thereto) together with a copy of the Auditors' and the Directors' Report relating thereto, shall not exceed six (6) four (4) months from the close of the financial year or such other period as may be prescribed by the Listing Requirements be sent to the Exchange, the Securities Commission Malaysia and the said annual report shall be sent to every Member and every holder of debenture of the Company and to every other person who is entitled to receive notices from the Company under the provisions of the Act or these Articles not less than twenty-one (21) days before the date of said meeting.</p> <p>A copy of each such documents may be sent in printed form or in CD-ROM form electronic format or in such other form of electronic media, (including other documents required by law to be annexed thereto) shall together with the notice of the annual general meeting be sent to every member under the provisions of the Act or of these Articles.</p> <p>In the event that the annual report is sent in CD-ROM form electronic format or such of electronic media and a member requires a printed form of such documents, the Company shall send such documents to the Member within four (4) market days from the date of receipt of the Members' request.</p> <p>Notwithstanding the above, the annual audited financial statements together with the Directors' and Auditors' reports shall be filed with the Exchange for public release within four (4) months after the close of its financial year.</p> |

FORM OF PROXY



I/We _____
 of _____
 being member/members of **POH HUAT RESOURCES HOLDINGS BERHAD**, hereby
 appoint _____
 of _____
 or failing him, _____
 of _____

as my/our proxy to vote on my/our behalf at the 19th Annual General Meeting of the Company to be held at Classic 1, Ballroom, Classic Hotel No. 69, Jalan Ali, 84000 Muar Johor Darul Takzim on Wednesday, 22 March 2017 at 11.00 a.m. and at every adjournment thereof, and to vote as indicated below:-

| No. | Ordinary Resolutions | For | Against |
|-----|--|-----|---------|
| 1 | Payment of Directors' Fees | | |
| 2 | Declaration of a final single tier dividend of 2 sen per share | | |
| 3 | Re-election of Mr Tay Khim Seng | | |
| 4 | Re-election of Mr Chua Syer Cin | | |
| 5 | Re-election of Mr Boo Chin Liong | | |
| 6 | Re-appointment of Auditors | | |
| 7 | Retention of as Mr Chua Syer Cin as Independent Director | | |
| 8 | Retention of Mr Boo Chin Liong as Independent Director | | |
| 9 | Share Buy-Back Mandate | | |
| | Special Resolution | | |
| 1 | Amendments to the Articles of Association of the Company | | |

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.

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

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

| | |
|-----------------------|--|
| CDS Account No. | |
| Number of Shares held | |

Dated this _____ day of _____ 2017

 Signature of Shareholder(s) or Common Seal

Notes:

1. A proxy may but need not be a member of the Company pursuant to Section 334 of the Companies Act 2016 ("the Act").
2. To be valid, the form of proxy, duly completed, must be deposited at the Registered Office of the Company at No. 7, (1st Floor), Jalan Pesta 1/1, Taman Dr Ismail 1, Jalan Bakri, 84000 Muar, Johor Darul Takzim, not less than forty-eight (48) hours before the time of the 19th Annual General Meeting.
3. In the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the Meeting as his/their proxy, provided always that the rest of the form of proxy, other than the particulars of the proxy, have been duly completed by the member(s).
4. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the 19th Annual General Meeting provided that the provisions of Section 334(2) of the Act are complied with.
5. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
6. If the appointer is a corporation, the form of proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.
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 account ("Omnibus Account"), there is no limit to the number of proxies which the Exempted Authorised Nominee may appoint in respect of each Omnibus Account it holds.
8. Only depositors whose names appear in the Register of Depositors as at 16 March 2017 shall be entitled to attend in person or appoint proxies to attend and/or vote on their behalf at the 19th Annual General Meeting.
9. By submitting the duly executed proxy form, the member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purpose of the 19th Annual General Meeting and any adjournment thereof.

Please fold here

STAMP/SETEM

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

No. 7 (1st Floor), Jalan Pesta 1/1,
Taman Tun Dr Ismail 1,
Jalan Bakri, 84000 Muar
Johor Darul Takzim

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Poh Huat Resources Holdings Berhad

(Company No. 443169-X)

(Incorporated in Malaysia under the Companies Act, 1965)

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