SERN KOU RESOURCES BERHAD

[Registration No. 200001016496 (519103-X)]

ANNUAL REPORT 2022

CONTENTS



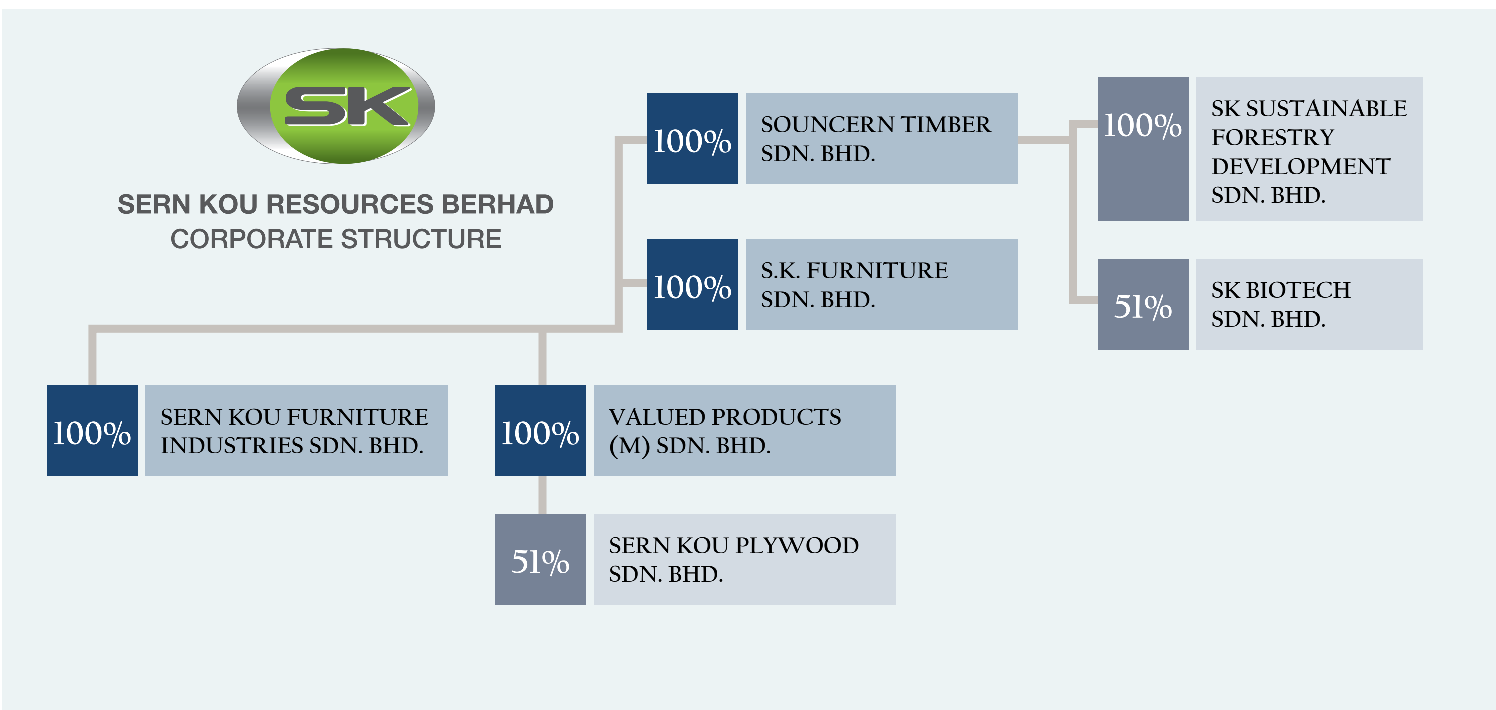
MANAGEMENT DISCUSSION & ANALYSIS

"Dear Valued Shareholders,

On behalf of the Board of Directors of Sern Kou Resources Berhad, it is my pleasure to present to you the Annual Report of Sern Kou Resources Berhad ("Sern Kou" or the "Group") for the financial year ended 30 June 2022 ("FY2022")."

The Group has a rich history dating back to 1993 where it first started as a furniture manufacturer. Over the years, Sern Kou has grown and expanded its business in the value chain. Today, the Group is an established resources group with close to 30 years of experience and proven track record.

Sern Kou was listed on the Second Board of Malaysia Securities Exchange Berhad in 2004 (now renamed Bursa Malaysia Securities Berhad) ("Bursa Securities"). In the subsequent year, the listing was transferred to the Main Board (now known as Main Market) of Bursa Securities.



MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OVERVIEW

In the financial year under review, the world continued to grapple with the challenges and chaos brought about by the Coronavirus disease 2019 ("COVID-19"). The mutation of the virus that led to new variants such as Delta and Omicron caused further disruptions to the global and local economy. The introduction of the Full Movement Control Order ("FMCO") in the second half of 2021 had a greater bearing on the health of the local economy. Among the restrictions imposed were international and interstate travel bans, closure of non-essential services, limited operating hours, and workforce constraints. Collectively, these have adversely affected businesses nationwide.

As a result, the Group's furniture manufacturing operations were temporarily halted, which impacted its performance. On a positive note, our team is well-prepared to address the situation and swiftly facilitated the inoculation of the entire workforce, which allowed us to resume our production smoothly. Meanwhile, our processing and trading of wood business continue to operate as usual without any major interruptions. Through the period, the Group remained fully compliant with the Standard Operating Procedures ("SOPs") imposed by the authorities. This was to safeguard the health and wellbeing of our team and to ensure our production did not get interrupted.

We managed to deliver yet another all-time high top-line performance. This is the fifth consecutive we posted record-breaking revenue. FY2022 revenue rose 4.2% year-on-year ("YoY") to RM338.3 million. However, in facing the challenges in FY2022, the Group's bottom-line had unfortunately been impacted. For the financial under review, profit after tax and non-controlling interest ("PATNCI") stood at RM9.2million.

RECORD-BREAKING TOP-LINE PERFORMANCE

FY2022
REVENUE
RM338.3
MILLION

FY2022
PATNCI
RM9.2
MILLION

Fifth Consecutive Year Of Positive Earnings Growth

MANAGEMENT DISCUSSION & ANALYSIS

KEY BUSINESS SEGMENTS

Manufacturing and Trading of Furniture

Our furniture production facilities span across 8.63 acres of land. We specialize in wooden furniture and are primarily involved in producing wooden dining furniture using rubberwood. Besides, we also manufacture living room furniture along with bedroom sets and occasional sets.

Sern Kou is both an Original Design Manufacturer ("ODM") and Original Equipment Manufacturer ("OEM"). ODM contributes a major portion of the revenue for this division. We are proud of our ODM capabilities, that churns out more than 40 new designs every year. Currently, Sern Kou exports to 19 countries globally.

Processing and Trading of Wood

Sawmill Operations

Our sawmill business is the Group's anchor revenue contributor. Sern Kou has two sawmills in Kelantan – Kuala Krai and Gua Musang. At our sawmills, we sort logs according to sizes and species before cutting them into lumber in predefined sizes and selling to our customers.

Plywood Manufacturing

The Group's plywood manufacturing operations are housed in the same plant as our Gua Musang sawmill. We manufacture waterproof tropical hardwood and rubberwood plywood. As part of our efforts to reduce wastage and as a responsible corporate citizen, we use recycled wood materials to manufacture plywood, which are then supplied to mainly customers from the local construction industry.

Processing and Trading of Rubberwood and Timber

We process rubberwood and timber logs. Aside from processed logs, we also trade raw, unprocessed logs. Moving forward, the Group will be diverting our resources and efforts to focus on our sustainable forestry venture.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL PERFORMANCE REVIEW

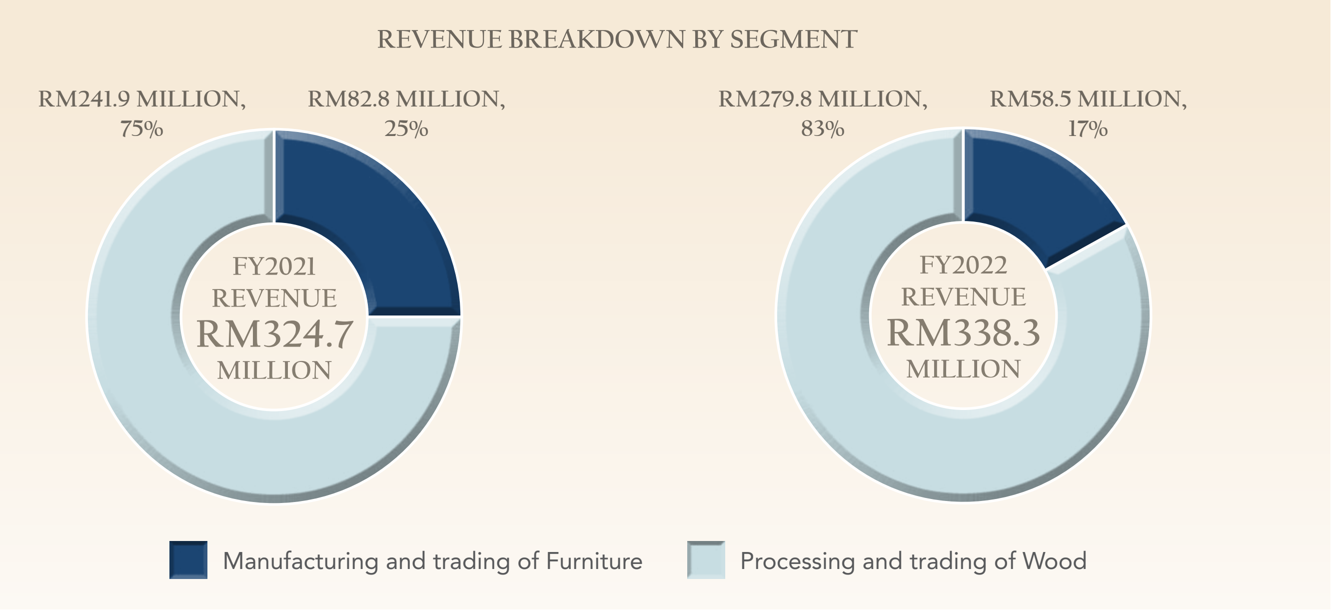
Five-Year Group Financial Summary

FYE June (RM'000)	FY2018	FY2019	FY2020	FY2021	FY2022
Financial Results					
Revenue	172,996	237,137	300,090	324,698	**338,266**
Profit before taxation	11,824	16,466	22,567	24,735	**15,964**
Profit after taxation	9,119	11,881	16,869	17,914	**9,826**
Profit attributable to owners	9,084	11,562	17,144	17,561	**9,213**
Financed by					
Shareholder's fund	75,636	96,022	119,462	186,856	**202,915**
Net assets	76,413	97,119	120,284	188,030	**204,947**
Statistics					
Earnings per Share (sen)*	1.26	1.61	2.29	2.25	**1.12**
Gross Dividend per Share (sen)	-	-	-	-	**-**
Net Assets per Share (RM)*	0.11	0.13	0.24	0.24	**0.24**

* Adjusted for 2-for-1 bonus issue that was completed in June 2021

Revenue

Sern Kou's revenue for the financial year under review rose 4.2% YoY to RM338.3 million from RM324.7 million in the previous year, predominantly owing to stronger contribution from the processing and trading of wood segment. Sales from this segment jumped 15.6% YoY to RM279.8 million in FY2022 from RM241.9 million a year ago. This accounted for 82.7% of FY2022 total revenue with the remainder contributed by the manufacturing and trading of furniture division.



MANAGEMENT DISCUSSION & ANALYSIS

Operating Expenses & Finance Costs

A combination of factors that included the supply chain disruptions, raw material and labour shortages, together with hike in input cost had undoubtedly impacted our cost of sales, causing it to expand at a much faster pace in relation to our revenue. On a brighter note, through close monitoring and prudent practice, our selling and distribution, administrative, other operating expenses as well as finance costs in FY2022 improved to RM15.7 million from RM18.2 million a year ago, notwithstanding the higher revenue.

Profit Before Taxation ("PBT") & PATNCI

The Group's PBT for the financial under review stood at RM16.0 million, which was a decline from RM24.7 million posted in FY2021. This was mainly affected by higher input cost. Accordingly, Sern Kou posted a lower PATNCI of RM9.2 million for FY2022 as compared to RM17.6 million a year ago due to aforementioned factors, in addition to higher effective tax rate.

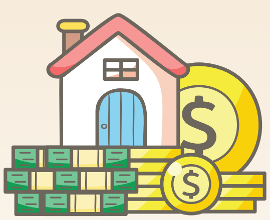
Capital Structure and Capital Resources

As at 30 June 2022, the Group's total assets was higher at RM321.4 million, against RM292.8 million a year ago. The increase was primarily due to higher cash and bank balances as well as inventories and trade receivables, partly offset by decrease in investment property and other receivables. At the close of the financial year, we recorded total cash and bank balances of RM56.9 million versus RM36.3 million for the financial year ended 2021.

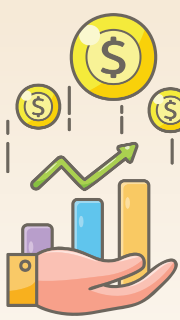
On the other hand, Sern Kou's total liabilities amounted to RM116.5 million as at 30 June 2022, which was up RM11.8 million from RM104.7 million in the previous year. This primarily stemmed from increase in trade payables as well as short-term borrowings. Total borrowings stood at RM68.0 million as at 30 June 2022 versus RM64.3 million a year ago. Total equity, meanwhile, increased to RM204.9 million from RM188.0 million on higher retained earnings and share capital.

Net Operating Cash Flow

Sern Kou has generated a positive NOCF of RM8.1 million in FY2022.



TOTAL ASSETS
RM321.4
MILLION



NET ASSETS
RM0.24
PER SHARE

TOTAL EQUITY
RM204.9
MILLION

TOTAL CASH
RM56.9
MILLION

MANAGEMENT DISCUSSION & ANALYSIS

ANTICIPATED OR KNOWN RISKS

Labour Shortage

Shortage of workers and the ability to recruit and retain workforce is an ongoing issue faced by all players in the industry. Labour shortage would disrupt the Group's production and workflow, leading to adverse impact on our operation and financial performances. In mitigation, we are continually stepping up the use of automation in our production process to reduce our reliance on physical labour.

Availability of Raw Materials

The main raw materials the Group uses are logs and woods. Any interruptions in the supply of raw materials may in turn, disrupt our operations. As part of our risk management and new direction of the Group, we have identified sustainable forestry as our growth driver moving forward. This will ensure Sern Kou has a steady supply of sustainable raw material in the future, meeting the current needs of society for forest resources without compromising the availability of resources for future generations.

MANAGEMENT DISCUSSION & ANALYSIS

Environmental Regulations

As a player in the furniture and wood-related industry, the Group is required to comply with the strict environmental regulations set out by the authorities. Sern Kou will continue to fulfil its duty of being a responsible corporate citizen and remained committed to complying with the environmental laws and regulations by incurring necessary costs. We have been undertaking initiative such as cultivating sustainable forestry to minimise environmental impact.

Operational Disruptions

We are dependent on our manufacturing and processing facilities to run smoothly and efficiently as any disruptions or unplanned shutdowns may have an undesirable impact on our operations. To this end, the Group has taken up insurance policies to provide coverage against the risk of fire and personal accidents for our workers. Nevertheless, external risks that are beyond our control such as natural disasters, pandemics, riots, and general strikes may also affect our operations negative as well.

PROSPECTS

As we move into the next financial year (FY2023), the taxing business operating conditions are expected to prevail, underpinned by the lingering effects of the pandemic. Additionally, market uncertainties are anticipated to remain elevated on the back of inflationary pressure, disruptions to supply chain and logistics, rising raw materials and commodity prices, as well as labour shortage, to name a few.

Despite this, we are broadly keeping our optimism on our prospects. The Group’s expansion plans remain our key focal point going forward. Our plan to enhance our sawmilling capacity though we are undertaking a prudent and cautious approach in expanding our capacity to balance the increasing orders vis-à-vis rising cost due to higher commodity prices.

MANAGEMENT DISCUSSION & ANALYSIS

More excitingly, in upholding our commitment towards environmental sustainability, we have identified sustainable forestry as our new growth focus in the coming years. The team has been making encouraging progress towards this direction and our efforts are gradually bearing fruits. Our own research lab and nursery production to support this initiative have been charting good progress as well.

In closing, we are working very hard to sustain the positive momentum as we execute our expansion strategy while being mindful of the challenges ahead. The prospects of Sern Kou continue to be positive premised upon the aforementioned factors.

APPRECIATION

On behalf of the Board, we would like to extend our heartfelt appreciation to the management and staff at Sern Kou for their dedication and immense contribution during these trying times.

A big thank you to all our stakeholders, including but not limited to our esteemed shareholders, customers, business partners, bankers and suppliers, to name just a few, for their unwavering support to the Group.

Next, I wish to welcome Ms. Teh Su-Ching, Ms. Seow Jing Hui and Mr. Chua Oou Chuan, who joined our Board as Independent Non-Executive Director during the year. They bring with their valuable expertise and experience in audit, corporate advisory, business development, corporate finance, accounting, financial management and legal, which we are confident will contribute positively to the Group.

Finally, we would like to thank our fellow Board members for their commitment and wise counsel throughout the year. We have no doubts that our management team, under the guidance of the Board, will drive Sern Kou to greater heights.

SUSTAINABILITY STATEMENT

ABOUT THIS REPORT

Sern Kou Resources Berhad ("SKRB", "Sern Kou" or the "Group") is pleased to present its annual Sustainability Statement for the financial year ended 30 June 2022 ("SS2022").

The SS2022 provides a detailed overview of SKRB's ongoing efforts in managing its sustainability performance, which are disclosed along the triple bottom line of Economic, Environmental, Social and Governance ("EESG") pillars on topics deemed most material to the value creation ability of the Group.

It is prepared with the aim to address the sustainability-related information needs of the Group's valued stakeholders, as identified on pages 15 to 17 of this report.

Applied Frameworks

SKRB's SS2022 has been prepared in accordance with the Bursa Malaysia Securities Berhad ("Bursa Malaysia") **Sustainability Reporting Guide (2nd Edition)**.

Other frameworks and guidelines referenced in the preparation of this report includes:
- Global Reporting Initiative ("GRI") Universal Standards 2016: Core Option
- FTSE4Good Sustainability Index
- Bursa Malaysia's Main Market Listing Requirements ("MMLR")
- Malaysian Code on Corporate Governance ("MCCG") 2021
- United Nations Sustainable Development Goals ("UNSDGs")

An accompanying GRI content index is provided at the Group's Investor Relations portal at https://www.sernkou.com/sernkougroup/annual-report/.

Reporting Period

The reporting cycle for SKRB's Sustainability Statements is annual. Unless otherwise stated, the reporting period for the SS2022 covers the operations of the Group from 1 July 2021 to 30 June 2022 ("FY2022"). Historical statistical data is provided where applicable to illustrate essential trend lines and help readers better understand the comparative performance achieved.

Scope And Boundary

This SS2022 is scoped to the business operations and activities of the holding company, Sern Kou Resources Berhad, and the main operating subsidiaries of the Group as listed below:
- Sern Kou Furniture Industries Sdn. Bhd.
- S.K. Furniture Sdn. Bhd.
- Sern Kou Plywood Sdn. Bhd.
- Souncern Timber Sdn. Bhd.
- Valued Products (M) Sdn. Bhd.

SK Sustainable Forestry Development Sdn. Bhd. and SK Biotech Sdn. Bhd. are excluded from this report as the dormant companies have no significant contribution to the Group's revenue and operations during reporting period.

SUSTAINABILITY STATEMENT

Exclusions And Limitations

As the sustainability journey of SKRB is still in the nascent stages of development, disclosures of its outsourced activities in which the Group does not have direct management control, are excluded from this report. Additionally, collection of quantitative data for certain sustainability indicators still present difficulties for the Group and are presently excluded.

The Board and Management recognises that there may be significant indirect EESG impacts from these excluded sources. Hence, SKRB is committed to continue strengthening its governance process, supply chain management and data collection practices to close these reporting gaps in the future.

Report Quality And Data Assurance

The report content in SS2022 have been determined based on SKRB's regulatory requirements, stakeholder expectations, and the Group's most material EESG factors as informed by its operating environment and materiality assessment. The GRI principles of accuracy, balance, clarity, comparability, reliability and timeliness have also been applied to ensure the disclosure quality of the SS2022.

All data contained in SS2022 have been sourced internally and are validated by the respective business units or information owners. The Group has not sought external assurance for the SS2022. Financial data disclosed herein which can be cross-referenced to the FY2022 Financial Statements, are independently audited by BDO PLT.

The Board and Management of SKRB provides its assurance that the SS2022 presents a fair and balanced account of the Group's EESG performance, activities and commitments, as reviewed by the sustainability working teams, internal auditors and the Risk Management and Sustainability Committee ("RMSC").

Feedback

SKRB recognises stakeholder engagement as a crucial part of the Group's sustainability process and welcomes comments and inquiries on this report and its contents. Feedback can be channelled to:

Sern Kou Resources Berhad [200001016496 (519103-X)]

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Mukim Bakri, 84200 Muar,
Johor Darul Takzim

Telephone No.: 606.986.5562
Facsimile No.: 606.986.5569

Executive Director: Lee Shen Wang
Email: swlee@sernkou.com

SUSTAINABILITY STATEMENT

SUSTAINABILITY AT SERN KOU

As a furniture manufacturer that is dependent on the continued availability of natural resources as inputs for its business model, SKRB is deeply committed to embedding sustainability principles and practices across every aspect of the Group's operations. SKRB strives to strike a balance between both its financial and non-financial goals while setting a clear route towards managing its EESG performance.

The precautionary approach is applied to prevent or minimise any negative environmental and social impacts from the Group's business activities. This includes managing energy, water and raw material consumption, greenhouse gas ("GHG") emissions and pollution prevention through comprehensive environmental monitoring measures, ensuring sound human rights and labour practices in every part of the organisation, and championing corporate social responsibility ("CSR").

At the same time, SKRB remains vigilant in monitoring and mitigating any business, operational, financial, climate-related and other risks that may affect the Group. By maintaining a robust corporate governance framework and fostering a responsible supply chain and sustainability-focused organisational culture, SKRB has strengthened its ability to continue creating positive financial and non-financial values for the Group and its stakeholders in the short, medium, and long terms.

The Group remains steadfastly committed to progressively enhance its sustainability performance year-on-year and ensure that SKRB continues to function as a force for good.

Sustainability Governance And Structure

SKRB has established a robust governance structure to advance its sustainability agenda and cascade Environmental, Social and Governance ("ESG") awareness and consciousness within the organisation and, as much as possible, across its value chain.

The Board recognises its responsibility to set the "tone from the top" and ensure good governance within SKRB. In this regard, the Board continues to play an active role in providing oversight on all EESG topics and KPIs disclosed in this report. Aside from strategic guidance for management of its identified sustainability material matters and climate-related risk, the Board is also committed in advancing the ESG agenda across the organisation.

SUSTAINABILITY STATEMENT

Supporting the Board is the Risk Management and Sustainability Committee ("RMSC"), which oversees the Group's sustainability blueprint, including material topics, strategies and targets. The RMSC is chaired by an Independent Non-Executive Director, together with a second Independent Non-Executive Director and Managing Director, who are collectively tasked with overseeing the Group's risk management and sustainability governance process.

The formation of the RMSC permits a more comprehensive assessment of risks emerging from material EES topics and underlines SKRB's commitment to prioritising EESG matters and integrating them into Group operational strategies and decision making. The RMSC is in turn supported by the Executive Directors and Senior Management, and the Head of Department and Head of Division, to drive and implement sustainability strategies.

Progress on the implementation of the Group's sustainability initiatives and its EESG performance are then cascaded back up the sustainability chain of command for deliberation and strategy setting.

Sustainability governance at SKRB is supported by a robust set of frameworks and policies. These policies, charters, codes and terms of references can be viewed at the Group's Investor Relations portal at https://www.sernkou.com/sernkougroup/corporate-governance/. They are assessed yearly to ensure its continued effectiveness.

ANTI-BRIBERY & ANTI-CORRUPTION POLICY	BOARD CHARTER	BOARD DIVERSITY POLICY	CORPORATE DISCLOSURE POLICY
DIRECTORS' CODE OF CONDUCT	DIRECTORS' FIT AND PROPER POLICY	EXTERNAL AUDITORS' SELECTION POLICY	PROCEDURE FOR THE APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT STAFF
REMUNERATION POLICY	SUCCESSION PLANNING POLICY	TERM OF REFERENCE OF AUDIT COMMITTEE	TERM OF REFERENCE OF NOMINATION AND REMUNERATION COMMITTEE
	TERM OF REFERENCE OF RISK MANAGEMENT AND SUSTAINABILITY COMMITTEE	WHISTLEBLOWING POLICY	

The Group is committed to continually strengthen SKRB's governance frameworks and had adopted the Directors' Fit and Proper Policy on 23 May 2022, which sets out the criteria for the appointment and re-appointment of Directors to the Board of SKRB and its subsidiaries. Additional ESG policies will be added periodically to further bolster governance at SKRB.

SUSTAINABILITY STATEMENT

2022 SUSTAINABILITY HIGHLIGHTS

682 Total Workforce Consisting of 100% Permanent Employees	Market Access to **19 Countries**	Increased Production Capacity to **~80,000 tonnes**
RM54mil in Net Cash Reserves	**RM312mil** Total Economic Value Distributed to Stakeholders	**95%** Procurement Spend on Local Vendors
Over 65% of Furniture Manufactured using **Environmentally Friendly Rubber Wood**	**↓ 26%** in Scope 2 Emissions from 6,959,019kWh in FY2021 to 5,344,520kWh in FY2022	**3,130 tonnes** of Waste Diverted from Disposal
FSC **Certification Maintained** through Independent Verification	**Zero Product Recalls**	★★★ 3 out of 4 (Good) **Customer Satisfaction Score**
Zero Incidence of Customer Data Breaches	**Zero Incidence of Corruption**	**Zero Incidence of Regulatory Non-Compliance**
Achieved **30% Women Representation** in SKRB's Board	**Zero Fatalities** in FY2022 with 12,080 manhours worked	**15 Training Hours Per Employee** on Average
New **ESG Data Collection** Procedures Implemented	**Materiality Assessment Process** Strengthened	Adopted **Director's Fit and Proper Policy** on 23 May 2022

SUSTAINABILITY STATEMENT

STAKEHOLDER ENGAGEMENT

SKRB's key stakeholders are defined as individuals or entities that may influence the Group's business strategies and operations, as well as those that will or may be impacted by SKRB and its wood processing and furniture manufacturing activities.

SKRB recognises the importance of effective stakeholder communication as a driver of an inclusive ESG agenda. Stakeholder perspectives are important for the identification, evaluation, and prioritisation of material topics which may have an impact on SKRB's business sustainability in the short, medium and long term. These perspectives serve to guide the Group's strategies and approaches in managing its material ESG topics to ensure sustainable financial and non-financial value creation.

A robust stakeholder management strategy is in place at SKRB, utilising a variety of engagement channels to monitor, measure and manage stakeholders' concerns and expectations in an effective manner. A summary of SKRB's stakeholder engagement approach and identified areas of concern are presented below:

STAKEHOLDER PRIORITISATION & MANAGEMENT APPROACH	ENGAGEMENT CHANNELS	ENGAGEMENT FREQUENCY	MATERIAL TOPICS / AREAS OF CONCERN
CUSTOMERS *Critical:* **Manage Closely**	Regular visits	Ongoing	• Product Safety and Quality • Product and Brand Appeal • Ethical Business Conduct • Regulatory Compliance • Occupational Safety and Health ("OSH")
	Compliance audit	Ongoing	
	Customer survey	Ongoing	
	Meeting	Ongoing	
	Exhibition	Ongoing	
SHAREHOLDERS AND INVESTORS *Critical:* ***Manage Closely***	Annual / Extraordinary General Meetings	Yearly/ Ad-Hoc	• Economic Profitability • Market Access and Access to Financing • Financial and ESG Risks Management • Anti-Bribery and Anti-Corruption • Regulatory Compliance
	Company website	Ongoing	
	Quarterly Result / Announcement	Quarterly/ Ongoing	
	Annual report	Yearly	
EMPLOYEES *Very High:* ***Keep Satisfied***	Appraisals	Yearly	• COVID-19 Pandemic • Occupational Safety and Health ("OSH") • Talent Management
	Staff orientation	Ongoing	
	Open communication	Ongoing	
	Meetings	Ongoing	

SUSTAINABILITY STATEMENT

STAKEHOLDER PRIORITISATION & MANAGEMENT APPROACH	ENGAGEMENT CHANNELS	ENGAGEMENT FREQUENCY	MATERIAL TOPICS / AREAS OF CONCERN
GOVERNMENT AND REGULATORY BODIES *High:* ***Keep Informed***	Correspondences	Ongoing	• Financial and ESG Risks Management • Regulatory Compliance • Market Access and Access to Financing • COVID-19 Pandemic • Community Development
	Audit / inspection	Ongoing	
	Training programmes & dialogues	Ongoing	
	Annual report	Yearly	
VENDORS / SUPPLIERS *High:* ***Keep Informed***	Regular visits	Ongoing	• Operational Efficiency and Productivity • Resource Stewardship • Regulatory Compliance
	Correspondences	Ongoing	
	Supplier evaluation & appraisal	Ongoing	
	Meeting & trade fairs	Ongoing	
MEDIA *Medium:* ***Monitor***	Corporate website	Ongoing	• Climate Change • Product and Brand Appeal • Economic Profitability
	Announcements & press releases	Ad-Hoc	
	Media briefings & media interviews	Ad-Hoc	
	Product launches & corporate events	Ad-Hoc	
COMMUNITY / PUBLIC *Medium:* ***Monitor***	Corporate website	Ongoing	• Community Development • Resource Stewardship • Energy Consumption • Water Consumption • Waste Management and Recycling • Occupational Safety and Health ("OSH")
	Social media	Ongoing	
	Community development programmes	Ad-Hoc	

SUSTAINABILITY STATEMENT

STAKEHOLDER PRIORITISATION & MANAGEMENT APPROACH	ENGAGEMENT CHANNELS	ENGAGEMENT FREQUENCY	MATERIAL TOPICS / AREAS OF CONCERN
NGOS AND OPINION LEADERS *Medium:* ***Monitor***	Corporate website	Ongoing	• Climate Change • Anti-Bribery and Anti-Corruption • Regulatory Compliance • Product Safety and Quality
	Annual report	Yearly	
	Social media	Ongoing	
	Correspondence & dialogue	Ad-Hoc	

Membership In Associations

SKRB keeps abreast of market developments through membership in various professional bodies and industry associations, contributing to marketplace discussions to pursue more sustainable industry practices in tandem with its peers. SKRB is a member of the following associations:

- MUAR FURNITURE ASSOCIATION
- MALAYSIAN FURNITURE COUNCIL
- THE TIMBER EXPORTER'S ASSOCIATION OF MALAYSIA ("TEAM")

MATERIALITY ASSESSMENT

In FY2022, SKRB engaged an external sustainability consultant to conduct a comprehensive Materiality Assessment Exercise ("MAE") to identify, assess, and prioritise key topics of material concern to our business and our stakeholders within the context of our operating environment. The result of the assessment is used to inform the Board and Senior Management for SKRB's strategy setting and resource allocation decisions to effectively manage the Group's sustainability-related risks.

The process of the materiality assessment is detailed below:

Step 1: Determining Scope of Assessment
A comprehensive gap analysis with peer comparison was conducted to determine the reporting gaps of SKRB, taking into consideration as well the emerging risks and trends of the operating landscape to determine the scope of the assessment.

SUSTAINABILITY STATEMENT

Step 2: Identification and Cetegorisation of Topics

A list of 22 sustainability topics for assessment were derived from SKRB's previously identified material topics and other areas of focus identified from the reporting frameworks referenced and the gap analysis conducted. The topics have been categorised into the following pillars:

SERN KOU RESOURCES BERHAD

Economic Topics (factors responsible for the company's financial performance)	Environmental Topics (factors relating to the efficient use of natural resources and environmental responsibility)	Social Topics (factors relevant to people's safety, health and mental wellbeing and employee matters)	Governance Topics (ways of working encompassing corporate behaviour, mitigation of risks and adherence to existing regulations)
• Economic Profitability • Operational Cost Efficiency and Productivity • Technology and Innovation • Product Safety and Quality • Product / Brand Appeal • Access to Financing • Market Access	• Resource Stewardship • Climate change (Emissions) • Energy Consumption • Water Consumption • Waste Management and Recycling • Environmental Compliance • Biodiversity	• Covid-19 • Occupational Health and Safety • Talent Management • Community Development	• Ethical Business Conduct • Anti-Corruption • Financial and ESG Risks Management • Regulatory Compliance

Step 3: Materiality Assessment Survey

An online materiality assessment survey was held in March 2022, where we gathered opinions from the Board of Directors, Management team members and the employees of SKRB to rank and rate the identified topic's impact to its business and importance to stakeholders. A total of 40 responses were collected.

Step 4: Materiality Analysis and Prioritisation

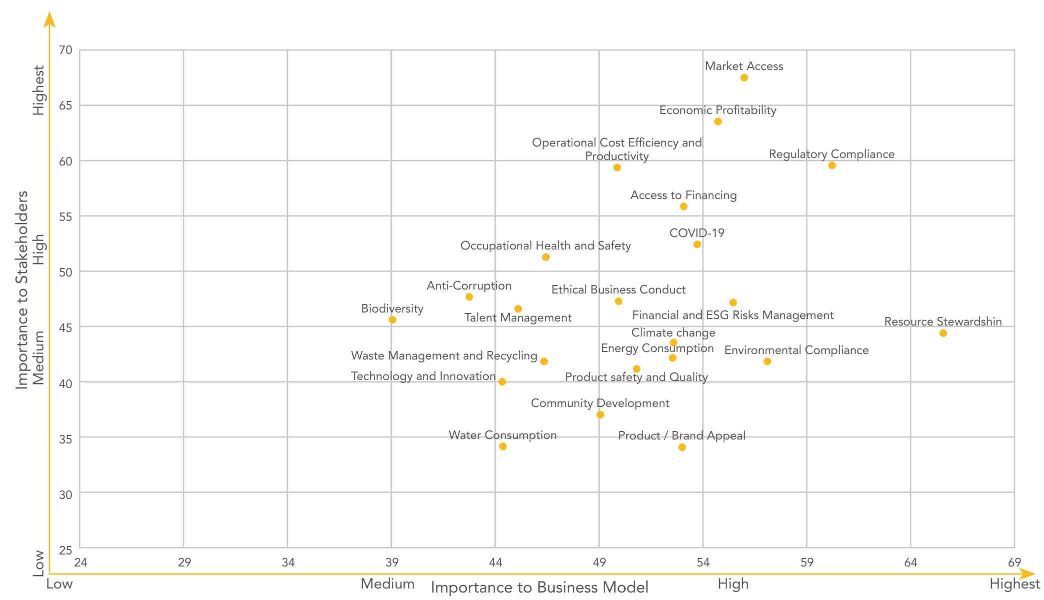
The feedback gathered from the survey were tabulated by the external sustainability consultants. Using best practices in statistical analysis with different weightage scores for different respondents' feedback for stronger validity of the results, the topics are plotted on a materiality matrix to determine their priority to the sustainability of SKRB.

Step 5: Validation and Endorsement of Materiality Matrix

The materiality matrix and additional findings from the materiality assessment survey were presented to the Board for validation and have been approved and endorsed by the Board on 18 May 2022.

SUSTAINABILITY STATEMENT

The chart below illustrates the prioritisation of the Group's FY2022 materiality topics on a matrix, depicting the level of importance of each material matter to the sustainability of SKRB's business model, and to its various stakeholders.



Due to the substantial realignment of topics for assessment in FY2022, only internal stakeholders' perspectives were sought in the assessment process for FY2022 to affirm the significance of the identified topics to the sustainability of SKRB. The Group intends to seek external perspectives for future assessments to ensure that the Group's perspective on materiality does not become insular or out of touch with the realities of the operational environment.

GOVERNANCE

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

ETHICAL BUSINESS CONDUCT

As the highest governing body of the Group, the Board of Directors of SKRB has direct oversight of the Group's corporate governance and matters of ethical business conduct. SKRB's approach to corporate governance management is founded upon ethical business conduct, professionalism and fair market practices. The Group strives to go beyond conformance of the relevant laws and regulatory requirements toward establishing best practices that reinforce trust, integrity and ethical principles to guide the business conduct of SKRB. This increases the confidence of stakeholders in SKRB and establishes the standard of conduct for the organisation to insulate the Group against regulatory, legal, reputational and financial risks.

SUSTAINABILITY STATEMENT

SKRB's Code of Conduct ("COC") provides a frame of reference for internal and external stakeholders concerning SKRB's expected corporate standards and behavioural conduct. It outlines the expected corporate behaviour norms for the Board of Directors, including setting out directives on recognising and resolving ethical issues and mechanisms for reporting unethical practices. It embodies the Group's commitment to integrity, accountability, transparency, and self-regulation, setting the tone from the top down to foster a culture of honesty, trust, responsibility, and accountability within the organisation. These expectations are cascaded down to Management, employees and vendors to support ethical behaviour throughout the Group.

Matters of significant impropriety identified through internal audit processes and the Group's whistleblowing channels are brought to the Board's attention for effective management and resolution. The Group's robust governing processes did not uncover any significant ethical breach of conduct in the financial year under review.

SKRB's Code of Conduct can be viewed here:
https://www.sernkou.com/sernkougroup/wp-content/uploads/2021/02/Directors-Code-of-Conduct-24-Feb-2021.pdf

Board Integrity

Given the Board's crucial role as arbiters of the Group's conduct, the Board is evaluated for effectiveness on a yearly basis. The Board consists of 10 Board of Directors, of which 60% (6 of 10) are Independent Directors and 30% (3 of 10) are women. Shareholders have the right to vote on Directors' appointments and dismissals, as enshrined in the Group's constitution.

The Board has put in place robust governance processes to ensure independence and diversity of skills, knowledge and perspectives, as well as to address conflicts of interests and related party transactions, and the remuneration process of the Board and Senior Management.

Additional information on the Board's governance process and activities for FY2022 are detailed in the Corporate Governance section of this Annual Report.

Fair Marketplace Practices

SKRB supports the local marketplace through responsible procurement practices that prioritises fairness, transparency and project awards to local vendors. It serves to strengthen trust with our external providers and help us source for products and services that provide the best fit for our needs at the best value, while spurring the growth of local economies and engendering shared prosperity for our community.

The Group maintains strict purchasing standards of operating procedure which reviews and assesses suppliers on a yearly basis on criteria such as price, payment terms, timely delivery, product and service quality, financial stability and performance to ensure its suppliers continue to meet SKRB's requirements and expectations.

Items	FY2022
Total Procurement Spend (RM)	281,448,929
Total Local Procurement Spend (RM)	267,663,153
Percentage of Local Procurement Spend	95%
Total Number of suppliers	298
Total Number of Local suppliers	282
Percentage of Local Suppliers	95%

SUSTAINABILITY STATEMENT

In the financial year under review, SKRB has expanded its list of active suppliers to 298, of which 282 are based in Malaysia. A total of 95% of the Group's procurement spend in FY2022 were awarded to local vendors.

SKRB is committed to continue strengthening its supply chain to incorporate additional criteria for evaluations, including social and environmental considerations, to manage its ESG risks more effectively.

ANTI-CORRUPTION

SKRB maintains a zero-tolerance stance towards any form of bribery, corruption, and/or misconduct in any business dealings involving the Group, its subsidiaries, suppliers, and business partners.

The Anti-Corruption and Anti-Bribery ("ABAC") Policy, which was adopted and implemented on 27 May 2020, complies with Section 17A of the Malaysian Anti-Corruption Commission ("MACC") (Amendment) Act 2018. The ABAC Policy defines what constitutes a corrupt act and forbids its commission in any capacity within the Group. This requirement extends to any dealings between external parties and SKRB, including agents of the Group such as the Board, Management, employees and vendors. All Directors, staff, and intermediaries are expected to abide by the ABAC Policy.

The Board, as the highest agency of SKRB, is responsible for overseeing anti-bribery and anti-corruption matters within the Group, including the development and implementation of the Anti-Bribery and Anti-Corruption ("ABAC") Policy. All Board of Directors have received anti-corruption training, with their knowledge and awareness refreshed through various programmes and courses. They have acknowledged the ABAC policy, demonstrating their commitment to uphold it at all times and in all of their activities as agents of the Group.

An awareness training was conducted in FY2020 to communicate the Group's stance and procedures on anti-bribery and anti-corruption throughout the organisation and to the value chain. Anti-corruption best practices are frequently cascaded down to employees by the Management team and supervisors through periodic reminders, including the actions to be taken if any of the Group's policies are infringed upon. Additionally, new employees receive anti-corruption briefings during their induction sessions alongside other established company policies and code of ethics.

The Group has not made any political contribution in the financial year under review. The performance data of the Group on Anti-Corruption practices are detailed in the table below:

Items	Descriptions	FY2020	FY2021	FY2022
Operations assessed for risks related to corruption	a) i) Total number of operations assessed for risks related to corruption	0	0	0
	ii) Percentage of operations assessed for risks related to types corruption	0	0	0
	iii) Number of corruption risk assessments based on types of corruption, including bribery	0	0	0
	b) Significant risks related to corruption identified through the risk assessment	0	0	0

SUSTAINABILITY STATEMENT

Items	Descriptions	FY2020	FY2021	FY2022
Communication and training about anti-corruption policies and procedures	a) Total number of governance bodies members and employees that the organisation's anti-corruption policies and procedures have been communicated to:			
	i) Number and percentage of directors	8 (100%)	0	0
	ii) Number and percentage of managerial staff	17 (100%)	0	0
	iii) Number and percentage of executive staff	19 (64%)	0	0
	iv) Number and percentage of operational staff	2 (0%)	0	0
	b) Number and Percentage of business partners that the organisation's anti-corruption policies and procedures have been communicated to, broken up by type of business partner.	0	0	0
	c) Number and Percentage of governance body members that have received training on anti-corruption			
	i) Total number of directors	8	0	0
	ii) Number of directors who have received training on anti-corruption	8	0	0
	iii) Percentage of directors who have received training on anti-corruption	100%	0	0
	d) Number and Percentage of employees that have received training on anti-corruption by employee category:			
	i) Total number of employees	776	0	0
	ii) Number of managerial staff	100%	0	0
	iii) Number of operational staff	64%	0	0
	iv) Number of executive staff	0%	0	0

SUSTAINABILITY STATEMENT

Items	Descriptions	FY2020	FY2021	FY2022
Number of training hours relating to anti-corruption	a) Number of hours directors have received training on anti-corruption	2	0	0
	b) Number of hours managerial staff have received training on anti-corruption	2	0	0
	c) Number of hours operational staff have received training on anti-corruption	0	0	0
	d) Number of hours executive staff have received training on anti-corruption	2	0	0
	e) Total training hours	2	0	0
Confirmed incidents of corruption and actions taken	a) Total number of confirmed incidents of corruption	0	0	0
	Nature of confirmed incidents of corruption	-	-	-
	b) Total number of confirmed incidents in which employees were dismissed or disciplined for corruption	0	0	0
	c) Total number of confirmed incidents when contracts with suppliers & contractors were terminated or not renewed due to violations related to corruption	0	0	0
	d) Public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases.	0	0	0
	Cost of fines, penalties or settlements in relation to corruption	0	0	0

SKRB's ABAC Policy can be viewed here: https://www.sernkou.com/sernkougroup/wp-content/uploads/2021/02/Anti-Bribery-and-Anti-Corruption-Policy-24-Feb-2021.pdf

SUSTAINABILITY STATEMENT

Whistleblowing

In its commitment to ensuring ethical conduct and transparency, the Group has established a whistleblowing channel and accompanying policy, which provides a formal and confidential channel for internal and external stakeholders to report any improper conduct or unlawful acts within the Group in good faith, without fear of retaliation or unfair treatment.

The whistleblowing channel is overseen by the Audit Committee, who is responsible for investigating all reported incidents and, where warranted, ensure that appropriate disciplinary and remedial actions are taken proportionate to the severity of the findings.

There were zero cases reported through the whistleblowing mechanism of SKRB in FY2022.

SKRB's Whistleblowing Policy can be viewed here: https://www.sernkou.com/sernkougroup/wp-content/uploads/2021/02/Whistleblowing-Policy-24-Feb-2021.pdf

FINANCIAL AND ESG RISKS MANAGEMENT

The Board of SKRB, through the Risk Management and Sustainability Committee, acknowledges its fiduciary responsibility to ensure the profitability of the Group and assumes the responsibility for the effective management of the Group's financial and ESG risks. This includes risks and opportunities associated with climate change that may impact the financial value creation ability of the Group.

The Board has engaged an outsourced Internal Auditor to conduct Risk assessment and review at the Group level, and is also committed to tendering for a new audit firm on a regular basis. The Board maintains a robust Group Risk Register that is updated regularly and is gradually being expanded to include climate-related risks. The Group has not yet accounted for climate change impacts in its budget or generated estimates of their magnitude but plans to address this moving forward.

In this regard, the Group endeavours to publish more accurate and transparent climate-related and socio-economic disclosures on its ESG performance, which sees the inclusion of additional economic, environmental, social and governance topics and performance data for disclosure in the SS2022. This is especially relevant in gaining the support of investors, lenders, insurance underwriters, customers and other stakeholders.

Additional information on the internal control measures of the Group can be found in the Statement on Risk Management and Internal Control of this Annual Report.

REGULATORY COMPLIANCE

SKRB has established internal systems to track and monitor the Group's adherence to all requirements stipulated by applicable laws, legislation, regulations and policies where its businesses operate, as any non-compliance exposes the Group to potential penalties, sanction or revocation of operating licenses and approvals granted to carry out the business activities of SKRB. This includes the provision of adequate and reliable financial and corporate governance disclosures in adherence to the relevant laws, regulations and/or listing requirements of SKRB.

SUSTAINABILITY STATEMENT

In FY2022, the Group was neither fined nor censured by regulatory authorities for any environmental or socioeconomic non-compliance. In addition, SKRB faced no regulatory actions on corporate governance and anti-corruption.

Items	Descriptions	FY2020	FY2021	FY2022
Regulatory Compliance	Incidents of non-compliance with regulations resulting in a fine or penalty;	0	0	0
	Incidents of non-compliance with regulations resulting in a warning;	0	0	0
	Total monetary value of significant fines;	0	0	0
	Total number of non-monetary sanctions;	0	0	0
	Cases brought through dispute resolution mechanisms.	0	0	0

Items	Descriptions	FY2019	FY2020	FY2021
AGM	AGM Notice Filing Date (DD-MM-YYYY)	23-10-2019	27-10-2020	27-10-2021
	AGM Date (DD-MM-YYYY)	26-11-2019	25-11-2020	25-11-2021
	Number of days between the date of notice and date of meeting	35	30	30

Note: Please refer to pages 53 to 56 of this Annual Report for the FY2022 Notice of AGM.

ECONOMIC

ECONOMIC PROFITABILITY

Financial and business performance, as well as the generation of direct and indirect economic values, are essential for SKRB's sustainability strategy. Aside from fulfilling the Group's profitability responsibility to its shareholders, strong financial performance is also crucial in sustaining the Group's material environmental and social strategies, initiatives and projects. The creation of economic value also enables the distribution of wealth to the Group's various stakeholders, which fosters prosperity, socio-economic growth, local industry development, and other benefits that cumulatively contribute to the betterment of society.

In FY2022, the Group registered a revenue of RM338 million and profit before tax of RM16 million. SKRB's net cash reserves stand at RM54 million as at FY2022. The table below illustrates the economic impact of the Group for FY2022:

Economic Impact		FY2022 RM
Economic Value Generated		338,266,279
Economic Value Distributed		
a.	Total monetary value / spend on procurement (Suppliers)	281,448,929
b.	Total payout to Employees in salaries and benefits	23,143,099
c.	Taxes paid to Governments	7,853,378
d.	Net Repayment to Financiers (Lenders and Shareholders)	--
Economic Value Retained		25,820,873

For more information on SKRB's financial performance, please refer to the Management Discussion and Analysis and Financial Statement sections of this report.

SUSTAINABILITY STATEMENT

OPERATIONAL EFFICIENCY AND PRODUCTIVITY

Operational efficiency and reliability help to ensure peak performance in SKRB's production process, using the least amount of inputs to achieve the highest amount of output that translates into cost savings and higher returns.

SKRB recognises the need of investing in sustainable manufacturing, which not only protects the environment but also improves the cost-effectiveness of production operations without compromising on the quality of the furniture and wood products manufactured by the Group.

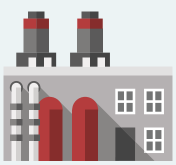
Moreover, the Group is cognisant of the amount of resources it consumes due to the wood-based nature of its business, and it seeks to continuously enhance its manufacturing process in order to reduce its consumption of raw materials, energy and water.

In FY2022, the Group has implemented new data collection procedures as part of its sustainability reporting process to better track the Group's environmental resource consumption and occupational health and safety data towards enhancing operational efficiency and productivity.

SKRB has also increased the Group's sawmill production capacity incrementally to reach a production capacity of approximately 80,000 tonnes as at FY2022, with the addition of 4 production lines from FY2020 to FY2022.

SAWMILL PRODUCTION CAPACITY

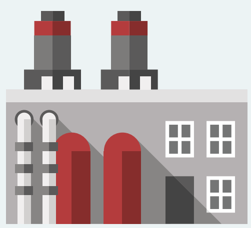
Phase 1



FY20

Production Capacity:
36,000-ton

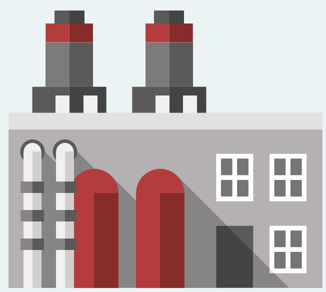
Phase 2



FY21

Production Capacity:
60,000-ton

Phase 3



FY22

Production Capacity
~80,000-ton

SUSTAINABILITY STATEMENT

TECHNOLOGY AND INNOVATION

Technological innovation is essential for improving the Group's manufacturing capabilities, services quality and efficiency of business processes to remain competitive in the current business landscape.

The digitalisation of business processes accelerated in FY2020 during the COVID-19 pandemic remains in place to enhance the Group's efficiency in FY2022. SKRB is committed to increase its adoption of technological innovation to automate certain company processes and service touchpoints, helping the Group to find more efficient and scalable ways to improve manufacturing capacity and enhance customer interactions. Upgrading of machines and equipment also serve to create a safer working environment for SKRB's employees, increase production quality and speed, and reduce production waste and raw material consumption, and will continue to be a focus area of the Group going forward.

PRODUCT SAFETY AND QUALITY

SKRB's financial performance is sustained by customers' continued trust and confidence in the quality of its products and the value it offers to end users. Beyond product and brand appeal, the Group also acknowledges its responsibility to guarantee the safety and efficacy of its products, ensuring that they pose no harm to the safety and health of the customers to prevent reputational damage to the Group.

FSC
www.fsc.org
FSC® A000521

RESPONSIBLE FORESTRY CERTIFIED™ SCS GLOBAL SERVICES

The Group has put in place a robust Quality Management System, adhering to the principles of ISO9001:2015 to ensure the continued integrity of its product offerings. This is augmented by the Group's Quality Policy, and adherence to regular standard operating procedures at its manufacturing premises that serve also to provide quality assurance through regular checks.

Items	FY2022
Incidents of non-compliance concerning the health and safety impacts of products and services	0
Substantiated complaints concerning breaches of customer privacy and losses of customer data	0
Total number of identified leaks, thefts, or losses of customer data	0
Number of complaints from regulatory bodies	0

The Group has also sought independent verification to certify SKRB's product conformity to the FSC 100%, FSC Mix, and FSC Controlled Wood certifications in accordance with the protocols of the Forest Stewardship Council A.C. ("FSC"). This accords the Group the use of the highly respected FSC and Responsible Forestry Certified logos on applicable products.

In FY2022, there were no incidents of health and safety breaches or product recalls for SKRB. SKRB also holds a high regard for customers' right to data privacy and adhere fully to the Personal Data Protection Act 2010 ("PDPA").

SUSTAINABILITY STATEMENT

PRODUCT AND BRAND APPEAL

As a furniture and wood product manufacturer, SKRB's product range are a vital source of its revenue and the foundation for the Group's brand reputation. The importance of SKRB products' appeal has led to a strong commitment in pursuing product quality and ensuring customer satisfaction, which also gives SKRB its competitive edge and improves its brand appeal in the market.

The Group strives to meet and exceed customers' expectations, engaging regularly with its customers to better understand customers' evolving needs and adapt its products to cater to their preferences to build long-term partnerships.

Moving forward, the Group is determined to continuously refine and innovate its products based on customer feedback, with the target of improving overall customer satisfaction that leads to repeat patronage and continued demand for SKRB's products.

Items	FY2022
Customer Satisfaction Scores ** (1 = Poor; 2 = Fair; 3 = Good; 4 = Excellent)*	3 out of 4* (Good)
Customer complaints received	17
Customer complaints resolved	17

ACCESS TO FINANCING

As a public listed company, the key sources of the SKRB's financial capital are equity from its investors and shareholders, revenue from the sale of its products and services, and loans from financial institutions.

The Group is keenly aware that there are many factors that may impact its ability to secure access to financing and capital markets at favourable rates, including the continued business performance and financial standing of SKRB, the strategic plans and experience of Company leaders, prevailing market condition, credit terms and interest rates, availability of collateral, non-compliance of regulatory requirements and many other factors.

The RMSC actively monitors and mitigates these risks to ensure the Group's continued ability to access the required financing to meet its present and future business needs.

MARKET ACCESS

SKRB's products are exported to 19 countries worldwide. The Group is committed to maintain strong relationships with its key global customers, tailoring SKRB's high-quality and stylish wood furniture to suit the taste of various markets towards ensuring continued access to its high value markets.

Efficient planning of resources, manufacturing and shipping timelines are also employed to ensure a steady inventory of products to meet existing market demands, while the sales team continue to be on the lookout for new business opportunities in markets with high or unmet potential. Due diligence is conducted regularly to ensure the various political, economical, social, technological, legal and environmental risk factors of each market is adequately addressed to retain access to existing markets, and before gaining entry into new markets.

SUSTAINABILITY STATEMENT

This includes the maintenance of relevant operating licenses in the respective markets, such as:

Type of License / Certification	Issued by	License / Certificate / Account No.	Valid until
Manufacturer of Bedding and/or Upholstered Furniture Permit	State of Utah Department of Agriculture and Food	1101-21999	31 Dec 2022
Manufacturer of Bedding and Upholstered Furniture	State of Connecticut Department of Consumer Protection	MFG. CA.00374203. (MY)	30 Apr 2023
Bedding, Upholstered Furniture and Stuffed Toy Registration License	State of Ohio Department of Commerce, Division of Industrial Compliance	---	30 Sep 2023
Manufacturer	Virginia Department of Health, Department of Health, Bedding and Upholstered Furniture Program, Commonwealth of Virginia	5544	31 Dec 2022
New Bedding License Certificate	Commonwealth of Pennsylvania, Department of Labor and Industry, Bureau of Occupational and Industrial Safety	06177	31 July 2023

ENVIRONMENTAL

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

15 LIFE ON LAND

BIODIVERSITY

SKRB recognises the importance of biodiversity to the health of the planet's ecosystems, its impact on food security, and ultimately, the survival of the human species. Due to the significant consumption of raw wood materials as its business inputs and the location of SKRB's wood processing business segment within forest reserves which have been gazetted as production forests, the Board and Management of SKRB have placed a strong emphasis on mindful sourcing of the Group's raw wood materials and traded wood products as part of its resource stewardship commitment to minimise SKRB's impact on biodiversity loss.

Aside from the use of renewable rubber wood from plantations for over 65% of its operations, the other timber used are sourced from areas approved by the Kelantan State Forestry Department (Jabatan Perhutanan Negeri Kelantan). Wood by-products from its furniture manufacturing and wood processing activities are reused to create other valuable products, and the Group has also taken steps to minimise the waste and effluents from its processes to prevent downstream pollution that may negatively impact biodiversity.

Furthermore, the Board and Management have included biodiversity as a material topic in its annual assessment of ESG matters to strengthen the management of this issue going forward.

SUSTAINABILITY STATEMENT

RESOURCE STEWARDSHIP

SKRB is cognisant that its business model consumes large volumes of natural resources that may impact the biodiversity of our sourcing areas and contribute to climate change. The Group recorded a total consumption of 42,229 tonnes of wood as raw material inputs for its wood processing and furniture manufacturing activities during the financial year under review.

SKRB is committed to responsible resource stewardship by minimising resource consumption through efficient utilisation of materials in the manufacture of the Group's furniture products. Significant care has also gone into the consideration of our raw material sources. Over 65% of the Group's furniture are manufactured using rubber wood, which is a sustainable and environmentally friendly wood as it makes use of rubber plantation trees that have reached the end of its latex-tapping lifespan. Aside from having already served a useful function, fast-growing rubber trees are also a renewable resource that helps to reduce the logging pressures on old-growth forests.

SCS Global Services does hereby certify that an independent audit has been completed and conformity to the applicable standard(s) has been confirmed for:

Sern Kou Furniture Industries SDN BHD

This single site certificate covers the production of indoor furniture, furniture parts, and components and trade of furniture using the transfer and percentage systems.

The facility(s) are hereby Chain of Custody certified to sell products as:

FSC 100%; FSC Mix; FSC Controlled Wood

The assessment has been conducted by SCS Global Services in accordance with the protocols of the Forest Stewardship Council® A.C. (FSC®).

Certificate Code: SCS-COC-006973 Trademark License Code: FSC-C151892

CW Code: SCS-CW-006973

Valid from: 30 September 2019 Expiry date: 29 September 2024

Other types of timber used in SKRB's furniture manufacturing and wood processing businesses are mindfully sourced from areas approved by the Kelantan State Forestry Department (Jabatan Perhutanan Negeri Kelantan).

The Group has also sought and received third-party assurance of its facility's conformance to the Forest Stewardship Council A.C. ("FSC")'s standards on FSC 100%, FSC Mix and FSC Controlled Wood labelling of its product.

Additionally, SKRB has put in place a Safety Committee and Occupational Safety and Health Policy to govern its workplace practices, which serve not only to protect the wellbeing of its employees, but also to prevent incidences of industrial mishaps from contaminating the planet's natural resources.

Going forward, SKRB intends to conduct a comprehensive business process review from a life cycle perspective – beginning with the procurement of raw materials and ending with the production of finished goods – in order to identify opportunities to reduce environmental impacts and improve its efficiency in resource consumption.

SUSTAINABILITY STATEMENT

CLIMATE CHANGE

Sern Kou is cognisant that climate change is a global issue that necessitates the collective action of all parties, particularly corporations, in the reduction and management of energy consumption and carbon emissions. This understanding reinforces the Group's commitment to environmental management as an integral part of its operations.

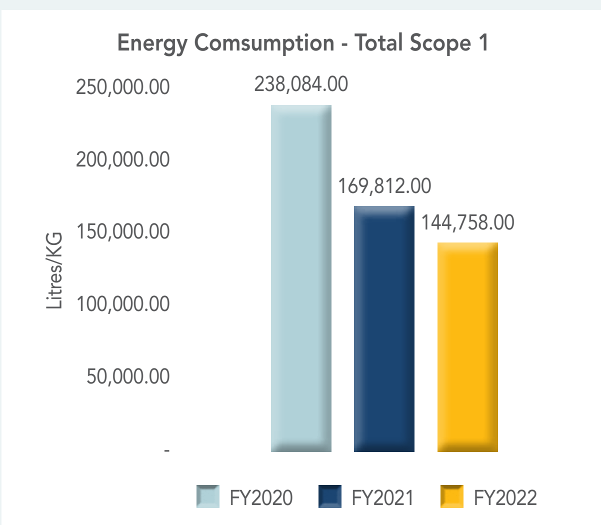
SKRB's climate change management approach is principally focused on minimising the emissions impact of its manufacturing activities by reducing energy consumption, and minimising the consumption of carbon sequestering timber by reducing material waste.

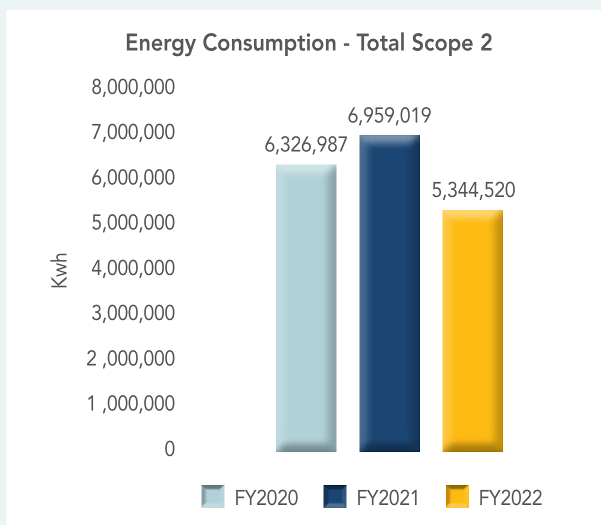
ENERGY CONSUMPTION

Monitoring and minimising energy consumption is important for SKRB and is a key performance indicator measured by the Group when assessing its ESG progress. SKRB strongly believes in taking care of the environment and has continued to look at all levels within its business in FY2022, to assess where changes can be made to reduce energy consumption and improve operational efficiency.

This includes proper production planning to enhance efficiency of machinery usage, issuing reminders to turn off equipment, machinery and lights when not in use, and using energy saving equipment and lightbulbs where applicable. More specific measures include examining the Group's manufacturing process to identify where improvements can be made when it comes to raw material consumption and energy consumption. SKRB has also looked at the machineries it uses in the manufacturing process and will continue the transition to equipment that is more energy efficient gradually.

SKRB's operational sources of carbon emissions are primarily derived from combustion of fossil fuels to power machineries and equipment used in its wood processing and furniture manufacturing activities, which are tabulated below as Scope 1 direct emissions, as well as indirect emissions from purchased electricity shown below under Scope 2. A summary of the Group's Scope One and Scope Two energy consumption data are provided below:



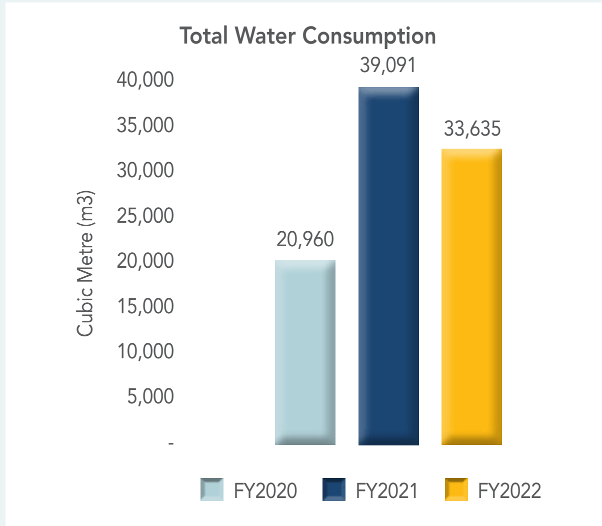


SUSTAINABILITY STATEMENT

WATER CONSUMPTION

Sern Kou recognises that access to clean water is a fundamental human right. Although the Group's base of operations in Malaysia is not considered a water-stressed nation, SKRB nevertheless pledges to play its part in promoting water conservation and the preservation of water quality. This is done primarily through monitoring and regulating its water consumption throughout the Group's operation, which is primarily from municipal water sources.

Core initiatives undertaken include reminding employees to turn off water-based appliances or machines when not in use, and raising employee awareness on the benefits of saving water. The Group is committed to constantly seek new ways to optimise its water consumption through the adoption of water management best practices.



WASTE MANAGEMENT AND RECYCLING

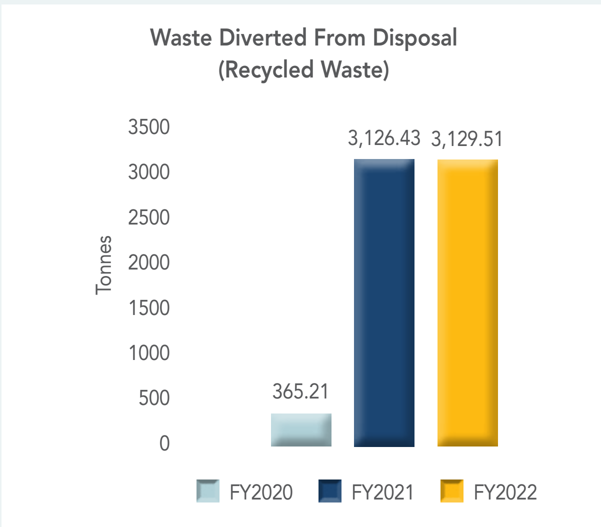
SKRB aims to reduce the amount of waste the Group contributes toward landfills as this can lead to the release of harmful leachate into the land and greenhouse gases into the atmosphere that negatively impacts the environment. To combat this, Sern Kou has incorporated various waste management and recycling practices into our workplace for the benefit of our environment.

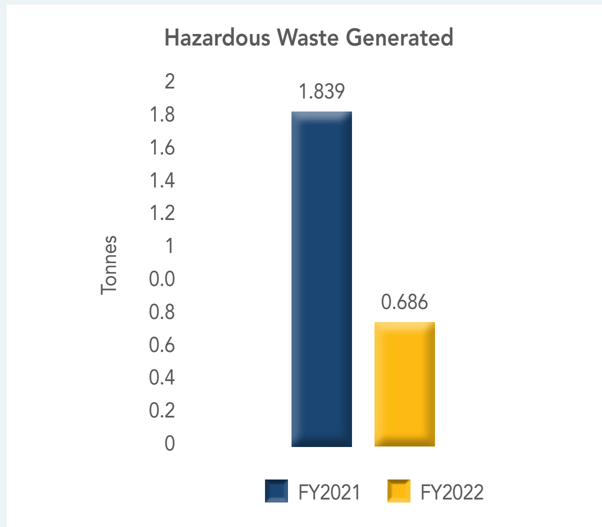
SKRB is driven to reducing waste and managing its resources responsibly in accordance with the 3R principles outlined below:

- **Reduce** : Sern Kou focuses on decreasing the utilisation of resources, particularly wood and paper. The Group continuously pursues new technologies that decrease waste and improve the efficiency of production processes.
- **Reuse** : When possible, Sern Kou seeks to reuse and recycle materials. This includes wood chips and scraps leftover from its furniture manufacturing processes, which are reused as inputs in the creation of other word products.
- **Recycle** : Sern Kou invests in waste-sorting bins to encourage employees to separate papers, plastics, glass, and cartons. All of the Group's operations utilise waste collection and recycling services provided by a waste management contractor. Packaging, paper, and cartridges are recycled rather than being sent to landfills.

SKRB has started using new equipment that is more efficient as it significantly reduces the Group's waste production. The equipment used at SKRB is also regularly maintained to maximise its lifespan and reduce the number of times it needs to be replaced with new ones. In situations where replacement of electronic equipment is necessary, SKRB disposes its old equipment in a safe manner that prevents any spillages of toxic chemicals into the environment.

SUSTAINABILITY STATEMENT





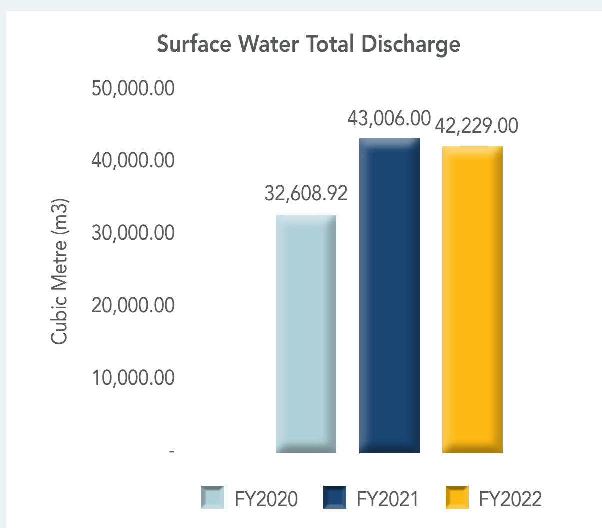
The Group's commitment to effective waste management is exemplified by the significant increase in the volume of waste diverted from disposal in FY2021 and FY2022, compared to FY2020, with 3,129.51 tonnes of waste diverted from landfills in the financial year under review consisting mostly of wood waste that is recycled as inputs in the creation of valuable products. The amount of hazardous waste generated has also decreased by 91.3% in the financial year under review.

Going forward, SKRB will continue to examine what further initiatives can be taken throughout the year to improve its waste performance, and include additional waste management indicators in its data collection process. The Group aims to expand its recycling policies by assessing what other types of waste could be recycled and consider how different materials and equipment could be reused in its operations.

ENVIRONMENTAL COMPLIANCE

SKRB is committed to comply with all applicable environmental laws and regulations of Malaysia. The Group carries out regular environmental performance monitoring of effluents, air and noise to reduce pollution to the environment, and is pleased to report that the Group has no recordable incidents of environmental non-compliance resulting in a fine or censure in FY2022.

The total volume of surface water discharged by the Group over the past three financial years are provided below:



SUSTAINABILITY STATEMENT

SOCIAL

COVID-19 PANDEMIC

With regard to COVID-19, the focus is on preserving the safety of all stakeholders by minimising the risk of infection at all operating sites, while ensuring continued business operations at optimum capacity. The operations of SKRB continue to follow strictly to government-mandated COVID-19 SOPs for the manufacturing sector.

Regular operating process guidelines have been modified to incorporate pandemic-related SOPs, including physical distancing, mask application, temperature screening, self-isolation, site access and cleaning.

Strict adherence to SOPs has enabled all of the Group's operations to function at maximum efficiency. With this and the resumption of business operations in FY2022, SKRB will continue to make progress in its business activities and ensure productivity and progressive revenue recognition.

OCCUPATIONAL SAFETY AND HEALTH ("OSH")

Occupational Safety and Health ("OSH") is an integral aspect of Sern Kou's operations as any OSH-related incident can have substantial effects on business operations and value generation ability through lost time incidences, loss of life, reputational damage, as well as legal and regulatory liability.

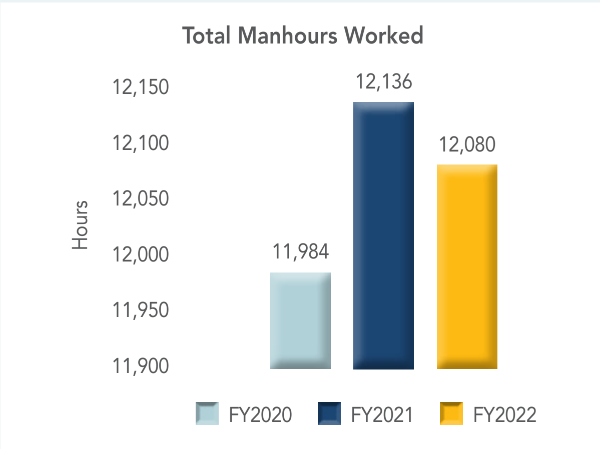
Considering its significance, Sern Kou employs a zero-tolerance OSH policy, ensuring compliance with the Occupational Safety and Health Act of 1994 and its regulations. The Group has also established a Safety and Health Committee at each of the Group's operating segments to effectively manage OSH at the respective premises.

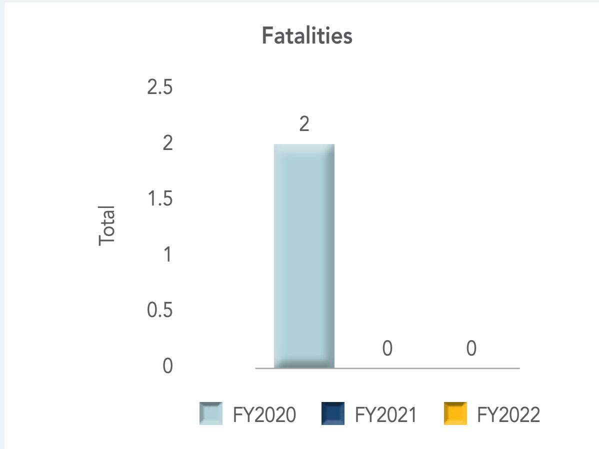
To safeguard the health and safety of its employees, the Group continually reviews and enhances its existing Occupational Health and Safety Policy (the "Safety Policy"), which addresses the Group's processes, operations, and environment for its workforce and key stakeholders. The Safety Policy applies to all employees, suppliers, contractors, and visitors who enter the Group's grounds.

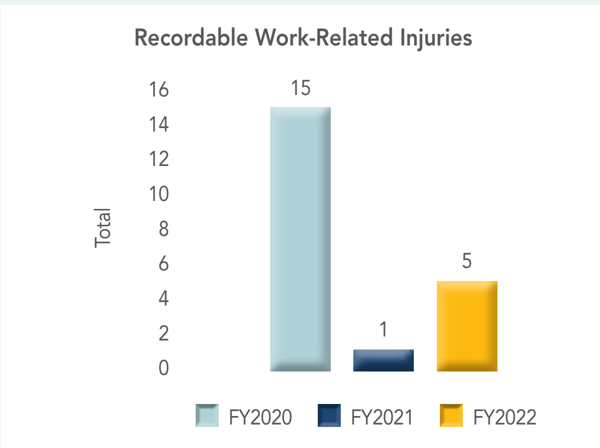
The Group's OSH performance is closely tracked to monitor, measure and mitigate any potential incidences that may be detrimental to the wellbeing of the Group and its employees. The following charts and tables provide a breakdown of the Group's OSH performance data in the financial year under review and its 3-year track record:

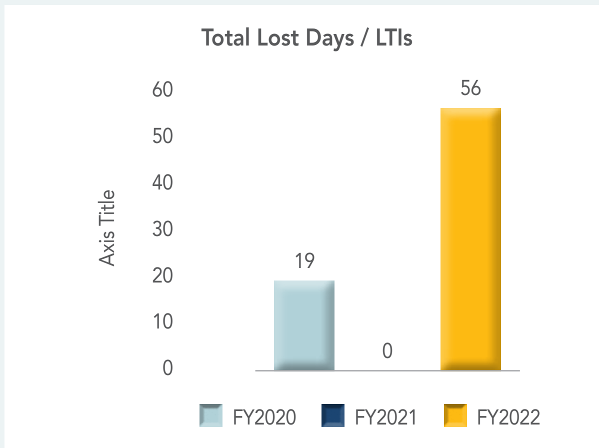
Months	Total manhours worked (Average overall total number of days worked by workers)	Fatalities	Number of recordable work-related injuries	Total number of lost days / LTIs	Incident Report	Unsafe Act Unsafe Condition (UAUC)	Occupational diseases rate	Absenteeism rate - days	Absenteeism rate - headcount	Injury Rate (including fatalities)	Lost Day Rate	Fatality Rate
Jul-21	208	0	0	0	0	0	0	0	0	0	0	0
Aug-21	200	0	0	0	0	0	0	0	0	0	0	0
Sep-21	200	0	0	0	0	0	0	51	37	0	0	0
Oct-21	208	0	1	25	1	0	0	93	71	0	4.98	0
Nov-21	208	0	1	10	1	0	0	90	63	0	1.99	0
Dec-21	208	0	0	0	0	0	0	50	39	0	0	0
Jan-22	208	0	1	6	1	0	0	40	36	0	1.2	0
Feb-22	176	0	1	6	1	0	0	56	52	0	1.2	0
Mar-22	208	0	0	0	0	0	0	56	51	0	0	0
Apr-22	208	0	0	0	0	0	0	69	58	0	0	0
May-22	184	0	1	9	1	0	0	65	36	0	1.8	0
Jun-22	200	0	0	0	0	0	0	46	33	0	0	0

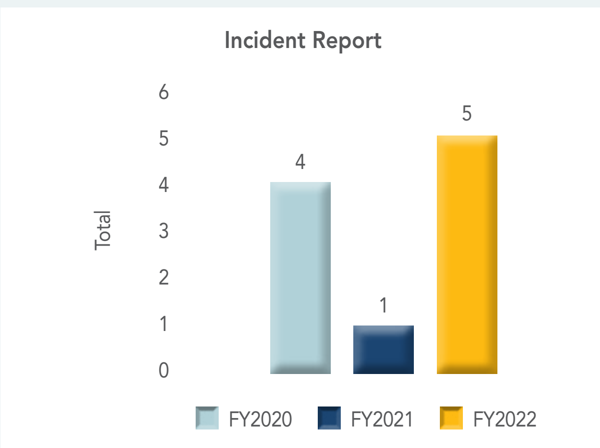
SUSTAINABILITY STATEMENT

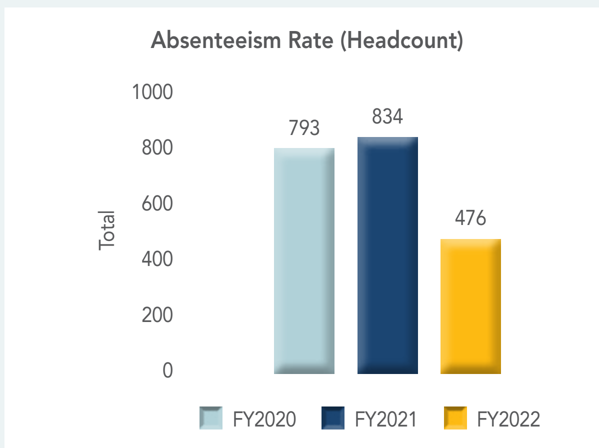




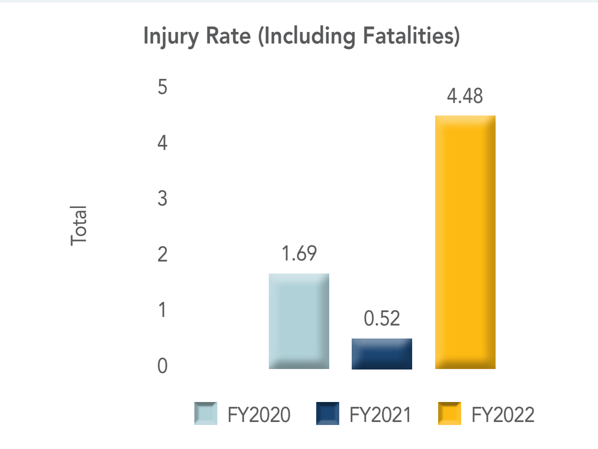


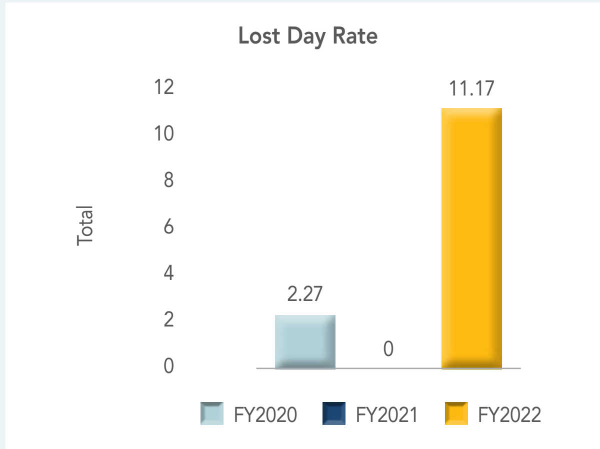






SUSTAINABILITY STATEMENT





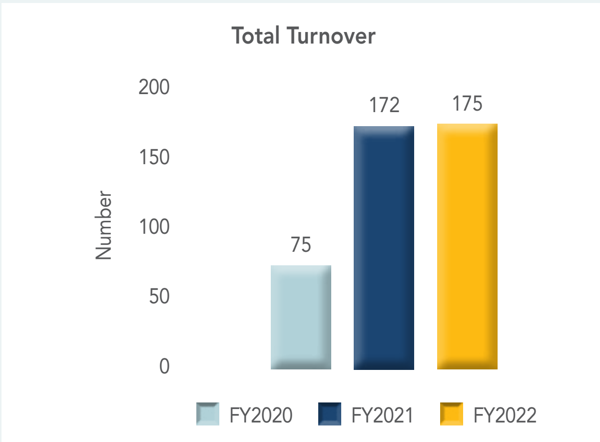
TALENT MANAGEMENT

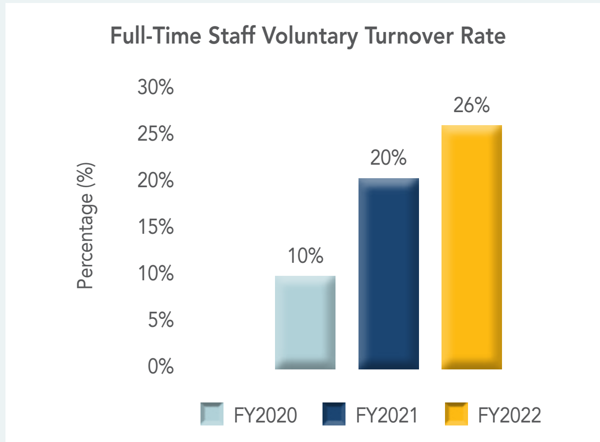
Sern Kou's employees are the organisation's lifeline. As a result, the Group always pays great attention to its human capital management to ensure that its employees are cared for, as their productivity and insights serve as the basis for the Group's success and longevity.

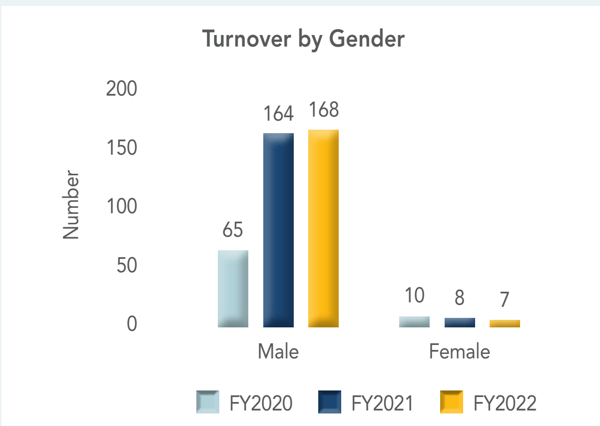
The Group has put in place a robust human resource ("HR") management process that includes an induction process for new employees, grievance mechanism for staff to report bullying and harassment, and an exit process for employees resigning from the organisation. The Group's employee turnover and hiring data are as follows:

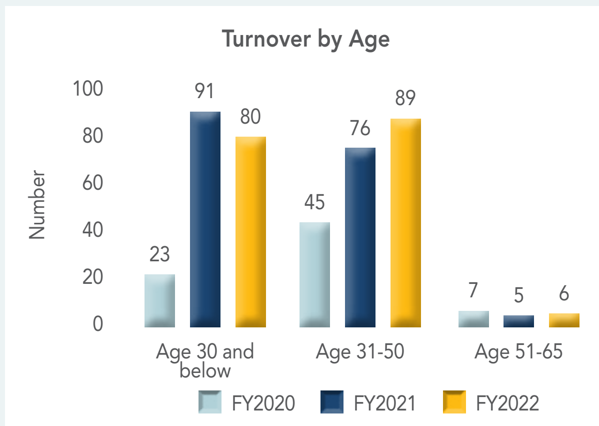
New Hires Data	FY2020	FY2021	FY2022
Total New Hires	212	134	34
New Hires (Male)	195	118	21
New Hires (Female)	17	16	13
New Hires aged 30 and below	124	71	19
New Hires aged 31-50	87	62	13
New Hires aged 51-65	1	1	2
New Hires with disabilities or from underprivileged groups	0	0	0

SUSTAINABILITY STATEMENT

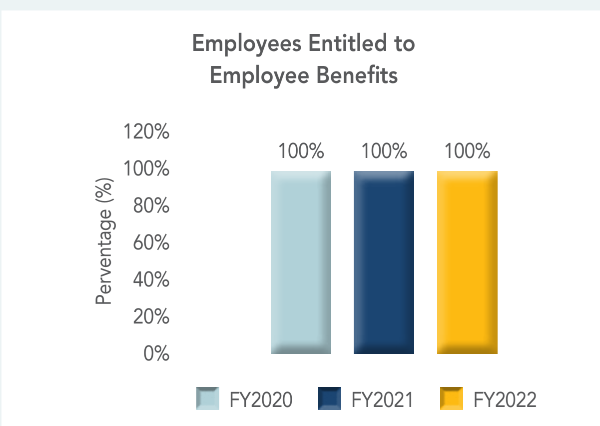


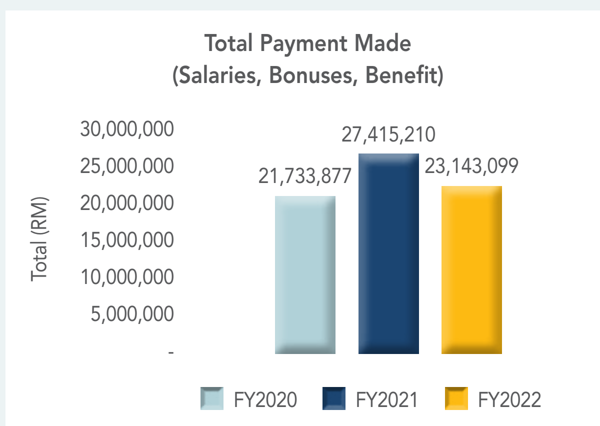




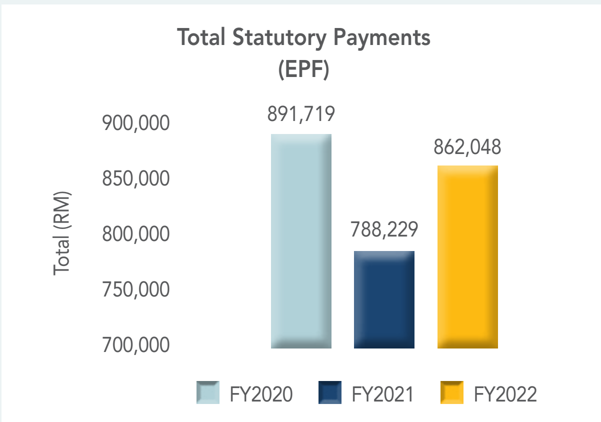


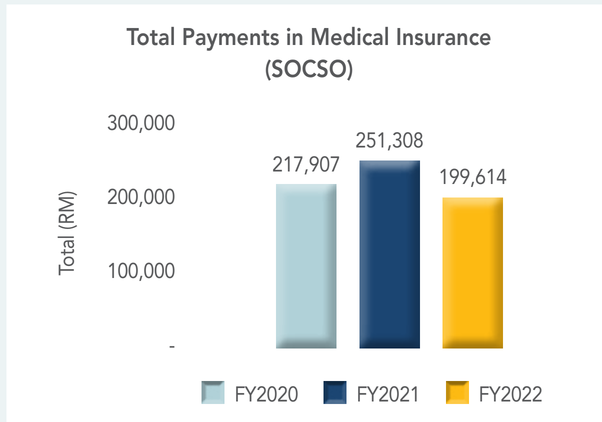
Competitive benefits and remunerations are offered to the Group's employees to enable the recruitment and retention of the best talents to support SKRB's growth. In FY2022, the Group has contributed a total of RM23,143,099 in employee benefits and remunerations.





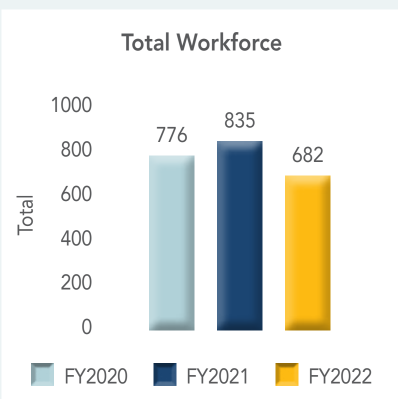
SUSTAINABILITY STATEMENT

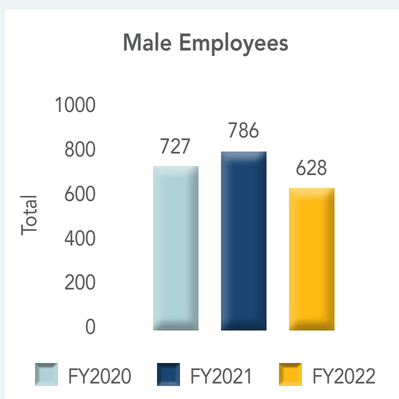


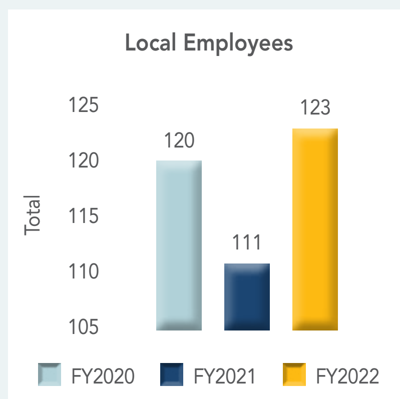


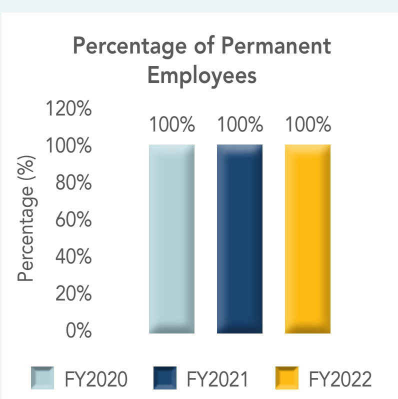
As a non-discriminatory and equal opportunity workplace, SKRB is committed to treating its employees with impartiality, inclusivity and dignity, while promoting diversity and respecting the fundamental rights of each employee. The Group employs a merit-based approach in all aspects of its talent management, including recruitment, retention, remuneration, advancement, training and succession. The Group does not discriminate on the basis of age, gender, race, religion, sexual orientation, disability, or nationality.

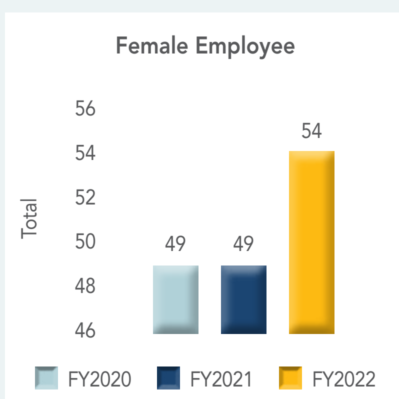
The following charts showcases the diversity breakdown of the Group:

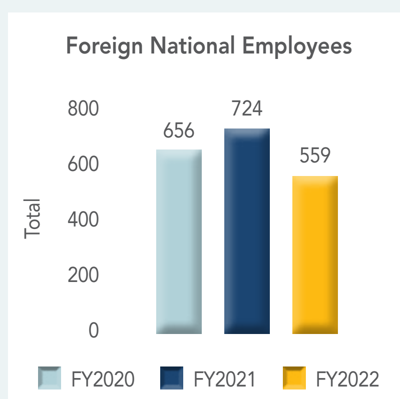






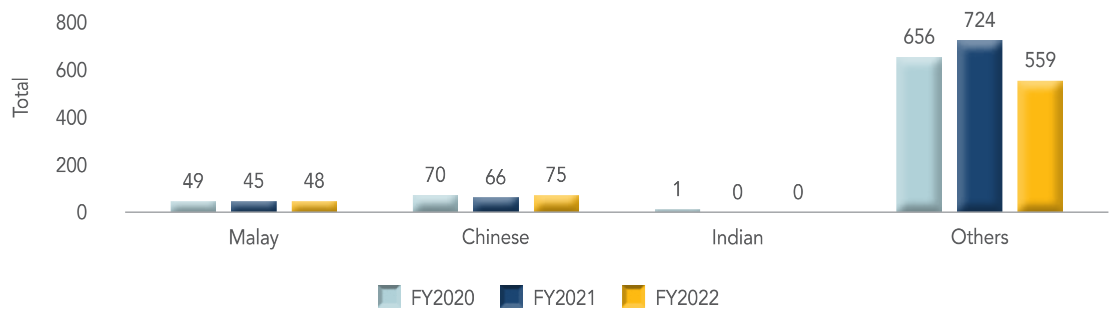




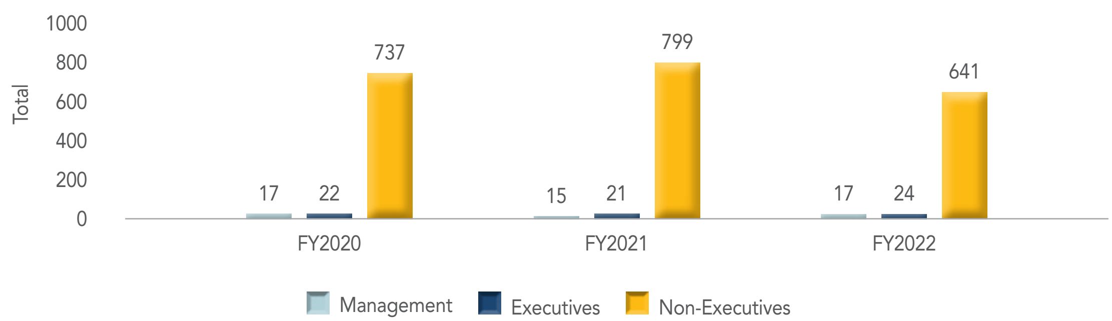


SUSTAINABILITY STATEMENT

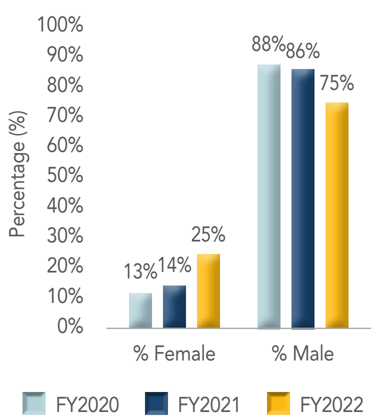
Employee Ethnicity Breakdown



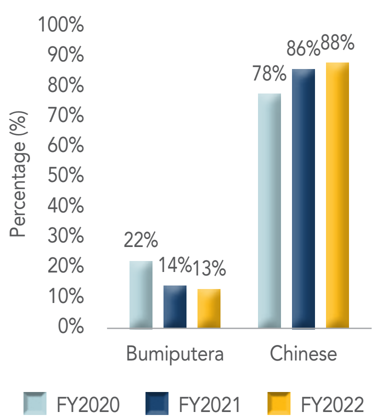
Employee Breakdown by Position



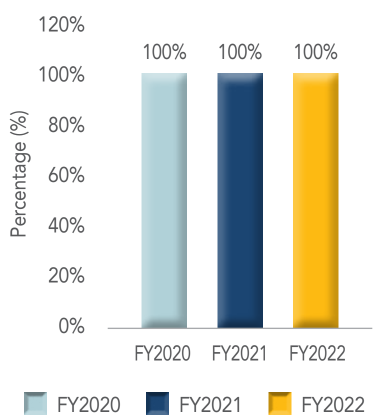
Board of Directors Gender Breakdown (%)



Board of Directors Ethnicity Breakdown



Board of Directors Nationality Breakdown

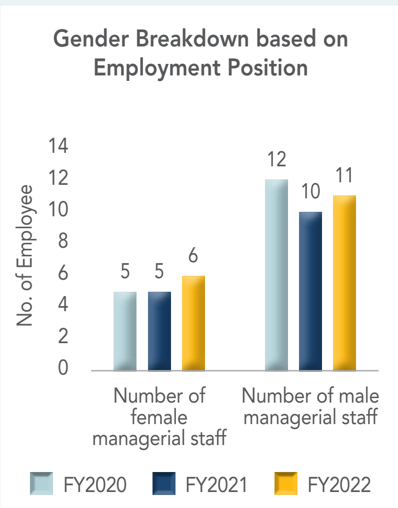


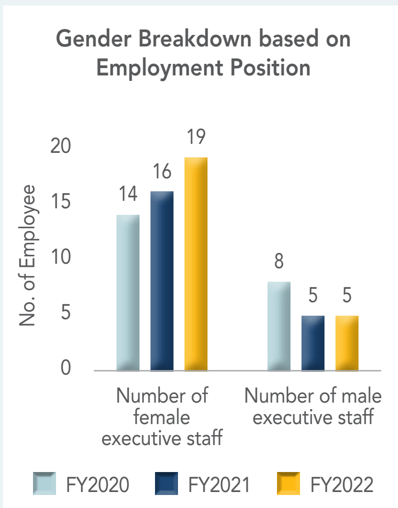
SUSTAINABILITY STATEMENT

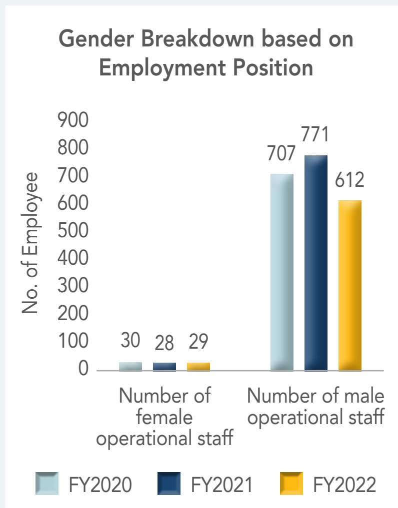
SKRB acknowledges the importance of supporting gender equality at its workplace. Although the nature of SKRB's business in the furniture manufacturing sector overwhelmingly attracts male employees, the Group is mindful to remain inclusive in its HR management approach, particularly in closing the gender pay gap and appointment to leadership positions.

Notably, the Group has appointed 3 female Directors to its 10 member Board to achieve 30% women representation at SKRB's highest decision-making level well ahead of the mandatory minimum requirement. The Group is committed to continually close the gender gap in its governance body towards achieving 30% female representation as prescribed by Practice 5.9 of the MCCG 2021.

SKRB's gender-based employment and remuneration data are presented below:



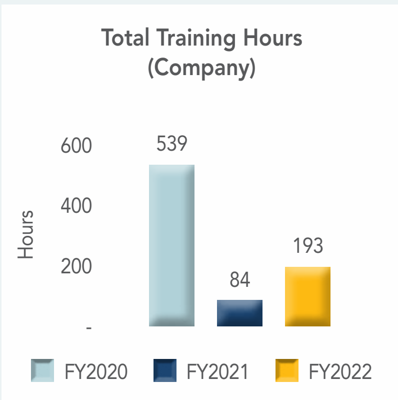


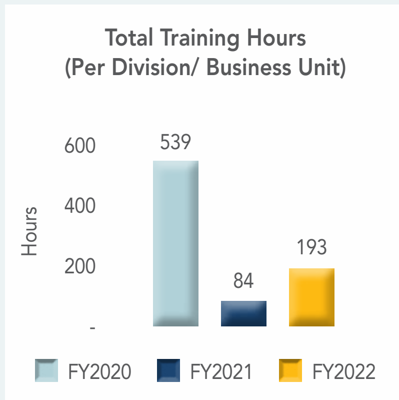


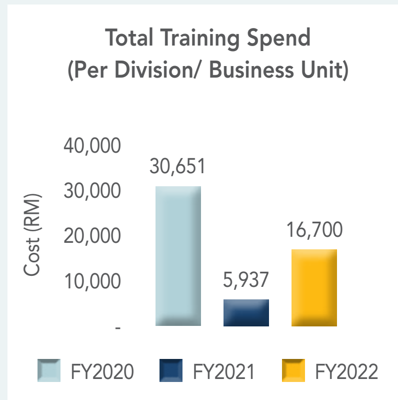
Salary and Remuneration	FY2020	FY2021	FY2022
Salary difference between men and women	161.01	1876.06	1517.96
Ratio of basic salary and remuneration of women to men for key employee categories-Managerial staff	0.64	0.85	0.58
Ratio of basic salary and remuneration of women to men for key employee categories- Executive	0.60	1.03	0.17
Ratio of basic salary and remuneration of women to men for key employee categories-Non-executive staff	0.16	0.27	0.41

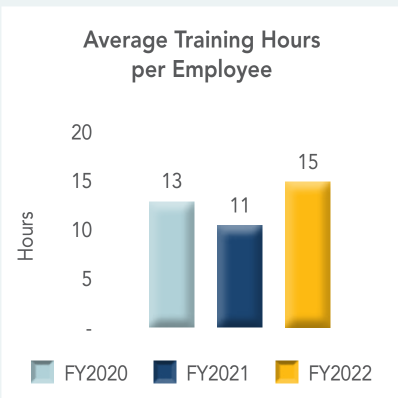
Continued staff training and development is a core aspect of SKRB's talent management approach, which serves to ensure the Group's human capital is equipped with the necessary skills and competencies to function effectively in their designated roles and support a high-performance culture at SKRB. With business activities returning to normalcy, the Group has resumed investment into staff training in FY2022, logging a total of 193 training hours as a Group with a total spend of RM16,700.

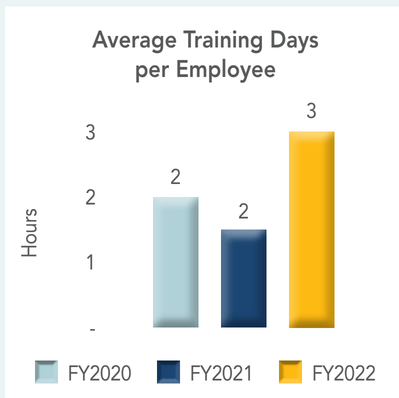
SUSTAINABILITY STATEMENT

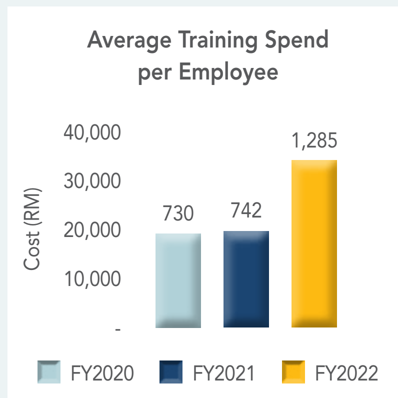


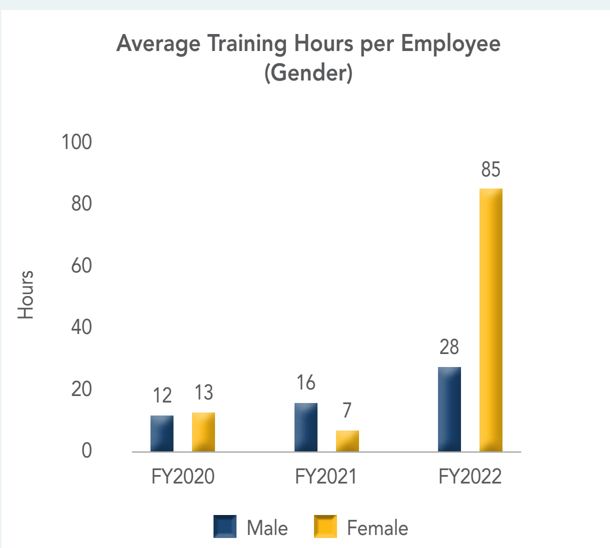


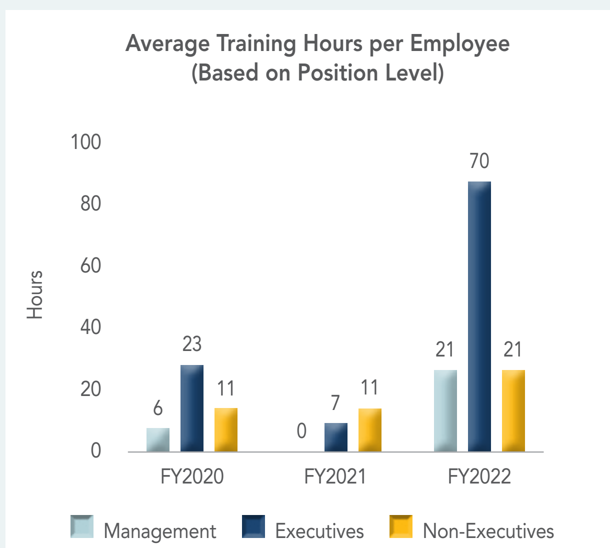




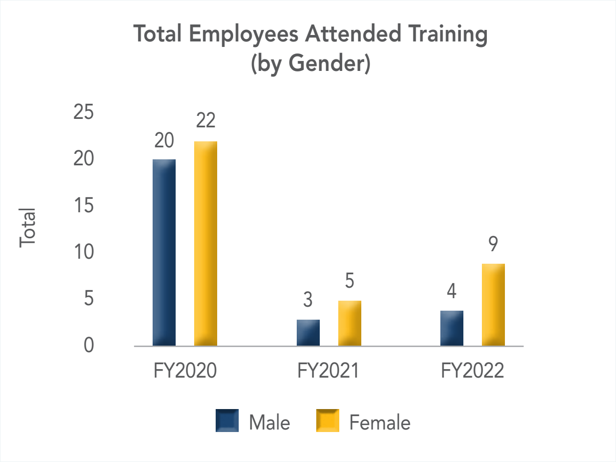


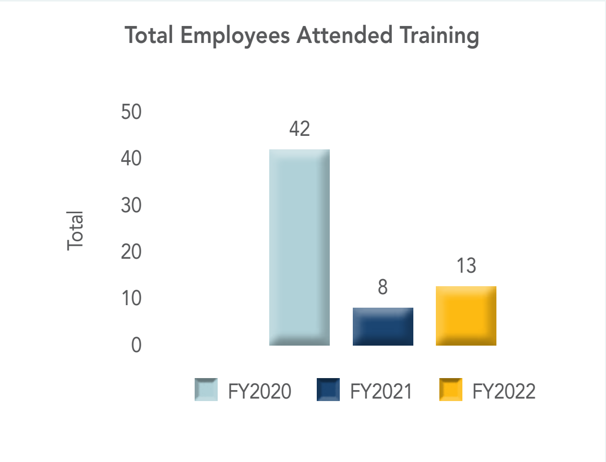






SUSTAINABILITY STATEMENT





SKRB is in compliance with all relevant local labour laws, which includes the prevention of child labour and forced labour, compliance with working hours and overtime payment, and the Government's minimum wage requirements.

As a family-friendly organisation, eligible employees are entitled to paid maternity leave totalling 60 consecutive days for female employees for their confinement period in FY2022. With effect from 1 January 2023, maternity leave entitlement will be increased to 98 consecutive calendar days for female employees while male employees will be entitled to 7 days of paid paternity leave, in accordance with Malaysia's amendments to its Employment Act. The parental leave utilisation at SKRB for the past 3 financial years are as follows:

No. of Employees Utilising Parental Leaves	FY2020	FY2021	FY2022
Paternity Leave	0	0	0
Maternity Leave	1	1	1

COMMUNITY DEVELOPMENT

As a responsible corporate citizen, SKRB strives to contribute positively to the community it operates in. The Group periodically provides contributions and donations to the needy and conducts outreach programmes, volunteer efforts and other engagement activities with its surrounding communities. Sern Kou also encourages all its employees to volunteer their time for community activities or initiatives.

Beyond improving the socioeconomic position of the community, the Group's community development initiatives serve to strengthen the Group's social relationship with its key stakeholders as well, and allow SKRB to derive reputational advantages and brand exposure from its contributions to the community.

The Group will continuously look at different ways it can make a difference for its community and aims to further the Group's participation and involvement within the community.

DIRECTORS' PROFILE

TAN SRI ABDUL RAHIM BIN MOHD NOOR

Chairman and Independent Non-Executive Director

Years of Age : 79
Gender : Male
Nationality : Malaysian

TAN SRI ABDUL RAHIM BIN MOHD NOOR was appointed as an Independent Non-Executive Chairman of Sern Kou Resources Berhad ("SKRB") on 14 March 2006.

He graduated with Bachelor of Economics, University of Malaya in 1968 majoring in economics. He joined the Royal Malaysia Police Force as an Assistant Superintendent after a year's stint with Bank Negara Malaysia and had held various key positions before becoming the Inspector General Police of Polis Diraja Malaysia ("IGP") in 1994. Among the key positions he has held were the Chief Police Officer of Selangor, the Commissioner of Police Sabah and the Director of the Special Branch and also the Inspector General of Police for Malaysia. Tan Sri Abdul Rahim played a critical role in bringing to the peaceful end of the insurgency problem posed by the Communist Party of Malaya when he was heading the Police Special Branch. As the IGP, he took a special interest to improve the lot of policemen all over the country by introducing more living quarters for their families and improving their welfare and salary schemes which he considered as necessary to improve police service. Since his retirement in 1999, he runs his own family business apart from joining a few companies. His other directorships include MWE Advanced Structure Sdn. Bhd. (the subsidiary of MWE Holdings Berhad), a listed company on Bursa Malaysia Securities Berhad) as well as Nico Security Systems Sdn. Bhd. and Ridayu Corporation Sdn. Bhd..

DIRECTORS' PROFILE

LOW PENG SIAN @ CHUA PENG SIAN

Managing Director

Years of Age : 54
Gender : Male
Nationality : Malaysian

MR LOW PENG SIAN @ CHUA PENG SIAN was appointed as the Chief Operating Officer/ Executive Director of SKRB on 17 November 2009 and re-designated as the Managing Director on 1 January 2015. He is a member of Risk Management and Sustainability Committee.

He has extensive experience in running logging and saw milling, wholesale and trading in sawn timber, tropical hardwood and rubber wood as well as trading in hardware and building materials for the past 30 years. He is currently a director of CPS Resources Sdn. Bhd., Kuala Puri Development Sdn. Bhd., Kuala Puri Resources Sdn. Bhd., Perladangan Paloh Inai Sdn. Bhd., Sinaran Sdn. Bhd., Strait Community Sdn. Bhd., Total Modern Development Sdn. Bhd., MCKIFT Management Committee Sdn. Bhd., Golden Vision Land Sdn. Bhd., Rawang Cement Products Sdn. Bhd., RCP Ready Mix Sdn. Bhd., Venue Vision Sdn. Bhd., Genius Success Capital Sdn. Bhd., Mukmanan Resources Sdn. Bhd., Secret Wish Sdn. Bhd., Sejati Tropika Sdn. Bhd., I&I Land Sdn. Bhd., I&I Industrial Development Sdn. Bhd., I&I Groups Sdn. Bhd. and United Capital Development Sdn. Bhd.. He is also founder and director of Pelangi Technowood Sdn. Bhd..

As the Managing Director of the Company, his responsibilities are to ensure and maintain efficient and effective management of the Group's operations and resources.

Mr Lee Shen Wang, the Executive Director of the Company, is the son of Mr Low Peng Sian @ Chua Peng Sian's sister.

DATUK TAY PUAY CHUAN

Independent Non-Executive Director

Years of Age : 58
Gender : Male
Nationality : Malaysian

DATUK TAY PUAY CHUAN was appointed as an Independent Non-Executive Director of SKRB on 18 December 2003. He is the Chairman of the Nomination and Remuneration Committee as well as a member of Audit Committee and Risk Management and Sustainability Committee.

He started his career with the Polis Diraja Malaysia, Bukit Aman in 1987 and later left the police force as an Inspector in 1992. He joined Fajar Sawmill Sdn. Bhd. in 1992 as a Factory Manager and later left to join Syarikat Teong Sheng Sdn. Bhd. in 1994, also as a Factory Manager until 1997. In 1997, he graduated with a Bachelor of Law (Honours) degree from the University of London. He was called to the Malaysian Bar and admitted as an Advocate and Solicitors in 1998. He was attached to Fadzilah, Ong Chee Seong & Associates from 1998 to 2003 until he set up his own legal practice, Tay Puay Chuan & Co. in Muar, Johor Darul Takzim in 2003.

He is also the Independent Non-Executive Director of Homeritz Corporation Berhad.

DIRECTORS' PROFILE

LEOU THIAM LAI

Independent
Non-Executive Director

Years of Age : 66
Gender : Male
Nationality : Malaysian

MR LEOU THIAM LAI was appointed as an Independent Non-Executive Director of SKRB on 19 October 2010. He is the Chairman of the Audit Committee as well as the Risk Management and Sustainability Committee. He is also a member of Nomination and Remuneration Committee.

He is a Chartered Accountant of the Malaysian Institute of Accountants, a Fellow Member of Association of Chartered Certified Accountants (ACCA) and a Member of the Chartered Tax Institute of Malaysia.

He is currently a Partner of Leou & Associates and Leou Associates PLT, Chartered Accountants, Malaysia.

His working experience includes being the Group Accountant of a public listed company, Paper Products Berhad from 1984 to 1987. His roles included managing the Finance division and reporting to the Finance Director. Subsequently, he established Leou & Associates and became a Partner since 1988.

LOO ENG HUA

Non-Independent
Non-Executive Director

Years of Age : 58
Gender : Male
Nationality : Malaysian

MR LOO ENG HUA was appointed as the Executive Director of SKRB on 19 October 2010. He was re-designated as Non-Independent Non-Executive Director of the Company on 25 November 2020. He is member of Audit Committee as well as Nomination and Remuneration Committee.

He is a Chartered Accountant and Certified Public Accountant. He is a Member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. He was with Coopers & Lybrand (now known as PricewaterhouseCoopers) from 1990 to 1994 and later joined Harbin Roxy (Hong Kong) Entertainment City Ltd. in 1994 as a Finance Manager and later left to join Kemayan Construction Sdn. Bhd. ("KCSB") in 1995, as Group Financial Controller until 1998. He then left KCSB and joined Parit Perak Holding Bhd., as a Senior General Manager until 2001. He joined Jutajaya Holdings Bhd. as Chief Executive Officer / Managing Director from 2002 to 2003 and then joined GM Build Sdn. Bhd. ("GMB") as Chief Financial Officer and promoted to Chief Executive Officer. He left GMB Group in 2008.

DIRECTORS' PROFILE

LEE SHEN WANG

Executive Director

Years of Age : 29
Gender : Male
Nationality : Malaysian

MR LEE SHEN WANG was appointed as the Executive Director of SKRB on 21 August 2019.

In 2014, he joined Sern Kou Furniture Industries Sdn. Bhd. ("SKFI") as a purchasing executive. He then served as marketing executive from 2016 assisting the sales and marketing functions. He was subsequently promoted to General Manager in 2018 to oversee daily management and operations of SKFI.

He attended high school in Hin Hua High School and passed the Unified Examination Certificate (UEC) – Art & Commercial Stream in year 2011.

He is currently a director of Greencon Valley Sdn. Bhd..

He is responsible for screening and evaluation of the Group's business growth and risk management as well as managing all potential projects, projects in hand and after sales support.

Mr Lee Shen Wang is the nephew of Mr Low Peng Sian @ Chua Peng Sian, the Managing Director and major shareholder of the Company.

SIAH CHEW PENG

Executive Director

Years of Age : 44
Gender : Female
Nationality : Malaysian

MS SIAH CHEW PENG was appointed as the Executive Director of SKRB on 16 June 2020.

Ms. Siah Chew Peng is graduated from Murdoch University, Perth Western Australia. She is a Chartered Accountant of the Malaysian Institute of Accountants and Certified Practising Accountants of CPA Australia.

She began her courier as audit assistant for KL Tan & Co. from 2000 to 2004 and joined Hock Hai Group Holdings Sdn. Bhd. as Group Finance Manager and Takaso Rubber Products Sdn. Bhd. as Accountant.

She joined SKRB since 1 April 2007 as Chief Financial Officer ("CFO") and subsequently resigned and nominated to be appointed as the Executive Director of the Company. She had responsible for overseeing the corporate finance function of the Group and accounting, financial administration and tax related matters as well as the compliance and reporting obligations of the Group such as cash flow planning, financial analysis and financial reporting over the past 13 years.

DIRECTORS' PROFILE

TEH SU-CHING

Independent Non-Executive Director

Years of Age : 47
Gender : Female
Nationality : Malaysian

MS TEH SU-CHING was appointed as the Independent Non-Executive Director of SKRB on 25 November 2021.

She is a Chartered Accountant of the Malaysian Institute of Accountants, a Fellow Member of Association of Chartered Certified Accountants (ACCA) and a Member of the Institute of Chartered Accountants in England and Wales (ICAEW).

She has 25 years of working experience in audit, corporate advisory, business development, corporate finance, accounting and financial management. She started her career in Crowe Malaysia PLT as a Senior Audit and thereafter promoted to a Director for provision of Corporate Advisory service.

In 2010, she joined Tonik Asia Group as a Chief Financial Officer. Thereafter, she joined Tradewinds Plantation Berhad ("Tradewinds") as a Head of Business Development. Midway in her career in Tradewinds, she switched her role to a General Manager of Finance and involved in project management and handled several key initiatives in Information Technology, Human Resources, Legal and Finance Department.

Currently, she is the Independent Non-Executive Director of Notion Vtec Berhad, a public listed company, as well as a Chief Financial Officer of 1337 Ventures Sdn. Bhd..

SEOW JING HUI

Independent Non-Executive Director

Years of Age : 36
Gender : Female
Nationality : Malaysian

MS SEOW JING HUI was appointed as the Independent Non-Executive Director of SKRB on 20 October 2022.

She was a graduate from Multimedia University, LLB(Hons) and admitted as advocate and solicitor of the High Court of Malaya since 2011.

Upon graduation, she started her law career with Messrs Soo Thien Ming & Nashrah. She then worked in a property development company in 2012 as the Head of Sales, Marketing & Legal where she was involved in the day-to-day operation of the property development company. Jing Hui subsequently set up her own firm in 2013 while continued to provide her expertise in the property development project. She expanded her legal firm by merging with Ling & Theng Book in year 2019 and assumed the role of managing partner.

Over the years, she had accumulated vast experience as a legal professional with expertise in conveyancing, corporate and banking matters. Due to her stint in property development company, she was well verse in the full cycle of property development such as project management, authority approvals and sales administration. Throughout the years, she has also provided legal opinions in various joint venture agreements as well as other business-related negotiations.

Jing Hui was also the founding member of Lions Club of KL Agape Star and has held various positions in the club that provides help to the needy.

DIRECTORS' PROFILE

CHUA OOU CHUAN

Independent
Non-Executive Director

Years of Age : 46
Gender : Male
Nationality : Malaysian

MR CHUA OOU CHUAN was appointed as the Independent Non-Executive Director of SKRB on 20 October 2022.

He graduated from University Putra of Malaysia and is a Chartered Accountant of the Malaysian Institute of Accountants since year 2001. He was appointed as the Chief Financial Officer of AmFund Management Berhad, since year 2008 to 2017, being one of the youngest CFO in the asset management industry in Malaysia. His role include responsible for overall financial matters and assisting the CEO in value creation to shareholders and clients.

Apart from the banking industry, he possesses extensive international experience in tourism & hospitality. He is now instrumental a social impact fintech startup business based on fundamentally innovative, AI, big data for Earned wage access business, and appointed as an Independent Advisor to BIMB Investment (a subsidiary under Bank Islam Berhad).

In terms of social responsibility, Anderson currently serves as a committee member (Information and communications Technology, ICT) in Tung Shin Hospital Kuala Lumpur, and Council member in Persatuan Chiyang (Youth) Selangor.

Anderson is also an Affiliate Member of Institute of Corporate Directors Malaysia (ICDM) and member of Malaysia-New Zealand Chamber of Commerce (MNZCC).

Notes to Directors' profile:

1. **Family Relationships**
   Save for Mr Low Peng Sian @ Chua Peng Sian and Mr Lee Shen Wang, none of the Directors have any family relationship with any Director and/or major shareholders of the Company.

2. **Conflict of Interest**
   None of the Directors have any conflict of interest with the Company.

3. **Conviction of Offences**
   None of the Directors have any conviction for offences other than traffic offences within the past 5 years.

4. **Attendances at Board Meetings**
   The details of the Directors' attendance at Board Meetings are set out on page 74 of this Annual Report.

5. **Shareholdings**
   The details of the Directors' interest in the securities of the Company and its subsidiaries are set out on pages 178 and 181 of this Annual Report.

6. **Directorship in other public companies**
   Save as disclosed above, none of the other Directors hold any directorship in public companies.

KEY SENIOR MANAGEMENT

MS TANG CHOON YEN

MS TANG CHOON YEN, female, a Malaysian age 46, was appointed as Chief Financial Officer of the Company on 16 June 2020.

She graduated with Bachelor of Commerce, Curtin University of Technology, Perth, Australia majoring in Accounting and Finance.

She is a Chartered Accountant (CA) of the Malaysian Institute of Accountants (MIA) and Certified Practising Accountant (CPA) of CPA Australia.

Ms Tang's working experience includes being the Audit Semi Senior of Horwath Wong & Co. from 1999-2002. Later she joined Arthur Anderson & Co, subsequently taken over by Ernst & Young as Associate from 2002-2003 and later joined Yeu Hong Furniture Industries Sdn. Bhd. from 2003-2018 as Accountant cum Administrative Manager. Subsequently, she joined Sern Kou Resources Berhad as Group accountant since 2018.

MS STELLA SIOW LI PING

MS STELLA SIOW LI PING, female, a Malaysian age 43, was appointed as Administration Manager on 22 December 2014.

She supports the business operation by supervising staff, planning, organising and implementing the administrative system and ensuring the operation team adheres to the SKRB Group's policies and regulation. She is also responsible for overseeing the facilities services and maintenance activities.

Ms Stella Siow graduated from University Science Malaysia with Bachelor of Science (Humanities) Hons. She joined Evergreen Fibreboard Berhad as an Executive in Administration from 2004 to 2010 and subsequently an Administration Manager in Soon Her Sing Ind. Sdn. Bhd. (ACMI) from 2010 to 2014.

Notes to Key Senior Management's profile:

1. **Family Relationships**
   None of the Key Senior Management has any family relationship with any Director and/or major shareholders of the Company.

2. **Conflict of Interest**
   None of the Key Senior Management has any conflict of interest with the Company.

3. **Conviction of Offences**
   None of the Key Senior Management has any conviction for offences other than traffic offences within the past 5 years.

4. **Directorship in other public companies**
   Save as disclosed above, none of the Key Senior Management holds any directorship in public companies.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Abdul Rahim Bin Mohd Noor
Chairman / Independent Non-Executive Director

Low Peng Sian @ Chua Peng Sian
Managing Director

Loo Eng Hua
Non-Independent Non-Executive Director

Datuk Tay Puay Chuan
Independent Non-Executive Director

Leou Thiam Lai
Independent Non-Executive Director

Lee Shen Wang
Executive Director

Siah Chew Peng
Executive Director

Teh Su-Ching
Independent Non-Executive Director
(Appointed on 25 November 2021)

Seow Jing Hui
Independent Non-Executive Director
(Appointed on 20 October 2022)

Chua Oou Chuan
Independent Non-Executive Director
(Appointed on 20 October 2022)

AUDIT COMMITTEE

Leou Thiam Lai - *Chairman*
Datuk Tay Puay Chuan
Loo Eng Hua
Teh Su-Ching
(Appointed on 24 February 2022)

NOMINATION AND REMUNERATION COMMITTEE

Datuk Tay Puay Chuan - *Chairman*
Leou Thiam Lai
Loo Eng Hua
Teh Su-Ching
(Appointed on 24 February 2022)

RISK MANAGEMENT AND SUSTAINABILITY COMMITTEE

Leou Thiam Lai – *Chairman*
Datuk Tay Puay Chuan
Low Peng Sian @ Chua Peng Sian

CHARTERED SECRETARIES

Ng Sally
(SSM PC No. 202008002702 & MAICSA 7060343)

Goh Xin Yee
(SSM PC No. 202008000375 & LS0010359)

REGISTERED OFFICE

Lot PTD 6019 (Lot 8804)
Jalan Perindustrian 1
Kawasan Perindustrian Bukit Bakri
Mukim Bakri 84200 Muar
Johor Darul Takzim
Telephone No. : 606.986.5562
Facsimile No. : 606.986.5569
Email : sernkou@sernkou.com
Website : www.sernkou.com

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Telephone No. : 603.7890.4700
Facsimile No. : 603.7890.4670

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
Malayan Banking Berhad

AUDITORS

Messrs BDO PLT
[201906000013 (LLP 0018825-LCA) & AF 0206]
Chartered Accountants
Suite 18-04, Level 18
Menara Zurich
15 Jalan Dato' Abdullah Tahir
80300 Johor Bahru
Johor Darul Takzim
Telephone No. : 607.331.9815
Facsimile No. : 607.331.9817

STOCK EXCHANGE

Bursa Malaysia Securities Berhad
Main Market
Stock Name : SERNKOU
Stock Code : 7180
Warrant Code : 7180WA
Sector : Consumer Products & Services
Sub-Sector : Household Goods

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Second Annual General Meeting ("22nd AGM") of SERN KOU RESOURCES BERHAD ("Company" or "SKRB") will be held at Level 2, Lot PTD 6019 (Lot 8804), Jalan Perindustrian 1, Kawasan Perindustrian Bukit Bakri, Mukim Bakri, 84200 Muar, Johor Darul Takzim on Friday, 25 November 2022 at 10.00 a.m. for the following purposes: -

1. To receive the audited financial statements for the financial year ended 30 June 2022 together with the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note 1)**

2. To re-elect the following Directors who are retiring in accordance with Paragraph 104 of the Company's Constitution: -

   i) Ms Teh Su-Ching **(Ordinary Resolution 1)**

   ii) Ms Seow Jing Hui **(Ordinary Resolution 2)**

   iii) Mr Chua Oou Chuan **(Ordinary Resolution 3)**

3. To approve the payment of Directors' Fees amounting to RM639,100 for the financial year ended 30 June 2022. **(Ordinary Resolution 4)**

4. To approve the payment of Directors' Remuneration (excluding Directors' Fees) payable to the Board of the Company and its subsidiaries up to an amount of RM3,000,000 for the period from 1 December 2022 until 30 November 2023. **(Ordinary Resolution 5)**

5. To re-appoint Messrs BDO PLT [201906000013 (LLP0018825-LCA) & AF 0206] as Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 6)**

Special Business

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

6. **Ordinary Resolution**
   - Proposed Waiver of Statutory Pre-Emptive Rights of the Shareholders and Authority to Issue Shares

   "THAT subject always to the Companies Act 2016, Constitution of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Sections 75 and 76 of the Companies Act 2016 to issue and allot not more than ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company.

   THAT pursuant to Section 85 of the Companies Act, 2016 to be read together with Regulation 54 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered with new shares ranking equally to the existing issued shares of the Company arising from any issuance of new shares in the Company pursuant to this mandate.

   AND THAT the new shares to be issued shall, upon allotment and issuance, rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or other forms of distribution that which may be declared, made or paid before the date of allotment of such new shares." **(Ordinary Resolution 7)**

NOTICE OF ANNUAL GENERAL MEETING

7. **Ordinary Resolution**
   - Continuing in office as Independent Non-Executive Director

   "THAT authority be and is hereby given to Mr Leou Thiam Lai, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, to continue to act as an Independent Non-Executive Director of the Company." **(Ordinary Resolution 8)**

8. To transact any other business for which due notice has been given.

By Order of the Board

NG SALLY (SSM PC No. 202008002702 & MAICSA 7060343)
GOH XIN YEE (SSM PC No. 202008000375 & LS0010359)

Chartered Secretaries
Kuala Lumpur
27 October 2022

Notes:

(1) A Member entitled to attend, participate, speak and vote is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote instead of him. A proxy may, but need not, be a Member of the Company and there shall be no restriction as to the qualification of the proxy where a Member appoints more than 1 proxy, he shall specify the proportions of his holdings to be represented by each proxy, failing which the appointment shall be invalid.

(2) A Member who is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA") may appoint not more than two (2) proxies in respect of each Securities Account it holds in ordinary shares of the Company standing to the credit of the said Securities Account.

(3) Where a Member 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 Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds. An Exempt Authorised Nominee refers to an authorised nominee as defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA. Where a Member appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. The appointment shall not be valid unless he specifies the proportions of his holdings to be represented by each proxy.

(4) The instrument appointing a proxy shall be in writing executed under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.

(5) The instrument appointing a proxy, with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority, shall be deposited at the Registered Office of the Company at Lot PTD 6019 (Lot 8804), Jalan Perindustrian 1, Kawasan Perindustrian Bukit Bakri, Mukim Bakri, 84200 Muar, Johor Darul Takzim, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid. PROVIDED ALWAYS that the Company may by written notice waive the prior lodgement of the above instrument appointing a proxy and the power of attorney or other authority.

(6) The Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the Meeting is 17 November 2022.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Item 1 of the Agenda

The Audited Financial Statements under this agenda item is meant for discussion only as the provision of Section 248(1) and Section 340(1)(a) of the Companies Act 2016 (the "Act") does not require a formal approval of the shareholders and hence this Agenda item is not put forward for voting.

(ii) Item 2 of the Agenda - Ordinary Resolutions 1 to 3

Tan Sri Abdul Rahim Bin Mohd Noor and Datuk Tay Puay Chuan will retire in accordance with Paragraph 97 of the Constitution of the Company and will not seek for re-election in view of the nine-year policy for Independent Non-Executive Director pursuant to the Malaysian Code on Corporate Governance 2021. Accordingly, they will retain office until the close of the 22nd AGM.

No individual is seeking election as a Director at the forthcoming 22nd AGM of the Company.

Ms Teh Su-Ching, Ms Seow Jing Hui and Mr Chua Oou Chuan are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 22nd AGM. The profile of the retiring Directors is set out in the Profile of Directors of the Annual Report 2022.

(iii) Items 3 and 4 of the Agenda - Ordinary Resolutions 4 and 5

Section 230(1) of the Act provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the 22nd AGM on the Directors' Remuneration in two (2) separate resolutions as below: -

- Resolution 4 on payment of Directors' Fees for the financial year ended 30 June 2022; and
- Resolution 5 on payment of Directors' Remuneration (excluding Directors' Fees) payable to the Board of the Company and its subsidiaries for the period ended from 1 December 2022 until 30 November 2023 ("Relevant Period").

The payment of the Directors' Fees in respect of the financial year ended 30 June 2022 will only be made if the proposed Resolution 4 has been passed at the 22nd AGM pursuant to Paragraph 105 of the Company's Constitution and Section 230(1) of the Act.

The estimated total amount of remuneration (excluding Directors' Fees) for the Relevant Period of RM3,000,000 comprise the insurance premium.

Payment of Directors' Remuneration (excluding Directors' Fees) will be made by the Company and its subsidiaries on a monthly basis and/or as and when incurred if the proposed Resolution 5 has been passed at the 22nd AGM. The Board is of the view that it is just and equitable for the Directors to be paid the Directors' Remuneration (excluding Directors' Fees) on a monthly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company and its subsidiaries throughout the financial period from 1 December 2022 until 30 November 2023. In the event, where the payment of Directors' Remuneration (excluding Directors' Fees) payable during the above period exceeded the estimated amount sought at the AGM, a shareholders' approval will be sought at the next AGM.

NOTICE OF ANNUAL GENERAL MEETING

(iv) Item 5 of the Agenda - Ordinary Resolution 6

The Audit Committee ("AC") has carried out an assessment of the suitability, objectivity and independence of the external auditors, Messrs BDO PLT ("BDO") and was satisfied with the suitability of BDO based on the quality of audit, performance, competency and sufficiency of resources the external audit team provided to the Group.

The Board therefore approved the AC's recommendation on the re-appointment of BDO as the external auditors of the Company be put forward for the shareholders' approval at the forthcoming 22nd AGM.

(v) Item 6 of the Agenda - Ordinary Resolution 7

The proposed Ordinary Resolution 7, if passed, will allow the Company to waive the statutory pre-emptive rights of the shareholders of the Company to be offered with new shares ranking equally to the existing issued shares of the Company arising from any issuance of new shares in the Company pursuant to this mandate. Accordingly, the Company wishes to seek approval from the shareholders for the Directors to issue shares to any person, whether a member or not, in such numbers or proportions as the Directors may determine under this mandate.

This mandate, if passed, will also empower the Directors from the date of this AGM, to allot and issue up to a maximum of 10% of the issued shares of the Company for the time being (other than bonus or rights issue) for such purposes as they consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company.

The rationale for this general mandate is to eliminate the need to convene general meeting(s) from time to time to seek shareholders' approval as and when the Company issues new shares for future business opportunities and thereby reducing administrative time and cost associated with the convening of such meeting(s). The general mandate will provide flexibility to the Company for any possible fund-raising activities, including but not limited to further placement of shares, for the purpose of future investment project(s), working capital, repayment of borrowings and/ or acquisition.

This is the renewal of the mandate obtained from the shareholders at the last AGM held on 25 November 2021 ("the Previous Mandate"). The Previous Mandate was not utilised and no proceeds were raised.

(iv) Item 7 of the Agenda - Ordinary Resolution 8

Continuing In Office as Independent Non-Executive Director

The Nomination and Remuneration Committee and the Board of Directors have assessed the independence of Mr Leou Thiam Lai, who has served as the Independent Non-Executive Director of the Company for a cumulative term of nine (9) years or more, and recommended them to continue acting as the Independent Non-Executive Director of the Company based on the following justifications:-

a) he fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, he would able to provide a check and balance and bring an element of objectivity to the Board;
b) he is familiar with the Company's business operations and is able to advise the Board diligently;
c) he has devoted sufficient time and attention to his professional obligations for informed and balanced decision making by actively participated in Board discussion and provided an independent voice to the Board; and
d) he has exercised his due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the best interest of the Company and shareholders.

AUDIT COMMITTEE REPORT

The Board of Directors ("the Board") of Sern Kou Resources Berhad ("the Company") is pleased to present the Audit Committee ("the AC") Report for the financial year ended 30 June 2022.

COMPOSITION OF AC

The composition of the AC are as follows:

Chairman
Leou Thiam Lai - Independent Non-Executive Director

Member
Datuk Tay Puay Chuan - Independent Non-Executive Director
Teh Su-Ching - Independent Non-Executive Director
Loo Eng Hua - Non-Independent Non-Executive Director

AUDIT COMMITTEE MEETINGS

The AC met five (5) times during the financial year ended 30 June 2022. The details of their attendance at meetings are as follows:-

Name of Members	No. of Meetings Attended	Percentage (%)
Leou Thiam Lai	5/5	100
Datuk Tay Puay Chuan	5/5	100
Loo Eng Hua	5/5	100
Teh Su-Ching *(Appointed on 24 February 2022)*	1/1	100

The Board assesses the performance of the AC through an annual Board Committee evaluation and is satisfied that they are able to discharge their function, duties and responsibilities in accordance with the Terms of Reference of the AC, which is published on the Company's website.

Taken into consideration of the Malaysian Code on Corporate Governance ("MCCG") 2021 effective on 28 April 2021 and the amendments to the listing requirements of Bursa Malaysia Securities Berhad, the Terms of Reference of the AC would be revised to ensure appropriate corporate governance and compliance with the guidelines and requirements and amongst others, the rights of the AC, which shall include: -

(a) the authority to investigate any matter within its terms of reference and have the right of direct access to anyone in the Group and the Company to conduct a special investigation to be carried out for fraud, violation of code of conduct or an illegal act;
(b) the resources which are required to perform its duties;
(c) the full and unrestricted access to any information pertaining to the Group and the Company;
(d) the direct communication channels with the external auditors and the internal auditors;
(e) the rights to obtain independent professional or other advices and to invite external experts or advisors such as valuers, or tax consultants with relevant experience and expertise to attend the AC meetings (if required) and to brief the AC at the Company's expense; and
(f) the right to convene meetings with the internal auditors and the external auditors, without the presence of the Executive Directors, Management or employees of the Group, whenever deemed necessary.

AUDIT COMMITTEE REPORT

The Group's external auditors, internal auditors and certain designated members of senior management also attended the meetings at the invitation of the Chairman of the AC to facilitate direct communication and to provide clarifications on the audit issues, operation matters as well as the risk management and internal controls of the Group.

The AC shall meet with the external auditors on separate sessions without the presence of Executive Directors and Management, whenever deemed necessary. The attendance of the external auditors and internal auditors at the AC meetings would facilitate the AC to raise their concerns, if any, on the audit reports, audit findings and the internal controls systems of the Group in order for the AC to discharge their duties and responsibilities.

After each AC meeting, the AC Chairman submitted a report on matters deliberated to the Board for their attention and deliberation and conveyed to the Board the significant or major audit issues concern raised by the external auditors, internal auditors and the AC.

Matters reserved for the Board's approval were tabled at the Board meetings. The Company Secretary then documented the decisions made and actions required and forwarded to Management for their action.

The AC is guided by the Terms of Reference of the AC, a copy of the same has been published on the Company's website at http://www.sernkou.com.

SUMMARY OF ACTIVITIES OF THE AC

In line with the Terms of Reference of the AC, the following activities have been undertaken by the AC during the financial year ended 30 June 2022, which are summarised as follows: -

a) Ensuring the Financial Statements Comply with Applicable Malaysian Financial Reporting Standards

- Reviewed the quarterly financial results, audited financial statements and annual report of the Group and the Company and ensure, amongst others, that it complies with applicable Malaysian Financial Reporting Standards prior to submission to the Board for consideration and approval.
- Reviewed any changes in the implementation of major accounting policies and practices, key judgemental and risk areas, significant adjustments resulting from the audit, the going concern assumption, compliance with accounting standards, compliance with Listing Requirements of Bursa Malaysia Securities Berhad and other legal requirements.
- Monitored the integrity of the financial statements of the Group and the Company and assessed whether the financial report represents a true and fair view of the Group's and the Company's performance and ensured compliance with the regulatory requirements.
- Proposed best practices on disclosure in the financial statements and the annual reports of the Group and the Company, to be in line with the recommendations set out in the Malaysian Code of Corporate Governance and other applicable rules and regulations.

AUDIT COMMITTEE REPORT

b) Reviewing the Audit Findings of the External Auditors and Assessing the Performance, Suitability and Independence of External Auditors:

- Reviewed the external auditors' audit plans for the Group and the Company, its scope of work and nature for the financial year.
- Reviewed the external auditors' findings arising from audits and in particular, responses, appropriate action taken by Management.
- Reviewed the results of the evaluation of the accounting policies and systems of internal controls within the Group and the assistance given by the officers of the Group and the Company to them, including any difficulties or disputes with Management encountered during the audit.
- Reviewed the fees and expenses paid to the external auditors, including fees paid for non-audit services during the financial year and assessed the independence of the external auditors for the re-appointment as external auditors. The AC is of the opinion that the independence of the external auditors has not been compromised based on the independence confirmation provided by the external auditors.
- Conducted private meetings with the External Auditors without the presence of Executive Directors or employees of the Group.
- Reviewed the co-operation and assistance given by Management to the External Auditors.

c) Reviewing the Audit Findings of the Internal Auditors and Assisting the Board in Reviewing the Effectiveness and Adequacy of Systems of Internal Control in the Key Operation Processes

- Reviewed the internal audit plan and the adequacy of the scope, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.
- Reviewed and discussed with the internal auditors, their audit findings, recommendations made, management's response to the audit findings and proposed action plans, including those issues arising during the course of audit (in the absence of Management where necessary).
- Reviewed the effectiveness and efficiency of the internal controls system in place and the risk factors affecting the Company as well as the action plans taken by Management to resolve the issues to ensure adequacy of the internal controls system.
- Assisted the Board in identifying the principal risks, review and assess the effectiveness of the risk management framework and internal control systems based on the reports and recommendations from the internal auditors and report to the Board on its findings.
- Reviewed the Statement of Risk Management and Internal Control and the Sustainability Statement of the Annual Report.

d) Whistleblowing and Fraud

- Reviewed the Group and the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and reviewed the Group's and the Company's procedures for detecting fraud.
- Cultivated the awareness of the employees and ensured the whistleblower could report directly to the AC on any possible wrongdoings or fraud detected.

AUDIT COMMITTEE REPORT

e) Related Party Transactions

- Reviewed related party transactions entered into by the Group and any conflict of interest situation that may arise within the Group and ensured that all transactions are at arm's length basis. There were no material related party transactions noted during the financial year.

f) Overseeing the Governance Practices in the Group

- Reviewed and issued the AC Report for inclusion in the Annual Report.
- Reviewed the Statement on Risk Management and Internal Control and Statement on Corporate Governance to ensure adherence to legal and regulatory reporting requirements and appropriate resolution of all accounting matters requiring significant judgement and recommended the same to the Board for approval.
- Reviewed the minutes of meetings of the AC.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTIONS

The Group's internal audit function which reports directly to the AC, is outsourced to a professional firm. The outsourced internal auditors assist the Board via the AC in providing independent assessment of the adequacy, efficiency and effectiveness of the Group's risk management and internal control systems.

The role of the internal audit function is independent and not related to the Group's external auditors. The scope of review of the outsourced internal audit function is determined and approved by the AC with feedback from Management. During the financial year under review, the outsourced internal audit function carried out reviews in accordance with the audit plan approved by the AC, which focused on areas with high risk and ascertain that the risks were effectively mitigated by controls.

Summary of works undertaken by the internal auditors comprised the followings: -

- Reviewed compliance with policies, procedures and standards, relevant external rules and regulations;
- Assessed the adequacy and effectiveness of the Group's system of internal controls and recommended appropriate actions to be taken where necessary to mitigate risk identified;
- Conducted internal audits and highlighted to the AC the audit findings which required follow-up actions by Management, any outstanding audit issues which required corrective actions to be taken to ensure an adequate and effective internal control system within the Group, as well as any weaknesses in the Group's internal control system; and
- Ensured that those weaknesses were appropriately addressed and that recommendations from the internal audit reports and corrective actions on reported weaknesses were addressed appropriately within the required timeframe by Management.

AUDIT COMMITTEE REPORT

During the financial year ended 30 June 2022, the outsourced internal audit function conducted regular reviews of business processes in accordance with the internal audit plan approved by the AC as follows: -

i) Procurement, Supplier Evaluation and Account Payables Management, which basically covered:

- Review of Standard Operating Procedure and Compliance Test
- Pre-Qualification and Selection of new Suppliers
- Periodic Assessment of Existing Suppliers
- Purchase Processing
- Purchase Return
- Monitoring of Unfulfilled Purchase Order
- Cancelled Purchase Order
- Creditors Aging

ii) Operation Management, which basically covered:

- Review of Standard Operating Procedure and Compliance Test
- Production Planning, Work Scheduling and Control
- Material Planning
- Quality Management and Performance Measurement
- Waste Handling
- Production Meeting
- Machinery Periodic Maintenance
- Machinery Breakdown and Downtime

Inventory Management, which basically covers:

- Review of Standard Operating Procedure and Compliance Test
- Matching of Stock-in
- Matching of Stock-Out
- Inventory Costing basis and calculation accuracy
- Inventory Aging and Slow-Moving Stock Control
- Work-in Progress (WIP) Control
- Stock Level Monitoring
- Warehouse control and access

iii) Operation Management, which basically covers:

- Review of Standard Operating Procedure and Compliance Test
- Review on Production Planning, Work Scheduling and Control
- Review on Material Planning
- Review of Production Costing
- Review on Quality Management and Performance Measurement
- Review on Waste Handling
- Review on Production Meeting
- Review on Machinery Preventive Maintenance Planning
- Review on Machinery Breakdown and Downtime
- Review on Research & Development Planning and Progress
- Review on New Product samples production monitoring
- Review on Health and Safety at Production Floor

AUDIT COMMITTEE REPORT

iv) Sales and Account Receivables Management, which basically covers:

- Review of Standard Operating Procedure and Compliance Test
- Handling of Customer Order and Sales Order processing to delivery
- Review of Sales Price basis and system control
- Handling of Customer Complaint and Analysing of Customer Satisfaction Survey
- Sales Credit Term and Credit Limit Approval,
- Account Receivables Tracking and Collections
- Debtors Aging and Provision for Doubtful Debts

Employment Act 1955 and New Guidelines, which basically covers:

- Compliance of Employment Act 1955
- Compliance with New Guideline on Minimum Wages effective from 1 May 2022
- Training and Briefing relating to Employment Act 1955
- Imposition of Penalty for non-compliance with Employment Act 1955 and New Guidelines

AMLA Policy Acknowledgement and Execution Compliance Review, which basically covers:

- Policy review, Acknowledgement of Declaration and Execution

Based on the internal audits conducted, the AC and internal auditors did not detect any significant weakness which would result in material losses, contingencies or uncertainties that would require disclosure in the Annual Report.

The details of the internal audit function are set out in the Statement on Risk Management and Internal Control of this Annual Report.

The Group had incurred a total amount of RM48,000 for the internal audit function for the financial year ended 30 June 2022.

This report is made in accordance with the resolution of the Board dated 20 October 2022.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Sern Kou Resources Berhad (the "Company" or "SKRB") remains committed in maintaining the highest standards of corporate governance ("CG") within the Company and adhering to the principles and best practices of CG, through observing and practising the core values of Malaysian Code on Corporate Governance 2021 ("MCCG") and the Corporate Governance Guide issued by Bursa Malaysia Securities Berhad ("Bursa Securities"). The commitment from the top paves the way for Management and all employees to ensure the Company's businesses and affairs are effectively managed in the best interest of all stakeholders.

The Board is pleased to present an overview on the application of the principles as set out in the MCCG and the extent to which the Company and the subsidiaries ("Group") have complied with the key principles of the MCCG during the financial year under review.

This statement should be read together with the 2022 CG Report of the Company which is available on the Company's website.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

PART I – BOARD RESPONSIBILITIES

1. Board's Leadership on Objectives and Goals

1.1 Strategic Aims, Values and Standards

The Board is responsible for the overall performance of the Group and focuses mainly on the strategic management, performance monitoring and measurement, risk management and internal controls, standards of conduct, shareholders' communication, governance of sustainability and critical business decisions. The matters reserved for the collective decision of the Board are listed in the Board Charter which is available on the corporate website.

The Board implements a strategy planning process to oversee the matters delegated to Management and ensures the goals and targets are in line with the Company's strategic plan and long-term objectives.

The key responsibilities of the Board include reviewing and adopting the strategic plan, overseeing the conduct of business, risk management, succession planning, overseeing the development and implementation of a shareholders' communication policy and reviewing the internal control systems to ensure its effectiveness to mitigate the business risks.

The Board acknowledges the essential of ensuring that the Company's strategies promote sustainability. As in the furniture industry, the Board is strongly aware of the importance of balancing the environmental, social and governance aspect with the interest of various stakeholders, is essential to enhancing investors' perception and public trust.

The Sustainability Statement stated the actions taken by the Group in protecting the environment while striking to achieve a better performance towards the goal at sustainable development.

The Board is constantly mindful of the need to safeguard the interests of the Group's stakeholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

1.1 Strategic Aims, Values and Standards (Continued)

In order to facilitate the effective discharge of its duties, the Board delegates and confers some of the Board's authorities and discretion on the Executive Directors as well as on properly constituted Committees comprising Non-Executive Directors which operate within clearly defined terms of reference.

The Board Committees consist of Audit Committee ("AC"), Nomination and Remuneration Committee ("NRC") and Risk Management and Sustainability Committee ("RMSC"), which was established on 24 February 2021, to oversee the risk management and sustainability management of the Group. The power delegated to the respective Board Committees are set out in the Terms of Reference of each of the committees which is available on the Company's website.

Overall, it is the governance responsibilities of the Board to lead and control the Group. The Board plans the strategic direction, development and control of the Group and has embraced the responsibilities listed in the MCCG to discharge its stewardship and fiduciary responsibilities. The Executive Directors are responsible for making and implementing operational and corporate decisions while the Non-Executive Directors balance the board accountability by providing their independent views, advice and judgment in safeguarding the interests of the shareholders.

During the financial year under review, the Board together with the respective Board Committees', in addition to the above matters, had also reviewed and adopted the Directors' Fit and Proper Policy and, Auditors' Selection Policy and procedures to be in line with the Companies Act 2016 ("Act"), MCCG and revisions to the Main Market Listing Requirements ("MMLR") and implemented the following as part of its continuous efforts in enhancing corporate governance.

1.2 Chairman

The Chairman of the Company leads the Board with a keen focus on governance and compliance and acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. Together with the other Independent Non-Executive Directors, he leads the discussion on the strategies and policies recommended by Management. He chairs the meetings of the Board and the shareholders, and thus ensuring effective communication with the shareholders as well as the relevant stakeholders.

1.3 Separation of the Positions of the Chairman and Managing Director ("MD")

The position of the Chairman and the MD is held by different individuals, accordingly there is a clear division of responsibilities between the Chairman and the MD to ensure that there is a continued balance of power and authority. In addition, the separation of these positions promotes accountability and facilitates division of responsibilities.

The Chairman of the Board is Tan Sri Abdul Rahim Bin Mohd Noor, an Independent Non-Executive Director whilst the MD is Mr Low Peng Sian @ Chua Peng Sian. The MD, together with the Executive Directors, have the overall responsibilities over the Group's operating units, organisational effectiveness and implementation of the Board policies and decisions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

1.3 Separation of the Positions of the Chairman and Managing Director ("MD") (Continued)

The Chairman is primarily responsible for matters pertaining to the Board and the overall conduct of the Group and is committed to good CG practices and has been leading the Board towards high performing culture while the MD is responsible for the implementation of board policies and decisions approved by the Board and he is obliged to report to the Board at Board Meetings all material matters currently or potentially affecting the Group and its performance, including all strategic projects and regulatory development which might have an impact on the daily operation.

All decisions of the Board are made unanimously or be consensus. To ensure balance of power and authority on the Board, majority of the Board members are Independent Non-Executive Directors. The Board is satisfied and assured that no individual or group of Directors has unfettered powers of decision that could create a potential conflict of interest.

1.4 Separation of Chairman of the Board and member of the AC, NRC and Risk Management and Sustainability Committee

The Chairman of the Board is Tan Sri Abdul Rahim Bin Mohd Noor, an Independent Non-Executive Director and he is not a member of the AC, NRC, and Risk Management and Sustainability Committee in the Company to ensure there is check and balance as well as objective review by the Board.

1.5 Qualified and Competent Secretaries

In performing their duties, all Directors have access to the advice and services of suitably qualified Company Secretaries. The Company Secretaries act as the CG counsel and ensure good information flow within Board, Board Committees and Management. The Company Secretary attends all meetings of the Board and Board Committees whenever necessary and guides the Directors on the requirements encapsulated in the Company's Constitution and legislative promulgations such as the Act, MMLR and the MCCG, etc.

1.6 Access to Information and Advice

All Directors have access to the advice and services of the Company Secretaries as well as to all information within the Group in ensuring the effective functioning of the Board. In addition, the Board may seek independent professional advice on specific issues at the Company's expenses to enable it to discharge its duties in relation to the matters being deliberated, where necessary.

The Directors may seek advice from Management on issues under their respective purview and interact directly with Management or request further explanation, information or updates on any aspect of the Company's operations or business concern from them.

Schedule of Board and Committee meetings are determined in advance at the beginning of every year. This enables Management to plan ahead the yearly business and corporate affairs and ensure timely preparation of information for dissemination to the Board. The Board has a defined schedule of matters reserved for Board's decision and that the Board papers for meetings will be circulated to the Board at least seven (7) days prior to the meeting. This is to ensure all Directors have sufficient time to obtain further explanation, where necessary, in order to be fully informed of the matters to be discussed during the meeting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

1.6 Access to Information and Advice (Continued)

The Company Secretary is entrusted to record the Board's deliberations, in terms of issues discussed, ensures that the deliberations at Board and Board Committee meetings are well documented, and subsequently communicated to Management for appropriate actions. The minutes of the previous Board and Board Committee meetings are distributed to the Directors/ Committee prior to the meeting for their perusal before confirmation of the minutes at the commencement of the following Board meeting. The Directors may comment or request clarification before the minutes are tabled for confirmation as a correct record of the proceedings of the meeting. Management provides Directors with complete and timely information prior to meetings and on-going basis to enable them to make informed decisions.

2. Demarcation of Responsibilities

2.1 Board Charter

The Board Charter is reviewed to ensure that it complies with the best practices and regulations and thus, the last review of the Board Charter was conducted on 24 February 2021.

In discharging its duties, the Board is constantly mindful of the need to safeguard the interests of the Group's stakeholders. In order to facilitate the effective discharge of its duties, the Board is guided by the Board Charter, which is available on the Company's website.

The Board Charter serves to ensure that all Board members acting on behalf of the Group are aware of their expanding roles and responsibilities. It sets out the strategic intents and specific responsibilities to be discharged by the Board members collectively and individually. It also regulates on how the Board conducts business in accordance with CG principles.

The Board Charter would be reviewed and updated in accordance with the needs of the Company and any new regulations that may have impact on the discharge of the Board's responsibilities.

3. Promoting Good Business Conduct and Corporate Structure

3.1 Code of Conduct and Ethics

The Board is committed in maintaining a corporate culture which engenders ethical conduct. The ethical standards are formalised through the Directors' Code of Conduct and Corporate Disclosure Policy, which requires all Directors and Employees to observe high ethical business standards, honesty and integrity and to apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its shareholders.

The Directors' Code of Conduct and Corporate Disclosure Policy are available on the Company's website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

3.2 Whistleblowing Policy

The Board has adopted a whistleblowing policy for the Group as a measure to promote the highest standard of CG. The whistleblowing policy outlines the avenues for all employees, suppliers, agents, contractors and customers of the Group to raise concerns or disclose in good faith any improper conduct within the Group and to enable prompt corrective actions and measures to resolve them effectively.

Any employee and member of public who has reasonable belief that there is serious malpractice relating to the matter disclosed, may direct such complaint and report to the MD or Chairman of the AC, either through formal or informal channels.

Management will ensure that the whistleblower who raises a genuine complaint in good faith shall not be penalised for such disclosure and the identity of such complainant shall be kept confidential.

The Whistleblowing Policy is included in the Board Charter and published on the Company's website.

3.3 Anti-Bribery and Anti-Corruption Policy ("ABAC Policy")

The Board had on 27 May 2020 adopted the ABAC Policy to incorporate the policies and procedures on anti-corruption as guided by the "Guidelines on Adequate Procedures" issued by the Prime Minister's Department to promote better governance culture and ethical behaviour within the Group and to prevent the occurrence of corrupt practices in accordance with the new Section 17A of the Malaysian Anti-Corruption Commission Act 2018 on corporate liability for corruption which come into force on 1 June 2020.

A copy of the ABAC Policy is made available on the Company's website.

3.4 Directors' Fit and Proper Policy

In line with the amendment to the MMLR, the Board also on 23 May 2022 adopted the Directors' Fit and Proper Policy, which outline the fit and proper criteria for the appointment and re-appointment of Directors on the Board of the Company.

The said policy also ensures that each of the Directors has the character, skills, knowledge, experience, honesty and integrity, competence and capability, financial soundness, and time to effectively discharge his/her role as a Director of the Company and its subsidiaries, and in tandem with good corporate governance practices.

In addition, the policy also serves as a guide to the NRC and the Board in their review and assessment of candidates that are to be appointed onto the Board as well as Directors who are seeking for election or re-election.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

4. Sustainability measure to support long-term strategy

4.1 Strategic Management of Material Sustainability matter

The Board provides the oversight on the Group's sustainability and is assisted by the Management who oversees the implementation of the Group's sustainability measures.

The Board recognises its responsibility to set the "tone from the top" and ensure good governance within the Group. In this regard, the Board continues to play an active role in providing oversight on all Environmental, Social and Governance ("ESG") topics and KPIs disclosed in the ESG report. Aside from strategic guidance for management of its identified sustainability material matters and climate-related risk, the Board is also committed in advancing the ESG agenda across the organisation.

Supporting the Board is the Risk Management and Sustainability Committee ("RMSC"), which oversees the Group's sustainability blueprint, including material topics, strategies and targets. The RMSC is chaired by an Independent Non-Executive Director, together with a second Independent Non-Executive Director and the MD, who are collectively tasked with overseeing the Group's risk management and sustainability governance process.

The formation of the RMSC permits a more comprehensive assessment of risks emerging from material EES topics and underlines SKRB's commitment to prioritising EESG matters and integrating them into Group operational strategies and decision making. The RMSC is in turn supported by the Executive Directors and Senior Management, and the Head of Department and Head of Division, to drive and implement sustainability strategies.

The Group has also grouped under the four (4) main sustainability pillars such as Economic, Environmental, Social and Governance.

4.2 Delivery of the Sustainability Consideration to Stakeholder

The Board aware that stakeholder engagement is vital in ensuring continued business sustainability whereby it enable the company to pursue various approaches and valued stakeholders' feedbacks and inputs in shaping the Company business strategy as the Company believed effective communication maintained mutually beneficial relationships with the stakeholders.

The Company has engaged external sustainability consultant, namely Joshua Ryan Communication to conduct a comprehensive Materiality Assessment Exercise ("MAE") to identify, assess, and prioritise key topics of material concern to the Company's business and our stakeholders within the context of operating environment. The resulting assessment result is used to inform the Board and Senior Management of the Company's strategy setting and resource allocation for the Group so as to effectively manage the Company's sustainability-related risks.

The Board had engaged with the stakeholders proactively such as Customers, Shareholders and Investors, Employees, Government and Regulatory Bodies, Vendors/Suppliers, Media, Community/ Public and NGOs and Opinion Leaders accordingly, to ensure that the Board meet the stakeholders' expectation and satisfaction for the Company's sustainability growth.

The Company had also disclosed the sustainability measures and forms of engagement with the stakeholder in the sustainability statement which also formed part of the Annual Report 2022 to the stakeholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

4.3 Sustainability Issues and Opportunity

The Board through the RMSC, acknowledges its fiduciary responsibility to ensure the profitability of the Group and assumes the responsibility for the effective management of the Group's financial and ESG risks. This includes risks and opportunities associated with climate change that may impact the financial value creation ability of the Group.

The Board has engaged an outsourced Internal Auditor to conduct Risk assessment/ review on group level and is also committed to tendering for a new audit firm on a regular basis. The Board maintains a robust Group Risk Register that is updated regularly and is gradually being expanded to include climate-related risks.

The Board had identified and highlighted several of the risks factor that associated with the Business such as the rules and regulations, financial and ESG Risks Management, climate change which may affect the company core value and competitive advantage in the market. At the same time, the Company remains vigilant in monitoring and mitigating the business, operational, financial, climate-related and other risks that may affect the Group.

Further, the Board was efficient in planning of resources, manufacturing and shipping timelines to endure a steady inventory of the products to meet the existing global market demands, while the Company strives to look more business opportunities in market with high or unmet potential.

4.4 Board Sustainability Evaluation

As addressing material sustainability risks and opportunities is the responsibility of the Board and Senior Management, the Board is looking into incorporating the evaluations to include the ESG considerations and sustainability yardstick to ensure accountability in the performance of the directors against sustainability targets.

PART II – BOARD COMPOSITION

5. Strengthen Board's Objectivity

5.1 Board Composition Evaluation

The Board currently consists of ten (10) members, six (6) Independent Non-Executive Directors, three (3) Executive Directors and one (1) Non-Independent Non-Executive Director, of which two (2) independent Non-Executive Directors were recently appointed on 20 October 2022. The Directors' profiles are disclosed in the Annual Report 2022.

The present composition of the Board is in compliance with Paragraph 15.02 of the MMLR as at least 2 and more than one-third of the directors are Independent Directors. In addition, the independent directors represented more than 50% of the Board members and complied with Practice 5.2 of the MCCG.

The Board is helmed by an experienced Board comprising members of high calibre and integrity, and provide a wealth of knowledge, experience and skills in the key areas of accountancy, business operations and development, corporate legal, finance and risk management, amongst others. The Board is satisfied that, through the annual performance appraisal of the Board, the Board Committees and individual directors, the current board composition represents a mix of knowledge, skills and experience required to discharge the Board's duties and responsibilities effectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

5.2 Percentage of the Independent Director

Independence is important for ensuring objectivity and fairness in the decision making. The independence of Directors is measured based on the criteria prescribed under the MMLR of Bursa Securities, of which a Director should be independent and free from any business or other relationship that could interfere with the exercise of independent judgement or the ability to act in the best interests of the Company. In addition, to be in compliance with the criteria set out under the MMLR of Bursa Securities, the Independent Non-Executive Directors ("INEDs") are required to declare that they will continue to bring independent and objective judgement to the Board during the review of Directors' independence as part of the annual assessment carried out by the NRC.

The INEDs do not participate in the day-to-day management of the Company and do not involve themselves in business transactions or relationships with the Company, to ensure their objectivity would not be compromised. In staying clear of any potential conflict of interest, the INEDs would remain at the position of providing check and balance to the Board when discharging their duties and fulfilling their responsibilities.

The Board had established the NRC to assist the Board in ensuring its members remain relevant to the Company and the remuneration policy remains competitive to attract new talents and retain suitably qualified directors.

The composition of the Board fulfils the MMLR of Bursa Securities by having at least two (2) or one-third (1/3) of the Board comprising independent directors. The composition of the Board also fulfils the requirement of at least half of the board comprises INEDs.

5.3 Tenure of Independent Director

The NRC and the Board of Directors had reviewed and assessed the independence of Tan Sri Abdul Rahim Bin Mohd Noor, Datuk Tay Puay Chuan and Mr Leou Thiam Lai, who have served the Company for a tenure of more than nine (9) years, to continue to act as Independent Directors of the Company.

Nonetheless, Tan Sri Abdul Rahim Bin Mohd Noor and Datuk Tay Puay Chuan, who are also subject to retirement by rotation at the forthcoming Annual General Meeting ("AGM"), had expressed their intention not to seek for re-election as Directors at the AGM, in view of the nine-year policy for Independent Non-Executive Director pursuant to the Malaysian Code on Corporate Governance 2021. Accordingly, they will retain office until the close of the Twenty-Second Annual General Meeting.

The NRC has deliberated on the matter and report to the Board, and the Board had resolved to recommend the continuance of Mr Leou Thiam Lai's office as Independent Non-Executive Director to the shareholders' approval at the forthcoming AGM.

5.4 Policy on Limitation of Independent Director's Tenure

The Board has adopted the recommendation of the MCCG that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Non-Executive Director. Otherwise, the Board must justify and seek shareholders' approval in the event that a Director, who has served in that capacity for more than nine (9) years, retains as an Independent Director.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

5.4 Policy on Limitation of Independent Director's Tenure (Continued)

The NRC and the Board of Directors had reviewed and assessed the independence of Tan Sri Abdul Rahim Bin Mohd Noor, Datuk Tay Puay Chuan and Mr Leou Thiam Lai and noted that they fulfilled the criteria under the definition of Independent Director as stated in the MMLR of Bursa Malaysia Securities Berhad, and thus, they would able to provide a check and balance and continue to bring an element of objectivity to the Board.

5.5 Diverse Board and Senior Management Team

The Board acknowledges the importance of diverse Board and Senior Management. The Group strictly adhered to the practice of non-discrimination of any form, whether based on race, age, religion and gender throughout the organisation, which including the selection of Board members.

The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company, which comply with Practice 5.5 of the MCCG.

The Group endeavour to meet the diversity at the Senior Management level and the composition of the Key Senior Management of the Group comprises a mixture of both genders.

5.6 Re-Election of Directors

Any Director appointed during the year, either to fill a casual vacancy or as an additional Director, shall hold office only until the next AGM and shall then be eligible for re-election in accordance with the Company's Constitution.

The Constitution states that one-third (1/3) of the Directors including the Managing Director, or if their number is not three (3) or a multiple of three (3), then the number nearest to one-third, shall retire by rotation and seek re-election at the AGM and that each Director shall submit himself/herself for re-election at least once in every three (3) years. A retiring Director is eligible for re-election.

This provides an opportunity for shareholders to renew their mandates. The election of each Director is voted separately.

Tan Sri Abdul Rahim Bin Mohd Noor and Datuk Tay Puay Chuan will retire in accordance with Paragraph 97 of the Constitution of the Company and will not seek for re-election in view of the nine-year policy for Independent Non-Executive Director pursuant to the Malaysian Code on Corporate Governance 2021. Accordingly, they will retain office until the close of the Twenty-Second Annual General Meeting.

Meanwhile, Ms Teh Su-Ching, Ms Seow Jing Hui and Mr Chua Oou Chuan will retire in accordance with Paragraph 104 of the Constitution of the Company and being eligible, have offered themselves for re-election as Directors of the Company.

To assist shareholders to renew their decision, sufficient information such as personal profile, meetings attendance and the shareholdings of each Director standing for election are available in the Annual Report.

In identifying candidates for appointment as Directors, the Board does not solely rely on recommendations from the existing Board members, management or major shareholders. The Board may also utilise independent sources to identify suitable qualified candidates, which complies with Practice 5.6 of the MCCG.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

5.7 Identification of New Candidates for Appointment of Directors

The Board has entrusted the NRC with the responsibility to consider, review and recommend the appointment of potential candidates to the Board proposed by Management, any Director or shareholder, taking into consideration the candidates' skills, knowledge, expertise and experience, time commitment, character, professionalism and integrity based on the 'Fit and Proper' standards for Directors and Senior Management staff as prescribed in the Board Charter.

During the financial year, the NRC had reviewed and recommended the appointment of Ms Teh Su-Ching as an Independent Non-Executive Director of the Company, for the Board's approval.

The Board is aware of the guidance to utilise independent sources for future appointment of Independent Director, and to disclose how a Board member is sourced in the Annual Report.

5.8 NRC

The NRC is responsible for identifying and recommending suitable candidates for Board membership and also for assessing the performance of the Directors on an ongoing basis. The Board would have the ultimate responsibility and final decision on the appointment. This process shall ensure that the Board membership accurately reflects the long-term strategic direction and needs of the Company and determine skills matrix to support strategic direction and needs of the Company.

Management shall engage broadly to develop a pool of interested potential candidates meeting the skills, expertise, personal qualities and diversity requirements for both the Board and the Committee appointments.

The NRC evaluates and matches the criteria of the candidate, and will consider diversity, including gender, where appropriate, and recommends to the Board for appointment.

Consideration would be given to those individuals possessing the identified skill, talent and experience.

The NRC would contact those persons identified to determine their interest in serving the Company. This communication will ensure that prospective Board members have clarity regarding the nominating process as well as Director/ Board profiles, roles and responsibilities, expectations of time commitments and other information as required.

For any requisition of nomination by the shareholders, the NRC would also perform the same review process. However, if the requisition is by way of Sections 311 to 313 of the Act, the NRC would still carry out its duties if permitted by the requisitionist.

The NRC comprises exclusively of Non-Executive Directors and a majority of independent directors, as follows: -

- Datuk Tay Puay Chuan (Independent Non-Executive Director) – Chairman
- Leou Thiam Lai (Independent Non-Executive Director) – Member
- Mr Loo Eng Hua (Non-Independent Non-Executive Director) – Member
- Ms Teh Su-Ching (Independent Non-Executive Director) – Member (appointed on 24 February 2022)

CORPORATE GOVERNANCE OVERVIEW STATEMENT

5.8 NRC (Continued)

The Terms of Reference of the NRC is available on the Company's website.

A summary of key activities undertaken by the NRC in discharging its duties during the financial year under review is set out below:

- Reviewed and assessed annual assessment of the performance and effectiveness of the Board as a whole, the committee of the Board, contribution of each individual director;
- Reviewed and assessed the size, composition and the required mix of skills of the Board and Board Committees;
- Reviewed and assessed the independence of the Independent Non-Executive Directors;
- Reviewed and recommended to the Board, the re-election and re-appointment of the Directors who will be retiring at the forthcoming AGM of the Company;
- Reviewed and assessed the term of office and performance of the AC;
- Reviewed and recommended the types of trainings suitable for the Board;
- Reviewed and assessed the level of financial literacy of the AC members;
- Reviewed the revised Terms of Reference of the NRC to ensure its relevance to the NRC and recommended to the Board for approval; and
- Reviewed and recommended the appointment of Ms Teh Su-Ching as an from Independent Non-Executive Director of the Company.

5.9 Gender Diversity

The Board acknowledges the importance of boardroom diversity and takes cognisance of the recommendation of the MCCG to have at least 30% of female directors.

As at the date of printing of this Annual Report, the Company has achieved the recommendation of the MCCG to have at least 30% of female directors.

5.10 Gender Diversity Policy

The Board established the Boardroom Diversity Policy as set out in the Board Charter of the Company, which is available on the Company's website.

Nevertheless, in the event of a vacancy in the Board, the Board, through the NRC has been tasked to consider the female representation when a vacancy arises and/or suitable candidates are identified. However, the appointment of a new Board member will not be guided solely by gender but will also take into account the skills-set, experience and knowledge of the candidate. The Company's prime responsibility in new appointments is always to select the best candidates available.

Hence, the normal selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board remains a priority.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

6. **Overall Board Effectiveness**

6.1 Annual Evaluation

The Board undertakes annual evaluation to determine the effectiveness of the Board. The Board evaluation comprises Board Assessment, Board Committees Assessment, Individual Assessment and Assessment of Independence of Independent Directors.

The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities.

The results of the assessment would form the basis of the NRC's recommendation to the Board for the re-election of Directors at the next AGM.

Based on the annual assessment conducted, the NRC was satisfied with the existing Board composition and concluded that each Directors has the requisite competence to serve on the Board and has sufficiently demonstrated their commitment to the Company in terms of time and participation during the year under review, and recommended to the Board the re-election of retiring Directors at the Company's forthcoming AGM. All assessments and evaluations carried by the NRC in discharge of its functions were properly documented.

The attendance record of the Directors at Board and Board Committee meetings for the financial year ended 30 June 2022 is set out as follows:-

Meeting Attendance	Board	AC	NRC	RMSC	AGM
Tan Sri Abdul Rahim Bin Mohd Noor	5/5	-	-	-	1/1
Low Peng Sian @ Chua Peng Sian	5/5	-	-	3/3	1/1
Datuk Tay Puay Chuan	5/5	5/5	3/3	3/3	1/1
Leou Thiam Lai	5/5	5/5	3/3	3/3	1/1
Loo Eng Hua	5/5	5/5	3/3	-	1/1
Lee Shen Wang	5/5	-	-	-	1/1
Siah Chew Peng	5/5	-	-	-	1/1
Teh Su-Ching	2/2	1/1	-	-	-

Note:

1: Ms Teh Su-Ching has been appointed as the Independent Non-Executive Director of the Company on 25 November 2021 and appointed as the member of Audit Committee and Nomination and Remuneration Committee on 24 February 2022.

Abbreviation

AC : Audit Committee
NC : Nomination Committee
NRC : Nomination and Remuneration Committee
RMSC : Risk Management and Sustainability Committee
AGM : Annual General Meeting
EGM : Extraordinary General Meeting

To ensure that the Directors have the time to focus and fulfil their roles and responsibilities effectively, the Directors must not hold more than five (5) directorships in public listed companies and shall notify the Chairman before accepting any new directorships.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

6.2 Directors' Training

The Board fully supports the need for its members to continuously enhance their skills and knowledge to keep abreast with the developments in the economy, industry, technology and updates on regulations, amongst others to effectively carry out their duties and responsibilities as directors and to comply with continuous training as required by the MMLR.

There were also briefings by the External Auditors and the Internal Auditors and the Company Secretary on the relevant updates on statutory and regulatory requirements from time to time during the Board meetings.

During the financial year ended 30 June 2022, all the Directors have attended trainings, seminars, conferences and exhibitions which they considered vital in keeping abreast with the changes in laws and regulation, business environment, and corporate government development, as detailed hereunder: -

Name of Director	Course Attended	Date
Tan Sri Abdul Rahim Bin Mohd Noor	ESG, Sustainability Reporting, MCCG 2021 and ERM (Part II)	20 October 2021
Low Peng Sian @ Chua Peng Sian	ESG, Sustainability Reporting, MCCG 2021 and ERM (Part II)	20 October 2021
Datuk Tay Puay Chuan	ESG, Sustainability Reporting, MCCG 2021 and ERM (Part II)	20 October 2021
Leou Thiam Lai	ESG, Sustainability Reporting, MCCG 2021 and ERM (Part II)	20 October 2021
	Persidangan Cukai Kebangsaan 2021	23 – 24 November 2021
	Seminar Bajet 2022	25 November 2021
	Fair Value Measurement Techniques for Financial Assets and Non-Financial Assets	30 November 2021
	Best Practice in Applying Malaysian Private Entities Reporting Standards (MPERS)	2 – 3 December 2021
	Case Study Based MFRS: MFRS 15 Revenue from Contracts With Customers MPERS Sections 23 & 34	16 December 2021
	Practical Auditing Methodology for SMPs	27 – 29 April 2022
	MIA International Accountants Conference 2022	8 – 9 June 2022
	National Tax Conference 2022	2 – 3 August 2022

CORPORATE GOVERNANCE OVERVIEW STATEMENT

6.2 Directors' Training (Continued)

Name of Director	Course Attended	Date
Loo Eng Hua	ESG, Sustainability Reporting, MCCG 2021 and ERM (Part II)	20 October 2021
	Exploring Equity Valuation	12 November 2021
	2022 Budget Seminar	6 December 2021
	Case Study Based MFRS: MFRS 15 Revenue from Contracts With Customers MPERS Sections 23 & 34	16 December 2021
	Assets Accounting Under MPERS Covering Property, Plant & Equipment, Investment Property and Biological Assets	17 December 2021
Lee Shen Wang	ESG, Sustainability Reporting, MCCG 2021 and ERM (Part II)	20 October 2021
Siah Chew Peng	ESG, Sustainability Reporting, MCCG 2021 and ERM (Part II)	20 October 2021
	Budget 2022: Key Tax Proposals	20 January 2022
	Boardroom Malaysia Corporate Taxes and Incentives Updates	9 March 2022
	Preference Shares: from Issuance to Redemption/Conversion	8 April 2022
Teh Su-Ching *(appointed on 25 November 2021)*	Mandatory Accreditation Program by Bursa Malaysia	11-13 October 2021
	SCxSC Fintech Conference 2021	26-28 October 2021
	SC Capital Market Cyber Simulation 2021: Debrief and Closing Session	3 December 2021
	Seminar on Business Growth Through the Malaysian Capital Market	15 February 2022
	Domestic Investment Seminar 2022 by MIDA	26 July 2022

The Company will continue to identify suitable training for the Directors to equip and update themselves with the necessary knowledge in discharging their duties and responsibilities as Directors.

The Directors are encouraged to attend briefing, conferences, forums, trade fairs (locally and internationally), seminars and training to keep abreast with the latest developments in the industry and to enhance their skills and knowledge.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PART III - REMUNERATION

7. Level and Composition of Remuneration

7.1 Remuneration Policy

The NRC and the Board ensure that the Company's remuneration policy remains supportive of the Company's corporate objectives and is aligned with the interest of shareholders, and further that the remuneration packages of Directors and key Senior Management Officers are sufficiently attractive to attract and to retain persons of high calibre candidates, as pursuant to the Practice 7.1 of the Code.

The NRC reviews annually the Directors' Remuneration (including Non-Executive Directors) for recommendation and approval by the Board. The Directors' remuneration payable to the Non-Executive Directors will be tabled at the AGM for approval by shareholders.

The NRC reviews annually the performance of the Executive Directors and submits recommendations to the Board on specific adjustments in remuneration and/or reward payments that reflect their contributions for the year, and which are dependent on the performance of the Group, achievement of the goals and/or quantified organisational targets as well as strategic initiatives set at the beginning of each year, which complied with Practice 7.2 of the Code.

The NRC is chaired by Datuk Tay Puay Chuan, an Independent Non-Executive Director of the Company and comprises a majority of Independent Non-Executive Directors. The NRC is guided by its terms of reference, which is available on the Company's website.

Remuneration of Directors and Senior Management

7.2 Detailed Disclosure of Directors' Remuneration

The Company noted the needs for transparency on the detailed disclosure on named basis for the remuneration of individual Directors. The remuneration breakdown of individual Directors includes fees, salary, bonus, benefits in-kind and other emoluments.

The NRC reviews annually the Directors' Fees and the Directors' Remuneration (including Non-Executive Directors) to commensurate with the level of responsibility of its directors and senior management. There should be appropriate incentives to attract talent as well as nurture and retain high calibre directors and senior management, whilst taking into account the interests of other stakeholders, including shareholders and employees. In addition, the remuneration policy and procedures should also be aligned with the business strategy and long-term objectives of the Company.

The NRC would recommend the Directors' Remuneration (including Non-Executive Directors) for Board's approval while the Directors' remuneration payable to the Non-Executive Directors would be tabled at the AGM for the approval of shareholders in line with the provisions of its Constitution and the Act.

The remuneration of the Executive Directors should be set at a competitive level to recruit and retain high quality executive directors and senior management. Individual pay levels should reflect the performance of the Company and the individual's skills and experience as well as responsibility undertaken. It is to ensure that the linkage between pay and performance is robust.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

7.2 Detailed Disclosure of Directors' Remuneration (Continued)

As for the Non-Executive Directors, the remuneration should take into account the fee levels and trends for the similar positions in the market and the time commitment required from the director. Such packages should take into consideration any additional responsibilities undertaken such as a director acting as chairman of the board, chairman of a board committee or as the senior independent director.

The Directors plays no part in determining his own remuneration and shall abstain from discussion on their own remuneration.

The remuneration package of the Executive Directors consists of monthly salary, bonus and benefits-in-kind such as company car and the benefit of Directors and Officers Liability Insurance in respect of any liabilities arising from acts committed in their capacity as Directors and Officers of the Company. The Directors and principal officers are required to contribute jointly towards the premium of the said policy.

Details of the Directors' Remuneration (including benefits-in-kind) of each Director during the financial year ended 30 June 2022 are as follows:

i. Breakdown of Directors' Remuneration (Company)

	Director Fees (RM)	Salary and Bonus (RM)	EPF, SOCSO and EIS Contribution (RM)	Benefit -In-Kind* (RM)	Other Emoluments^ (RM)	Total (RM)
Executive Directors						
Low Peng Sian @ Chua Peng Sian	7,200	-	-	-	2,344	9,544
Lee Shen Wang	-	-	-	-	2,344	2,344
Siah Chew Peng	-	315,000	38,724	-	2,344	356,068
TOTAL	**7,200**	**315,000**	**38,724**	**-**	**7,032**	**367,956**
Non-Executive Directors						
Tan Sri Abdul Rahim Bin Mohd Noor	101,000	-	-	-	2,344	103,344
Datuk Tay Puay Chuan	72,100	-	-	-	2,344	74,444
Leou Thiam Lai	72,100	-	-	-	2,344	74,444
Loo Eng Hua	352,900	-	-	-	2,344	355,244
Teh Su-Ching *(appointed on 25 November 2021)*	33,800	-	-	-	2,344	36,144
TOTAL	**631,900**	**-**	**-**	**-**	**11,720**	**643,620**

* Company's Car and Petrol Benefits.
^ Insurance Premium paid by the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

7.2 Detailed Disclosure of Directors' Remuneration (Continued)

ii. Breakdown of Directors' Remuneration (Group)

	Director Fees (RM)	Salary and Bonus (RM)	EPF, SOCSO and EIS Contribution (RM)	Benefit -In-Kind* (RM)	Other Emoluments^ (RM)	Total (RM)
Executive Directors						
Low Peng Sian @ Chua Peng Sian	7,200	960,000	117,045	15,500	2,344	1,102,089
Lee Shen Wang	-	490,000	59,723	23,950	2,344	576,017
Siah Chew Peng	-	315,000	38,724	11,100	2,344	367,168
TOTAL	**7,200**	**1,765,000**	**215,492**	**50,550**	**7,032**	**2,045,274**
Non-Executive Directors						
Tan Sri Abdul Rahim Bin Mohd Noor	101,000	-	-	-	2,344	103,344
Datuk Tay Puay Chuan	72,100	-	-	-	2,344	74,444
Leou Thiam Lai	72,100	-	-	-	2,344	74,444
Loo Eng Hua	352,900	-	-	17,400	2,344	372,644
Teh Su-Ching *(appointed on 25 November 2021)*	33,800	-	-	-	2,344	36,144
TOTAL	**631,900**	**-**	**-**	**17,400**	**11,720**	**661,020**

iii. Aggregate Directors' Remuneration

Categories of Remuneration	Group		Company	
	Executive Directors (RM)	Non-Executive Directors (RM)	Executive Directors (RM)	Non-Executive Directors (RM)
Director Fees	7,200	631,900	7,200	631,900
Salary and Bonus	1,765,000	-	315,000	-
EPF, SOCSO and EIS Contribution	215,492	-	38,724	-
Benefit-In-Kind*	50,550	17,400	-	-
Other Emoluments^	7,032	11,720	7,032	11,720

* Company's Car and Petrol Benefits.

^ Insurance Premium paid by the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

7.2 Detailed Disclosure of Directors' Remuneration (Continued)

iv. Analysis of Directors' Remuneration

Total remuneration of Directors in respect of the financial year ended 30 June 2022, in bands of RM50,000 is tabulated below:

Range of Remuneration RM	Group Executive Directors	Group Non-Executive Directors	Company Executive Directors	Company Non-Executive Directors
Below RM50,000	-	1	2	1
50,001 – 100,000	-	2	-	2
100,001– 150,000	-	1	-	1
150,001 – 200,000	-	-	-	-
200,001 – 250,000	-	-	-	-
250,001 – 300,000	-	-	-	-
300,001 – 350,000	-	-	-	-
350,001 – 400,000	1	1	1	1
400,001 – 450,000	-	-	-	-
450,001 – 500,000	-	-	-	-
500,001 – 550,000	-	-	-	-
550,001 – 600,000	1	-	-	-
600,001 – 650,000	-	-	-	-
650,001 – 700,000	-	-	-	-
700,001 – 750,000	-	-	-	-
750,001 – 800,000	-	-	-	-
800,001 and Above	1	-	-	-

7.3 Remuneration of Top Two (2) Senior Management

The Company notes the need for transparency in the disclosure of its key senior management remuneration, the Company is of the opinion that the disclosure of remuneration details may be detrimental to the Company's management of its human resources due to the competitive environment for resources within the industries the Company and its subsidiaries operate in.

While the Company has set policies and procedures in setting the remuneration of key personnel, such disclosure may also be misconstrued so as to hinder its recruitment and retention of personnel.

The Company is of the view that the interest of the shareholders would not be prejudiced as a result of such non-disclosure of the Company's top two (2) senior management personnel who are not Directors on named basis.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

7.3 Remuneration of Top Two (2) Senior Management (Continued)

The number of top two (2) senior management whose remuneration (comprising salary, bonus and other emoluments) for the financial year ended 30 June 2022 within the successive bands of RM50,000 is as follows:

Remuneration Band	Number of top two (2) Senior Management
Below RM50,000	-
RM50,001 to RM100,000	1
RM100,001 to RM150,000	-
RM150,001 to RM200,000	-
RM200,001 to RM250,000	1
RM250,001 to RM300,000	-
RM300,001 to RM350,000	-

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

PART I – AC

8. AC

The AC is relied upon by the Board to, amongst others, provide advice in the areas of financial reporting, external audit, internal control environment and internal audit process, review of related party transactions as well as conflict of interest situation. The AC also undertakes to provide oversight on the risk management framework of the Group.

In line with Practice 9.1 of the MCCG, the AC is chaired by an Independent Non-Executive Director who is distinct from the Chairman of the Board and all members of the AC are financially literate.

The composition of the AC, including its roles and responsibilities as well as a summary of its activities carried out in the financial year ended 30 June 2022, are set out in the AC Report of this Annual Report.

8.1 Financial Reporting

The Board aims to present a balanced and meaningful assessment of the Group's position and prospects, primarily through the annual financial statements and the quarterly announcement of results.

Before the financial statements are drawn up, the Directors take the necessary steps to ensure that the Group has used all the applicable accounting policies and supported by reasonable and prudent judgements and estimates. All accounting standards which the Board considers to be applicable, have been followed, subject to any explanations and material departures disclosed in the notes to the financial statements.

The composition of the AC are as below: -
- Leou Thiam Lai - Chairman
- Datuk Tay Puay Chuan - Member
- Loo Eng Hua - Member
- Teh Su-Ching – Member (appointed on 24 February 2022)

CORPORATE GOVERNANCE OVERVIEW STATEMENT

8.1 Financial Reporting (Continued)

The AC has at least one member fulfils qualifications prescribed by the MMLR. There is a strong element of independence to fulfil their role objectively and provide a critical and sounding view in ensuring the integrity of financial controls and integrated reporting, and identifying and managing key risk.

8.2 Transparency and Professional relationship with the external auditors

None of the AC members are former key audit partners of the Group. Nevertheless, the AC has adopted a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC, which is departure from the requirement of Practice 9.2 of the Code. The said policy has been incorporated in the terms of reference of the AC, a copy which is available on the Company's website.

Despite the departure of the Practice 9.2 of the MCCG, no former key audit partner has been appointed as a Director of the Company. With the introduction of MCCG 2021, the AC would align the cooling off period and update its terms of reference in due course.

The AC is empowered by the Board to review any matters concerning the appointment and re-appointment, resignations or dismissals of External Auditors and review and evaluate factors relating to the independence of the External Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the AC prior to submission to the Board for approval. Feedback based on the assessment areas is obtained from the AC, the Executive Directors, the Internal Auditor and senior management, where applicable.

In line with Practice 9.3 of the MCCG, the AC undertakes an annual assessment of the suitability and independence of the External Auditors as well as the performance of the External Auditors, including the review of calibre of the audit firm, quality of processes, audit team, independence and objectivity, audit scope and planning, audit fees and audit communications. Further, the Company has also adopted an Auditors' Selection Policy.

On the other hand, the AC has also sought written assurance from the External Auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants ("MIA"). The External Auditors provided such declaration in their annual audit plan presented to the AC prior to the commencement of audit for a particular financial year.

In this regard, the AC had on 19 October 2022, assessed the independence of Messrs BDO PLT as the External Auditors of the Company as well as reviewed the level of non-audit services rendered by Messrs BDO PLT to the Company for the financial year ended 30 June 2022.

The AC was satisfied with Messrs BDO PLT's technical competency and audit independence and took note that the quantum of non-audit fee charged thereto was not material as compared to the total audit fees paid to Messrs BDO PLT. Details of statutory audit, audit-related and non-audit fees paid/payable for the financial year ended 30 June 2022 to the External Auditors are set out in the Additional Information of this Annual Report.

The AC, having satisfied itself with the performance and fulfilment of criteria as set out in the Non-Audit Services Policy as well as received the assurance from Messrs BDO PLT as stated above, recommended the reappointment of Messrs BDO PLT as the External Auditors to the Board, upon which the shareholders' approval will be sought at the forthcoming AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

8.3 Financial Literacy of the AC

The AC complies with the recommendation of the MCCG requiring all members to be independent and at least one member fulfils qualifications prescribed by the MMLR. There is a strong element of independence to fulfil their role objectively and provide a critical and sounding view in ensuring the integrity of financial controls and integrated reporting,and identifying and managing key risk. All members of the AC are financially literate.

PART II – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

9. Risk Management and Internal Control Framework

The Board oversees, reviews and monitors the operation, adequacy and effectiveness of the Group's system of internal controls. The Board defines the level of risk appetite, approving and overseeing the operation of the Group's Risk Management Framework, assessing its effectiveness and reviewing any major/ significant risk facing the Group.

In line with Practices 10.1 and 10.2 of the MCCG, the AC oversees the risk management framework of the Group, reviews the risk assessment and management policies formulated by Management half-yearly together with the Internal Auditors and makes relevant recommendations to Management to update the Group Risk Profile. The AC also discusses with the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation, and makes relevant recommendations to the Board to manage residual risks.

Further, the Board has established the RMSC to review the risk management and sustainability aspect of the Group, which aim to enhance the overall internal controls of the Group.

The Board has been integrating the risk issues into their decision-making process whilst maintaining the flexibility to lead the business of the Group through the ever-changing internal and external environments.

The Company continues to maintain and review its internal control procedures to ensure the protection of its assets and its shareholders' investment.

Details of the main features of the Company's risk management and internal controls framework are further elaborated in the AC Report and the Statement on Internal Control and Risk Management of the Annual Report.

10. Governance, Risk Management and Internal Control Framework

Pursuant to Practices 11.1 and 11.2 of the MCCG, the Board has outsourced the Internal Audit ("IA") function for the financial year ended 30 June 2022 to an independent assurance provider, namely Messrs Vaersa Advisory Sdn. Bhd. to provide an independent appraisal over the system of internal control of the Group to the AC.

The responsibilities of the Internal Auditors include providing independent and objective reports on the state of internal controls and the significant operating units in the Group to the AC, with recommendations for improvement to the control procedures, so that remedial actions can be taken in relation to weaknesses noted in the systems.

The lead internal auditor, Mr Quincy Gan, a qualified Chartered Accountant and his team are free from any relationships or conflict of interests with the Company, to ensure the Internal Auditors' objectivity and independence are not impaired and the internal audit function is carried out in accordance with a recognised framework.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

10. Governance, Risk Management and Internal Control Framework (Continued)

The resources deployed to conduct the internal audit function are six (6) staffs, and all of them possess the necessary qualification to conduct internal audit.

During the financial year under review, the Internal Auditors have conducted review on the Group in accordance to the Internal Audit Plans, which have been approved by the AC and Board.

The Internal Auditors will perform quarterly testing of the internal control systems to ensure that the system is robust.

The Statement on Risk Management and Internal Control as included in the 2022 Annual Report provides the overview of the internal control framework adopted by the Company during the financial year ended 30 June 2022.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

PART I – COMMUNICATION WITH STAKEHOLDERS

11. Continuous Communication Between Company and Stakeholders

The Group recognises the importance of prompt and timely dissemination of information to the shareholders and the investors, in order for these stakeholders to be able to make informed investment decisions.

In line with Practice 12.1 of the MCCG, The Board is committed to ensuring that the shareholders and other stakeholders are well informed of the major developments of the Company and the information is communicated to them through the publication of the Annual Report, various timely announcements, disclosures made during the financial year and the release of financial results on the quarterly basis to Bursa Securities. The Company will ensure that all quarterly financial results are announced to Bursa Securities no later than two (2) months after the end of each quarter of a financial year and that the Annual Report together with the Audited Financial Statements are released within four (4) months after the end of each financial year.

Towards this, the Company's website incorporates a corporate section which provides all relevant information on the Company and is accessible by the public. This corporate section enhances the investor relations function by including all announcements made, annual reports as well as the documents such as Board Charter, Terms of Reference of respective Board Committees, Whistleblowing Policy, Corporate Disclosure Policy, Directors' Code of Conduct, Anti-Bribery & Anti-Corruption Policy, Directors' Fit and Proper Policy and External Auditors' Selection Policy can be obtained from the Company's website.

To encourage greater shareholders' participation at the AGM, the Board strive to serve at least twenty-eight (28) days' notice (longer period than 21 days' notice, the minimum required notice period) for AGM, whenever possible. The Chairman shall ensure the Board is accessible to shareholders and an open channel of communication is cultivated.

From the Company's perspective, the AGM also serves as a forum for Directors and management to engage with the shareholders personally to understand their needs and seek for their feedback. The Board welcomes questions and feedback from the shareholders during and/or at the end of the AGM and ensures the queries raised by the shareholders are responded in a proper and systematic manner.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PART II – CONDUCT OF GENERAL MEETINGS

12. Shareholder Participation at General Meetings

The AGM of the Company provides the principal forum of dialogue and interaction between the Board and the shareholders. The shareholders are given the opportunity to raise questions or to seek for clarifications of pertinent and relevant information of the Company. During the meeting, the Chairman, the Board members and the External Auditors are available to respond to the shareholders' queries.

For good corporate governance practice, the notices of the AGM and the Annual Report are sent out to shareholders at least twenty-eight (28) days prior to the meeting so that shareholders are given sufficient time to consider the resolutions that will be discussed at the AGM. The shareholders are thus provided with ample time to review the annual report, to appoint proxies and to collate questions to be asked at the AGM. All the Directors (including the chairman of the board committees) and the External Auditors were present in person to engage directly with and be accountable to the shareholders for their stewardship of the Company, as pursuant to the Practice 13.1 of the MCCG.

All the Directors shall endeavour to present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company at the AGM. The Directors and the External Auditors will be in attendance at the AGM to respond to the shareholders' queries as required by the shareholders, which in line with Practices 13.2 and 13.4 of the MCCG.

To be In line with the MMLR of the Bursa Securities, the Company had implemented poll voting for all the proposed resolutions set out in the notice of 21st AGM. Each item of special business included in the notice of AGM was accompanied by an explanation of the said proposed resolutions. All shareholders or proxies was briefed on the voting procedures prior to the poll voting by the Share Registrar. The Company appointed independent scrutineers to validate the votes cast at the 21st AGM.

The outcome of resolutions tabled and passed at the AGM are released to Bursa Securities on the same meeting day.

This CG Overview Statement was approved by the Board on **20 October 2022**.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is pleased to present its Statement on Risk Management and Internal Control which outlines the nature and scope of the risk management and internal control of the Group for the financial year ended 30 June 2022. This Statement has been prepared in accordance with Paragraph 15.26(b) of Bursa Malaysia Securities Berhad's Main Market Listing Requirements and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines").

BOARD RESPONSIBILITY

The Board recognises the importance of sound framework for risk management and internal control as a platform to good corporate governance. The Board acknowledges its responsibility and re-affirms its commitment in maintaining sound systems of risk management and internal control to safeguard shareholders' investments and the Group's assets as well as for reviewing its adequacy and effectiveness of these systems.

The Board continuously reviews the adequacy and integrity of the Group's risk management and internal control system to ensure that risks are managed appropriately and aligned to the Group's business objectives.

The Board has received assurance from the Managing Director and the Chief Financial Officer that the Group's risk management and internal control systems are in place for the financial year ended 30 June 2022 and are operating adequately and effectively, in all materials aspects.

In view of the limitations inherent in any system of risk management and internal control, such systems put into effect by Management can only manage and reduce, rather than eliminate the risks that may impede the achievement of the Group's business objectives. Therefore, the risk management and internal control systems can only provide reasonable and not absolute assurance against errors, material misstatement, operational failure, fraud or loss.

RISK MANAGEMENT

Risk Management is regarded by the Board to be an integral part of business operations. Key Management staff and Heads of Department are delegated with the responsibility of identifying and managing risks related to their functions/departments. At the quarterly management meetings, such risks identified and related internal controls are communicated to Senior Management. In addition, significant risks identified are brought to the attention of the Board at their scheduled meetings.

The Risk Management and Sustainability Committee ("RMSC") meets three (3) times yearly to discuss the risks faced by the Group and ensure that existing mitigation actions are adequate. Risks identified were prioritised in terms of likelihood of occurrence and the impact of such on the Group upon crystallisation.

The Group has put in place a risk management framework and complemented by the above mentioned risk management practices as an on-going process to assess, identify, evaluate and manage the various types of risks, which affect the Group's businesses and its achievement of its business objectives. This would help achieve building a risk awareness culture and risk ownership for a more effective approach to risk management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL AUDIT FUNCTION

The responsibility for reviewing the adequacy and integrity of the internal control system has been delegated by the Board to the Audit Committee. In turn, the Audit Committee assesses the adequacy and integrity of the internal control system and its compliance with the Group's policies and procedures through independent reviews performed by the Internal Auditors. In this respect, the Board through the Audit Committee receives and reviews reports on internal control from its outsourced internal audit function.

The Board has outsourced the internal audit ("IA") function to an independent assurance provider, namely Messrs Vaersa Advisory Sdn. Bhd. to provide an independent appraisal over the system of internal control of the Group to the Audit Committee.

The responsibilities of the Internal Auditors include quarterly testing of the internal control systems to ensure that the system is robust and providing independent and objective reports on the state of internal controls and the significant operating units in the Group to the Audit Committee, with recommendations for improvement to the control procedures, so that remedial actions can be taken in relation to weaknesses noted in the systems. The Internal Auditors adopt a risk-based approach based on International Professional Practices Framework.

During the financial year ended 30 June 2022, IA was undertaken and the results on the audits were presented to the Audit Committee. The scope of work of the outsourced IA function was determined by the Audit Committee after careful consideration and discussion with the Board.

The cost incurred in outsourcing the internal audit function for the financial year ended 30 June 2022 was at RM48,000.

KEY ELEMENTS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The other key elements of the Group's internal control system include: -

- The Group maintains clearly defined and structured lines of reporting and responsibilities including proper segregation of duties, appropriate authority limits, adequate review and approval procedures;

- Formal Standard Operating Policies and Procedures are in place and they are annually reviewed and updated to ensure that it continues to support the Group's business activities as the Group continues to grow;

  Certain subsidiaries within the Group adhered to and applied such ISO Quality Policies and Procedures. With such certification, audits are conducted by external parties yearly to ensure compliance with the requirements of the certification.

- Financial results are reviewed by the Audit Committee and the Board on a quarterly basis. An annual budget is prepared by Management to facilitate the monitoring of Group financial performance and the review of its actual performance against budget;

- Regular dialogues on operational matters with department heads are conducted by the Executive Directors;

- Scheduled management meetings to discuss the Group's operations and performance are held on a monthly basis;

- Quarterly reviews on the performance of the Group by the Board;

- Active participation of executive members of the Board in the day-to-day running of the operations; and

- Quarterly discussion between the Audit Committee and Management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report for the financial year ended 30 June 2022. Their review was performed in accordance with the Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants.

AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control system of the Group. Based on the procedures performed, nothing had come to their attention that caused them to believe that the Statement on Risk Management and Internal Control set out above was not prepared, in all material respect, in accordance with the disclosure required by paragraphs 41 and 42 of the Guidelines, nor was it factually inaccurate.

CONCLUSION

The Board is of the view that the Group's risk management and internal control systems are satisfactory and has no significant internal control failures nor have any of the reported weaknesses that has resulted in material losses or contingencies during the financial year under review. However, the Board is also cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Group will continue to take measures to strengthen the risk management and internal control system with a view to further enhance their effectiveness and to ensure new and additional risk arising from changes in the business and operating environment are managed within tolerable limits and timely dealt with.

This Statement on Risk Management and Internal Control is made by the Board in accordance to its resolution dated 20 October 2022.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE PREPARATION OF THE FINANCIAL STATEMENTS

The Directors of Sern Kou Resources Berhad ("the Company") are required to prepare financial statements for each financial year which have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In preparing the financial statements of the Group and of the Company for the financial year ended 30 June 2022, the Directors of the Company have: -

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors are responsible to ensure that the Group and the Company maintain proper accounting records that disclose with reasonable accuracy the financial position of the Group and of the Company, which enable them to ensure that the financial statements comply with the Companies Act 2016.

The Directors are also responsible for taking such steps which are reasonably open to them to safeguard the assets of the Group and of the Company and to prevent and detect fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION

MATERIAL CONTRACTS

There were no material contracts entered into by the Group and the Company involving the Company Directors', Chief Executive who is not a director and/or major shareholders' interests, either still subsisting at the end of the financial year, or which were entered into since the end of the previous financial year.

CORPORATE PROPOSAL AND UTILISATION OF PROCEEDS

The Company had undertaken a Bonus Issue to issue up to 720,000,000 new ordinary shares in Sern Kou Resources Berhad ("SKRB") ("SKRB shares") ("bonus shares") on the basis of 2 bonus shares for every 1 existing SKRB share held on 4 June 2021, which was approved by the shareholder via the Extraordinary General Meeting held on 20 May 2021 and completed on 9 June 2021 following the listing and quotation for the 526,113,998 Bonus Shares and 193,886,002 Additional Warrants 2018/2023 on the Main Market of Bursa Securities on 9 June 2021.

There was 52,659,800 warrants converted into ordinary shares for financial year ended 30 June 2022. The Company had raised RM 6,845,774.00 via the exercise of warrants for the financial year ended 30 June 2022.

As stated in the Circular to Shareholders dated 8 February 2018, the proceeds raised from the warrants were intended to be utilised for the working capital of the Group as and when the need arises.

The said proceeds have been utilised as follows as at the financial year ended 30 June 2022: -

Utilisation of proceeds	Proposed utilisation RM'000	Actual utilisation RM'000	Balance available for utilisation RM'000
Working capital	6,846	4,230	2,616

Save for the above, the Company did not carry out any corporate proposal nor utilise proceeds derived from the corporate proposal during the financial year ended 30 June 2022.

RECURRENT RELATED PARTY TRANSACTION

During the financial year ended 30 June 2022, the Group and the Company did not enter into any recurrent related party transactions.

SHARE ISSUANCE SCHEME

The Company did not implement any share issuance scheme during the financial year ended 30 June 2022.

ADDITIONAL COMPLIANCE INFORMATION

AUDIT AND NON-AUDIT FEES

The audit and non-audit fees paid or payable to Messrs BDO PLT, the external auditors by the Company and its subsidiaries during the financial year ended 30 June 2022 are as follow: -

Details of fees	Group (RM)	Company (RM)
Statutory Audit Fees	144,000	32,000
Non-Audit Fee	5,000	5,000
	149,000	37,000

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2022.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and provision of management services. The principal activities and the details of the subsidiaries are disclosed in Note 10 to the financial statements. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	9,826,185	31,271
Attributable to:		
Owners of the parent	9,213,414	31,271
Non-controlling interests	612,771	-
	9,826,185	31,271

DIVIDEND

No dividend has been paid, declared or proposed by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the current financial year ended 30 June 2022.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary shares of the Company were increased from 794,097,097 to 846,756,897 by way of issuance of 52,659,800 new ordinary shares pursuant to 52,659,800 warrants exercised at an exercise price of RM0.13 each for cash.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. There were no other issues of shares during the financial year.

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

DIRECTORS' REPORT

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

WARRANTS 2018/2023

On 28 March 2018, the Company issued 120,000,000 free warrants on the basis of one (1) Warrant for every one (1) existing ordinary share.

The warrants were constituted by the Deed Poll dated 5 March 2018. During the financial year, 52,659,800 warrants were exercised and the total number of warrants that remain unexercised is 233,243,103.

The salient terms of the Warrants are disclosed in Note 27 to the financial statements.

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

<u>Sern Kou Resources Berhad</u>

Tan Sri Abdul Rahim Bin Mohd Noor
Datuk Tay Puay Chuan
Low Peng Sian @ Chua Peng Sian
Loo Eng Hua
Leou Thiam Lai
Lee Shen Wang
Siah Chew Peng
Teh Su-Ching *(appointed on 25 November 2021)*
Seow Jing Hui *(appointed on 20 October 2022)*
Chua Oou Chuan *(appointed on 20 October 2022)*

<u>Subsidiaries of Sern Kou Resources Berhad</u>

Low Peng Sian @ Chua Peng Sian
Tey Man Er
Lee Shen Wang
Hoo Wei Mee

DIRECTORS' REPORT

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 30 June 2022 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	Number of ordinary shares			
	Balance as at 1.7.2021	Bought	Sold	Balance as at 30.6.2022
Shares in the Company				
Direct interests:				
Low Peng Sian @ Chua Peng Sian	106,161,000	-	-	106,161,000
Loo Eng Hua	600,000	200,000	-	800,000
Lee Shen Wang	120,000	-	-	120,000
Indirect interests:				
Low Peng Sian @ Chua Peng Sian	144,000,000	-	-	144,000,000

	Number of warrants				
	Balance as at 1.7.2021	Bought	Exercised	Sold	Balance as at 30.6.2022
Warrants in the Company					
Direct interests:					
Low Peng Sian @ Chua Peng Sian	40,509,900	-	-	-	40,509,900
Loo Eng Hua	300,000	-	(200,000)	-	100,000
Indirect interests:					
Low Peng Sian @ Chua Peng Sian	72,000,000	-	-	-	72,000,000

By virtue of Section 8(4) of the Companies Act 2016 in Malaysia, Low Peng Sian @ Chua Peng Sian is also deemed to be interested in the shares of all the subsidiaries to the extent that the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) 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.

There were no arrangements made during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REPORT

DIRECTORS' REMUNERATION

Directors' remuneration of the Group and of the Company for the financial year ended 30 June 2022 were as follow:

	Group RM	Company RM
Fees	639,100	639,100
Other emoluments	2,073,618	372,476
Estimated monetary value of benefits-in-kind	67,950	-
	2,780,668	1,011,576

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Group and the Company effected Directors' liability insurance during the financial year to insure the Directors of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors.

The amount of insurance premium paid by the Company during the financial year amounted to RM18,752.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONTINUED)

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would necessitate the writing off of bad debts or render the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) In the opinion of the Directors:

(i) there has not arisen 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 in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT

AUDITORS

The auditors, BDO PLT (201906000013 (LLP0018825-LCA) & AF 0206), have expressed their willingness to continue in office.

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

	Group RM	Company RM
Statutory audit	144,000	32,000
Non-statutory audit	5,000	5,000
	149,000	37,000

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

(Signed)
Low Peng Sian @ Chua Peng Sian
Director

(Signed)
Lee Shen Wang
Director

Johor Bahru
20 October 2022

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 104 to 173 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2022 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

(Signed)
Low Peng Sian @ Chua Peng Sian
Director

(Signed)
Lee Shen Wang
Director

Johor Bahru
20 October 2022

STATUTORY DECLARATION

I, Tang Choon Yen (CA 23402), being the officer primarily responsible for the financial management of Sern Kou Resources Berhad, do solemnly and sincerely declare that the financial statements set out on pages 104 to 173 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 the abovenamed at)
Johor Bahru, Johor this)
20 October 2022)

(Sgned)
Tang Choon Yen
Chief Financial Officer

Before me:

Serena Kaur (No. J252)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SERN KOU RESOURCES BERHAD
(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Sern Kou Resources Berhad, which comprise the statements of financial position as at 30 June 2022 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 104 to 173.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

BASIS FOR OPINION

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

Independence and Other Ethical Responsibilities

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter of the Group

Recoverability of trade receivables

As at 30 June 2022, trade receivables of the Group amounted to RM94,893,745. The details of trade receivables and their credit risks have been disclosed in Note 12 and Note 31 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgements in determining the probability of default by trade receivables and appropriate forward looking information.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SERN KOU RESOURCES BERHAD
(INCORPORATED IN MALAYSIA)

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter of the Group (continued)

Recoverability of trade receivables (continued)

Audit response

Our audit procedures included the following:

a) recomputed the probability of default using historical data and forward looking information adjustment applied by the Group;

b) recomputed the correlation coefficient between forward looking factors and historical credit losses to determine the appropriateness of the forward looking information of the Group; and

c) inquiries of management to assess the rationale underlying the relationship between the forward looking information and expected credit losses.

Key Audit Matter of the Company

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

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

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SERN KOU RESOURCES BERHAD
(INCORPORATED IN MALAYSIA)

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SERN KOU RESOURCES BERHAD
(INCORPORATED IN MALAYSIA)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO PLT
201906000013 (LLP0018825-LCA) & AF 0206
Chartered Accountants

Francis Cyril A/L S R Singam
03056/04/2023 J
Chartered Accountant

Kuala Lumpur
20 October 2022

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2022

		Group		Company	
		2022	2021	2022	2021
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	7	88,607,746	90,368,267	-	-
Right-of-use assets	8	28,375,071	27,944,837	-	-
Investment properties	9	13,030,000	20,530,000	-	-
Investments in subsidiaries	10	-	-	112,937,457	102,937,457
		130,012,817	138,843,104	112,937,457	102,937,457
Current assets					
Inventories	11	30,619,480	23,873,429	-	-
Receivables and other assets	12	102,554,884	92,983,145	24,125	1,726,125
Current tax recoverable		1,318,328	769,158	-	-
Cash and bank balances	13	56,943,311	36,281,561	2,964,584	4,383,463
		191,436,003	153,907,293	2,988,709	6,109,588
TOTAL ASSETS		321,448,820	292,750,397	115,926,166	109,047,045
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	14	76,708,967	69,863,193	76,708,967	69,863,193
Reserves	15	126,205,846	116,992,432	39,114,459	39,083,188
		202,914,813	186,855,625	115,823,426	108,946,381
Non-controlling interests	10	2,032,108	1,174,827	-	-
TOTAL EQUITY		204,946,921	188,030,452	115,823,426	108,946,381
LIABILITIES					
Non-current liabilities					
Borrowings	16	12,490,181	13,275,246	-	-
Lease liabilities	8	4,522,097	3,184,200	-	-
Deferred tax liabilities	17	16,688,175	16,782,450	-	-
		33,700,453	33,241,896	-	-
Current liabilities					
Trade and other payables	18	24,617,160	17,119,608	102,740	72,544
Borrowings	16	55,500,557	50,979,937	-	-
Lease liabilities	8	1,841,670	1,464,216	-	-
Current tax liabilities		842,059	1,914,288	-	28,120
		82,801,446	71,478,049	102,740	100,664
TOTAL LIABILITIES		116,501,899	104,719,945	102,740	100,664
TOTAL EQUITY AND LIABILITIES		321,448,820	292,750,397	115,926,166	109,047,045

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
Revenue	21	338,266,279	324,698,025	1,890,000	38,800,000
Cost of sales		(308,557,429)	(284,055,581)	-	-
Gross profit		29,708,850	40,642,444	1,890,000	38,800,000
Other income		2,086,785	1,981,323	-	-
Selling and distribution expenses		(3,612,207)	(3,790,087)	-	-
Administrative expenses		(9,255,992)	(10,037,803)	(1,406,137)	(1,534,453)
Other operating expenses		(65,509)	(1,197,927)	-	-
Impairment (losses)/reversal on trade receivables	12(c)	(100,000)	361,000	-	-
Finance costs	22	(2,798,038)	(3,223,846)	-	-
Profit before taxation	23	15,963,889	24,735,104	483,863	37,265,547
Taxation	24	(6,137,704)	(6,821,373)	(452,592)	(186,388)
Profit for the financial year		9,826,185	17,913,731	31,271	37,079,159
Other comprehensive income					
Item that will not be reclassified subsequently to profit or loss					
Fair value adjustment on revaluation of properties	24(a)	-	46,293,987	-	-
Total other comprehensive income, net of tax		9,826,185	46,293,987	-	-
Total comprehensive income		9,826,185	64,207,718	31,271	37,079,159
Profit for the financial year attributable to:					
Owners of the parent		9,213,414	17,560,785	31,271	37,079,159
Non-controlling interests	10	612,771	352,946	-	-
		9,826,185	17,913,731	31,271	37,079,159
Total comprehensive income attributable to:					
Owners of the parent		9,213,414	63,854,772	31,271	37,079,159
Non-controlling interests	10	612,771	352,946	-	-
		9,826,185	64,207,718	31,271	37,079,159
Earnings per ordinary share attributable to owners of the parent (sen)					
- Basic	25	1.12	2.25		
- Diluted	25	0.91	1.74		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Note	Share capital RM	Revaluation reserve RM	Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interests RM	Total equity RM
Group							
Balance as at 1 July 2021		69,863,193	46,293,987	70,698,445	186,855,625	1,174,827	188,030,452
Profit for the financial year		-	-	9,213,414	9,213,414	612,771	9,826,185
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	9,213,414	9,213,414	612,771	9,826,185
Transaction with owners							
Ordinary shares issued pursuant to warrants exercised	14	6,845,774	-	-	6,845,774	-	6,845,774
Additional shares subscribed by non-controlling interests	10	-	-	-	-	244,510	244,510
Total transaction with owners		6,845,774	-	-	6,845,774	244,510	7,090,284
Balance as at 30 June 2022		76,708,967	46,293,987	79,911,859	202,914,813	2,032,108	204,946,921
Balance as at 1 July 2020		66,324,040	-	53,137,660	119,461,700	821,391	120,283,091
Profit for the financial year		-	-	17,560,785	17,560,785	352,946	17,913,731
Other comprehensive income, net of tax		-	46,293,987	-	46,293,987	-	46,293,987
Total comprehensive income		-	46,293,987	17,560,785	63,854,772	352,946	64,207,718
Transaction with owners							
Ordinary shares issued pursuant to warrants exercised	14	3,539,153	-	-	3,539,153	-	3,539,153
Subscription of shares upon incorporation of a subsidiary	10	-	-	-	-	490	490
Total transaction with owners		3,539,153	-	-	3,539,153	490	3,539,643
Balance as at 30 June 2021		69,863,193	46,293,987	70,698,445	186,855,625	1,174,827	188,030,452

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Note	Share capital RM	Retained earnings RM	Total equity RM
Company				
Balance as at 1 July 2021		69,863,193	39,083,188	108,946,381
Profit for the financial year		-	31,271	31,271
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	31,271	31,271
Transaction with owners				
Ordinary shares issued pursuant to warrants exercised	14	6,845,774	-	6,845,774
Balance as at 30 June 2022		76,708,967	39,114,459	115,823,426
Balance as at 1 July 2020		66,324,040	2,004,029	68,328,069
Profit for the financial year		-	37,079,159	37,079,159
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	37,079,159	37,079,159
Transaction with owners				
Ordinary shares issued pursuant to warrants exercised	14	3,539,153	-	3,539,153
Balance as at 30 June 2021		69,863,193	39,083,188	108,946,381

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		15,963,889	24,735,104	483,863	37,265,547
Adjustments for:					
Property, plant and equipment					
- depreciation	7	3,524,860	3,059,294	-	-
- impairment loss	7	-	1,647,037	-	-
- written off	7	1,830	1,381	-	-
- gain on disposal	23	(44,296)	(66,068)	-	-
Right-of-use assets					
- depreciation	8	1,987,144	1,538,558	-	-
- rent concessions	8	(17,600)	-	-	-
Fair value gain on investment properties	9	-	(100,000)	-	-
Allowance for slow moving inventories	11	400,000	-	-	-
Impairment loss on trade receivables					
- addition	12(c)	100,000	-	-	-
- reversal	12(c)	-	(361,000)	-	-
Dividend income	21	-	-	-	(37,000,000)
Interest expense	22	2,798,038	3,223,846	-	-
Interest income	23	(44,446)	(10,072)	-	-
Unrealised gain on foreign exchange	23	(3,240)	(25,505)	-	-
Operating profit before changes in working capital		24,666,179	33,642,575	483,863	265,547
Changes in working capital:					
Inventories		(7,146,051)	(5,605,996)	-	-
Receivables and other assets		(9,671,739)	25,997,111	2,000	17,930
Trade and other payables		8,148,452	(5,547,485)	30,196	(56,592)
Cash generated from operations		15,996,841	48,486,205	516,059	226,885
Tax paid		(7,853,378)	(6,440,797)	(480,712)	(164,574
Net cash from operating activities		8,143,463	42,045,408	35,347	62,311

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Note	Group 2022 RM	Group 2021 RM	Company 2022 RM	Company 2021 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Consideration from non-controlling interest on subscription of new shares of a subsidiary		244,510	490	-	-
Dividends received from subsidiaries		-	-	-	37,000,000
Interest received		44,446	10,072	-	-
Investment in subsidiaries		-	-	(8,300,000)	(35,000,000)
Net advances to subsidiaries		-	-	-	(1,600,000)
Net cash (payments)/receipts on right-of-use assets	8(d)	(274,347)	66,292	-	-
Property, plant and equipment					
- purchase	7	(1,077,749)	(5,108,392)	-	-
- proceeds from disposal		47,398	66,098	-	-
Proceeds from disposal of investment property		7,500,000	-	-	-
Net cash from/(used in) investing activities		6,484,258	(4,965,440)	(8,300,000)	400,000
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		(2,798,038)	(3,223,846)	-	-
Term loans					
- drawdown		3,516,640	-	-	-
- repayments		(2,376,066)	(8,552,687)	-	-
Net drawdown of bankers' acceptance		10,572,891	703,640	-	-
Placement of deposits pledged		(564,382)	-	-	-
Withdrawal/(Placement) of Escrow account		174,490	(71,554)	-	-
Repayment of lease liabilities	8	(1,749,602)	(1,980,731)	-	-
Proceeds from issuance of ordinary shares pursuant to warrants exercised	14	6,845,774	3,539,153	6,845,774	3,539,153
Net cash from/(used in) financing activities		13,621,707	(9,586,025)	6,845,774	3,539,153
Net increase/(decrease) in cash and cash equivalents		28,249,428	27,493,943	(1,418,879)	4,001,464
Effect of exchange rate changes on cash and cash equivalents		340	31,216	-	-
Cash and cash equivalents at beginning of financial year		26,098,649	(1,426,510)	4,383,463	381,999
Cash and cash equivalents at end of financial year	13(e)	54,348,417	26,098,649	2,964,584	4,383,463

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Term loans (Note 16) RM	Bankers' acceptances (Note 16) RM	Lease liabilities (Note 8) RM
As 1 July 2021	14,844,686	39,402,075	4,648,416
Cash flows			
- Drawdown of principal	3,516,640	10,572,891	-
- Repayment of principal	(2,376,066)	-	(1,749,602)
- Payment of interests	(774,840)	(1,308,228)	(316,696)
Non-cash flows:			
- Additions	-	-	3,351,707
- Interest expense	774,840	1,308,228	316,696
- Reassessments	-	-	130,846
- Rent concessions	-	-	(17,600)
At 30 June 2022	15,985,260	49,974,966	6,363,767
At 1 July 2020	23,397,373	38,698,435	4,439,953
Cash flows			
- Drawdown of principal	-	703,640	-
- Repayment of principal	(8,552,687)	-	(1,980,731)
- Payment of interests	(928,819)	(1,409,073)	(225,995)
Non-cash flows:			
- Additions	-	-	2,189,194
- Interest expense	928,819	1,409,073	225,995
At 30 June 2021	14,844,686	39,402,075	4,648,416

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

1. CORPORATE INFORMATION

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

The registered office and principal place of business of the Company is located at Lot PTD 6019 (Lot 8804), Jalan Perindustrian 1, Kawasan Perindustrian Bukit Bakri, Mukim Bakri, 84200 Muar, Johor Darul Takzim.

The consolidated financial statements for the financial year ended 30 June 2022 comprise the Company and its subsidiaries.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 20 October 2022.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and provision of management services. The principal activities and the details of the subsidiaries are disclosed in Note 10 to the financial statements. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

3. BASIS OF PREPARATION

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

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 5 to the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements in conformity with MFRSs and IFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

(a) The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;

(b) Substantive potential voting rights held by the Company and by other parties;

(c) Other contractual arrangements; and

(d) Historic patterns in voting attendance.

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

4.3 Business combinations

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 Income Taxes and MFRS 119 *Employee Benefits respectively*;

(b) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

(c) assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the serviced are received.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Business combinations (continued)

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

(a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

(b) Other contingent consideration that:

(i) is within the scope of MFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss in accordance with MFRS 9; and

(ii) is not within the scope of MFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

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

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at fair value. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the consolidated statement of financial position. The accounting policy for goodwill is set out in Note 4.8 to the financial statements. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

4.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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 subsequent costs would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the 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.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life, is depreciated separately.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Property, plant and equipment and depreciation (continued)

After initial recognition, property, plant and equipment except for freehold land and building are stated at cost less accumulated depreciation and any accumulated impairment losses. Freehold land and buildings are stated at valuation, which is the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Freehold land and buildings are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The surplus arising from such revaluations is credited to shareholders' equity as a revaluation reserve, net of deferred tax, if any, and any subsequent deficit is offset against such surplus to the extent of a previous increase for the same property. In all other cases, the deficit would be charged to profit or loss. For a revaluation increase subsequent to a revaluation deficit of the same asset, the surplus is recognised as income to the extent that it reverses the deficit previously recognised as an expense with the balance of increase credited to revaluation reserve.

Depreciation is calculated to write off the costs or valuation of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:

Buildings	2%
Machinery, factory equipment, tools and equipment	10%
Motor vehicle and forklifts	10% - 20%
Office equipment, furniture and fittings	10% - 20%
Renovation	10% - 20%

Freehold land has unlimited useful life and is not depreciated.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.9 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period 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. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss and the revaluation surplus related to those assets, if any, is transferred directly to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Leases

The Group as lessee

The Group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases excluding short-term leases or leases for which the underlying asset is of low value, conveying the right to control the use of an identified asset for a period of time.

The Group determines the lease term as the non-cancellable period of a lease, together with both:

(a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
(b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recorded at cost, which comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date of the lease, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lessor.

Subsequent to the initial recognition, the right-of-use asset except for leasehold land are stated at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Leasehold land related to a class of property, plant and equipment to which the Group applies revaluation model in MFRS 116, the Group elects to apply revaluation model to all of the right-of-use asset that related to that class of property, plant and equipment.

The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, as follows:

Leasehold land	82 years to 94 years
Buildings	2 years to 7 years
Machinery	10%
Motor vehicle	20%

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Leases (continued)

The Group as lessee (continued)

Lease liability

The lease liability is initially measured at the present value of the contractual lease payments that are not paid at the commencement date. The lease payments are discounted using the incremental borrowing rate of the Group. Subsequent to the initial recognition, the Group measures the lease liability by increasing the carrying amount to reflect interest in the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The Group as lessor

Leases in which the Group and the Company do not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and are recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

4.6 Investment properties

Investment properties are properties which are held to earn rental yields or for capital appreciation or for both and are not occupied by the Group. Investment properties also include properties that are being constructed or developed for future use as investment properties. Investment properties are initially measured at cost, which includes transaction costs. After initial recognition, investment properties are stated at fair value.

If the Group determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, the Group shall measure that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). Once the Group is able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, the Group shall measure that property at its fair value.

The fair value of investment properties reflect among other things, rental income from current leases and other assumption that market participants would use when pricing investment properties under current market conditions.

Fair values of investment properties are based on valuations by registered independent valuers with appropriate recognised professional qualification and have recent experience in the location and category of the investment properties being valued.

A gain or loss arising from a change in fair value of investment properties is recognised in profit or loss for the period in which arises.

Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Investments

Subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost less impairment losses, if any. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the separate financial statements of the Company. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

4.8 Intangible assets

Goodwill

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the interest of the Group in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount could be impaired. Objective events that would trigger a more frequent impairment review include adverse industry or economic trends, significant restructuring actions, significantly lowered projections of profitability, or a sustained decline in the acquiree's market capitalisation. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

4.9 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries), inventories and investment properties measured at fair value, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill might be impaired.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Impairment of non-financial assets (continued)

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ('CGU') to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to reduce the carrying amount of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation reserve to the extent of the surplus credited from the previous revaluation for the same asset with the excess of the impairment loss charged to profit or loss.

An impairment loss for assets is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Such reversals are recognised as income immediately in profit or loss except for the reversal of an impairment loss on a revalued asset where the reversal of the impairment loss is treated as a revaluation increase and credited to the revaluation reserve account of the same asset. However, to the extent that an impairment loss in the same revalued asset was previously recognised in profit or loss, a reversal of that impairment loss is also recognised in profit or loss.

4.10 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out formula. Cost of raw materials comprises all costs of purchase plus the costs of bringing the inventories to their present location and condition. Cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct costs and a proportion of production overheads based on normal operating capacity of the production facilities.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statements of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured 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 nature of the host contract.

(a) Financial assets

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at Fair Value Through Profit or Loss (FVTPL), directly attributable transaction costs.

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets are as below:

(i) Financial assets measured at amortised cost

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process. Financial assets are carried net of impairment losses, if any.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Financial assets measured at fair value

Financial assets that are debt instruments are measured at Fair Value Through Other Comprehensive Income (FVTOCI), if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in other comprehensive income, except for impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Financial assets that are debt instruments which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL.

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Equity instruments are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives).

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

Cash and bank balances are measured at amortised cost. Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Financial instruments (continued)

(b) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and meet the definition of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities measured at FVTPL or financial liabilities measured at amortised cost.

(i) Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This includes derivatives entered into by the Group that does not meet the hedge accounting criteria. Derivatives liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss except for the Group's own credit risk increase or decrease which is recognised in other comprehensive income. Net gain or losses on derivatives include exchange differences.

(ii) Financial liabilities measured at amortised cost

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

For financial liabilities measured at amortised cost, gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a 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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Financial instruments (continued)

(c) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the proceeds received at issuance and classified as equity. Transaction costs directly related to the issuance of equity instrument are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

4.12 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 specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statements of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

4.13 Impairment of financial assets

The Group recognises loss allowances for expected credit losses on financial assets measured at amortised cost.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

The Group considers credit loss experience and observable data such as current changes and future forecasts in economic conditions of the Group's industry to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.13 Impairment of financial assets (continued)

Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

In measuring the expected credit losses on trade receivables, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectible, the gross carrying value of the asset would be written off against the associated impairment.

Impairment for other receivables and amounts owing from subsidiaries are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. At the end of the reporting period, the Group assesses whether there has been a significant increase in credit risk for financial assets by comparing the risk for default occurring over the expected life with the risk of default since initial recognition. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The probability of non-payment other receivables and amount owing from a subsidiary is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the twelve month or lifetime expected credit loss for other receivables and amount owing from a subsidiary.

The carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

4.14 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.15 Income taxes

Income taxes include all taxes on taxable profit. Taxes in the statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of the jurisdiction in which the Group operates and include all taxes based upon the taxable profits.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.15 Income taxes (continued)

Income taxes include all taxes on taxable profit. Taxes in the statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statements of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

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

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 income taxes relate to the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

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 announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

4.16 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.16 Provisions (continued)

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.17 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

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

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

4.18 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined contribution plan

The Group and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.19 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost, are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

4.20 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

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

(a) the customer simultaneously receives and consumes the benefits provided as the Group performs;

(b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

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

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligations in contracts with customers:

Sale of goods

Revenue from sale of goods is recognised at a point in time when the goods have been transferred to the customer and coincides with the delivery of goods and acceptance by customers.

There is no significant financing component in the revenue arising from sale of goods as the sales are made on the normal credit terms not exceeding twelve months.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.20 Revenue recognition (continued)

Revenue not contracted with customers

(a) Interest income

Interest income is recognised as it accrues, using the effective interest method.

(b) Management fees services

Revenue from services rendered is recognised at a point in time when services have been rendered to the customer and coincides with the rendering of services and acceptance by customers.

(c) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease.

(d) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

4.21 Operating segments

Operating segments are defined as components of the Group that:

(a) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) whose operating results are regularly reviewed by the Group's chief operating decision makers (i.e. the Group's Executive Directors) in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) for which discrete financial information is available.

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

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

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:

   (i) the combined reported profit of all operating segments that did not report a loss; and

   (ii) the combined reported loss of all operating segments that reported a loss.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.21 Operating segments (continued)

(c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

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

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

4.22 Earnings per share

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

4.23 Fair value measurement

The fair value of an asset or a liability, except for lease transactions, is determined as 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. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

(a) The condition and location of the asset; and

(b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant 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
30 JUNE 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.23 Fair value measurement (continued)

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

(a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and

(b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

5. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

5.1 New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year.

Title	Effective Date
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 *Interest Rate Benchmark Reform - Phase 2*	1 January 2021

Adoption of the above Amendments did not have any material effect on the financial performance or position of the Group and the Company.

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2022

The following are Standards and Amendments of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company:

Title	Effective Date
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3 *Reference to the Conceptual Framework*	1 January 2022
Amendments to MFRS 116 *Property, Plant and Equipment - Proceeds before Intended Use*	1 January 2022
Amendments to MFRS 137 *Onerous Contracts - Cost of Fulfilling a Contract*	1 January 2022
Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*	1 January 2023
MFRS 17 *Insurance Contracts*	1 January 2023
Amendments to MFRS 17 *Insurance Contracts*	1 January 2023
Amendment to MFRS 17 *Initial Application of MFRS 17 and MFRS 9 - Comparative Information*	1 January 2023
Amendments to MFRS 101 *Disclosure of Accounting Policies*	1 January 2023
Amendments to MFRS 108 *Definition of Accounting Estimates*	1 January 2023
Amendments to MFRS 112 *Deferred tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable in future financial years.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated by the management of the Group and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact to the Group's and the Company's result and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

Recoverability of trade receivables

Recoverability of trade receivables requires management to exercise significant judgements in determining the probability of default by trade receivables and appropriate forward looking information.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

7. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.7.2021 RM	Additions RM	Disposals RM	Written off RM	Reclassi- fication RM	Transfer from right-of -use assets (Note 8) RM	Transfer to right-of -use assets (Note 8) RM	Depreciation charge for the year RM	Balance as at 30.6.2022 RM
Carrying amount									
Freehold land	15,370,000	-	-	-	-	-	-	-	15,370,000
Buildings	63,216,435	60,000	-	-	-	-	-	(1,311,240)	61,965,195
Machinery, factory equipment, tools and equipment	9,791,102	487,970	(3)	(326)	-	1,061,638	-	(1,628,480)	9,711,901
Motor vehicle and forklifts	1,214,423	34,000	(3)	-	-	337,884	(708,000)	(436,268)	442,036
Office equipment, furniture and fittings	394,312	172,996	(3,096)	(1,504)	19,156	-	-	(83,985)	497,879
Renovation	381,995	322,783	-	-	(19,156)	-	-	(64,887)	620,735
	90,368,267	1,077,749	(3,102)	(1,830)	-	1,399,522	(708,000)	(3,524,860)	88,607,746

	At 30.6.2022			
	Cost RM	Valuation RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	-	15,370,000	-	15,370,000
Buildings	-	64,469,048	(2,503,853)	61,965,195
Machinery, factory equipment, tools and equipment	29,901,873	-	(20,189,972)	9,711,901
Motor vehicle and forklifts	5,093,994	-	(4,651,958)	442,036
Office equipment, furniture and fittings	1,927,973	-	(1,430,094)	497,879
Renovation	3,270,048	-	(2,649,313)	620,735
	40,193,888	79,839,048	(31,425,190)	88,607,746

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Balance as at 1.7.2020 RM	Additions RM	Disposals RM	Written off RM	Revaluation RM	Reclassi-fication RM	Impairment losses RM	Transfer from right-of -use assets (Note 8) RM	Transfer to right-of -use assets (Note 8) RM	Depreciation charge for the year RM	Balance as at 30.6.2021 RM
Carrying amount											
Freehold land	6,343,186	-	-	-	9,026,814	-	-	-	-	-	15,370,000
Buildings	26,792,437	2,592,441	-	-	36,683,280	58,570	(1,647,037)	-	-	(1,263,256)	63,216,435
Machinery, factory equipment, tools and equipment	9,018,637	1,702,152	(16)	-	-	(197,273)	-	774,247	(182,011)	(1,324,634)	9,791,102
Motor vehicle and forklifts	521,221	737,919	(7)	-	-	-	-	298,583	-	(343,293)	1,214,423
Office equipment, furniture and fittings	414,319	51,124	(7)	(1,381)	-	-	-	-	-	(69,743)	394,312
Renovation	276,904	24,756	-	-	-	138,703	-	-	-	(58,368)	381,995
	43,366,704	5,108,392	(30)	(1,381)	45,710,094	-	(1,647,037)	1,072,830	(182,011)	(3,059,294)	90,368,267

	At 30.6.2021				
	Cost RM	Valuation RM	Accumulated depreciation RM	Accumulated impairment losses RM	Carrying amount RM
Freehold land	-	15,370,000	-	-	15,370,000
Buildings	-	66,056,085	(1,192,613)	(1,647,037)	63,216,435
Machinery, factory equipment, tools and equipment	31,352,837	-	(21,561,735)	-	9,791,102
Motor vehicle and forklifts	5,112,739	-	(3,898,316)	-	1,214,423
Office equipment, furniture and fittings	1,774,819	-	(1,380,507)	-	394,312
Renovation	2,966,421	-	(2,584,426)	-	381,995
	41,206,816	81,426,085	(30,617,597)	(1,647,037)	90,368,267

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Had the revalued freehold land and buildings been carried at historical cost less accumulated depreciation, the carrying amounts would have been:

	Group	
	2022 **RM**	**2021** **RM**
Freehold land	6,343,186	6,343,186
Buildings	26,445,425	27,086,544
	32,788,611	33,429,730

(b) As at the end of the reporting year, certain assets have been charged to financial institutions for credit facilities granted to the Group as disclosed in Note 16 to the financial statements as follows:

	Group	
	2022 **RM**	**2021** **RM**
Freehold land	11,780,000	11,780,000
Buildings	61,965,195	63,216,435
	73,745,195	74,996,435

(c) The fair value of the properties of the Group are categorised as follows:

2022	**Level 1** **RM**	**Level 2** **RM**	**Level 3** **RM**	**Total** **RM**
Freehold land	-	-	15,370,000	15,370,000
Buildings	-	-	61,965,195	61,965,195
	-	-	77,335,195	77,335,195

2021	**Level 1** **RM**	**Level 2** **RM**	**Level 3** **RM**	**Total** **RM**
Freehold land	-	-	15,370,000	15,370,000
Buildings	-	-	63,216,435	63,216,435
	-	-	78,586,435	78,586,435

(i) Freehold land and buildings ('properties') of the Group were revalued on 30 June 2022 and 30 June 2021 by the Directors based on valuation exercise carried out by an independent firm of registered professional valuers.

(ii) The fair value measurements of the properties (at valuation) are based on the highest and best use which does not differ from their actual use.

(iii) There were no transfer between Level 1, Level 2 and Level 3 fair value measurements during the financial year ended 30 June 2022 and 30 June 2021.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) The fair value of the properties of the Group are categorised as follows (continued):

(iv) Method of valuation

Comparison method
The comparison method comparing the subject properties with similar properties in the locality or larger neighbourhood which were recently sold and asking selling prices with adjustments made for location, size, shape and terrain of land, accessibility, tenure, title restriction if any, availability of infrastructure and other relevant characteristics.

Cost method
Under the cost method, the value of the buildings are based on the estimated replacement cost less depreciation. The estimated replacement cost is the amount required to rebuild the entire building based on current market price for labour, materials, equipment and construction technique. The depreciation is based on the age and condition of the building to estimate the remaining useful life of the building.

(v) Description of valuation techniques used and key inputs to valuation on properties measured at Level 3 of the fair value hierarchy:

Property category	Valuation technique	Significant unobservable inputs	Range	Inter-relationship
Freehold land	Comparison method	Price per square foot	RM6 to RM41 (2021: RM6 to RM41)	Lower price per square foot, lower fair value.
Buildings	Cost method	Estimated replacement cost per square foot	RM54 to RM120 (2021: RM54 to RM120)	Higher estimated replacement cost, lower fair value.

(vi) The following table shows a reconciliation of balances of properties whose fair value have been classified as Level 3 of the fair value hierarchy:

	Group 2022 RM	2021 RM
Balance as at 1 July 2021/2020	78,586,435	76,829,866
Additions	60,000	2,592,441
Depreciation	(1,311,240)	(1,263,256)
Impairment losses (Note (d))	-	(1,647,037)
Reclassification	-	58,570
Revaluation gain	-	2,015,851
Balance as at 30 June 2022/2021	77,335,195	78,586,435

(d) In the previous financial year, the Group recognised RM1,647,037 of impairment losses in the profit or loss as the recoverable amounts of certain buildings based on valuation exercise carried out by an independent firm of registered professional valuers were lower than its carrying amounts.

Following the impairment losses recognised, the recoverable amount was equal to the carrying amount. The significant unobservable inputs used in determining the Level 3 fair value measurements are disclosed under Note 7(c).

NOTES TO THE FINANCIAL STATEMENTS
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8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(I) Right-of-use assets

	Balance as at 1.7.2021 RM	Additions RM	Reassessments RM	Transfer to property, plant and equipment (Note 7) RM	Transfer from property, plant and equipment (Note 7) RM	Depreciation RM	Balance as at 30.6.2022 RM
Carrying amount							
Leasehold land	21,503,040	-	-	-	-	(282,979)	21,220,061
Buildings	2,746,557	494,807	130,846	-	-	(788,547)	2,583,663
Machinery	1,986,712	-	-	(1,061,638)	-	(136,890)	788,184
Motor vehicle	1,708,528	2,483,247	-	(337,884)	708,000	(778,728)	3,783,163
	27,944,837	2,978,054	130,846	(1,399,522)	708,000	(1,987,144)	28,375,071

	At 30.6.2022			
	Cost RM	Valuation RM	Accumulated depreciation RM	Carrying amount RM
Leasehold land	-	21,740,000	(519,939)	21,220,061
Buildings	4,114,256	-	(1,530,593)	2,583,663
Machinery	1,116,131	-	(327,947)	788,184
Motor vehicle	4,945,753	-	(1,162,590)	3,783,163
	10,176,140	21,740,000	(3,541,069)	28,375,071

	Balance as at 1.7.2020 RM	Additions RM	Revaluation RM	Transfer to property, plant and equipment (Note 7) RM	Transfer from property, plant and equipment (Note 7) RM	Depreciation RM	Balance as at 30.6.2021 RM
Carrying amount							
Leasehold land	8,226,805	-	13,540,208	-	-	(263,973)	21,503,040
Buildings	1,531,496	1,644,061	-	-	-	(429,000)	2,746,557
Machinery	2,907,520	-	-	(774,247)	182,011	(328,572)	1,986,712
Motor vehicle	2,045,283	478,841	-	(298,583)	-	(517,013)	1,708,528
	14,711,104	2,122,902	13,540,208	(1,072,830)	182,011	(1,538,558)	27,944,837

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(I) Right-of-use assets (continued)

	At 30.6.2021			
	Cost RM	Valuation RM	Accumulated depreciation RM	Carrying amount RM
Leasehold land	-	21,740,000	(236,960)	21,503,040
Buildings	3,488,604	-	(742,047)	2,746,557
Machinery	2,632,753	-	(646,041)	1,986,712
Motor vehicle	2,578,310	-	(869,782)	1,708,528
	8,699,667	21,740,000	(2,494,830)	27,944,837

(II) Lease liabilities

	Group	
	2022 RM	2021 RM
Balance as at 1 July 2021/2020	4,648,416	4,439,953
Additions	3,351,707	2,189,194
Payment of lease liabilities	(1,749,602)	(1,980,731)
Payment of lease interests	(316,696)	(225,995)
Reassessments	130,846	-
Rent concessions	(17,600)	-
Interest expense	316,696	225,995
Balance as at 30 June 2022/2021	6,363,767	4,648,416
Represented by:		
Current liability	1,841,670	1,464,216
Non-current liability	4,522,097	3,184,200
	6,363,767	4,648,416
Lease liabilities owing to financial institutions	3,641,365	1,814,243
Lease liabilities owing to non-financial institutions	2,722,402	2,834,173
	6,363,767	4,648,416

(a) As at the end of the reporting year, leasehold land with a carrying amount of RM21,220,061 (2021: RM21,503,040) have been charged to financial institutions for credit facilities granted to the Group as disclosed in Note 16 to the financial statements.

(b) The Group has certain leases of machinery with lease term of 12 months or less. The Group applies the "short-term lease" exemptions for these leases.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(c) The following are the amounts recognised in profit or loss:

	Group 2022 RM	Group 2021 RM
Depreciation of right-of-use assets (included in cost of sales and administrative expenses)	1,987,144	1,538,558
Interest expense on lease liabilities (included in finance costs)	316,696	225,995
Expense relating to short-term leases (included in cost of sales)	163,250	176,872
Rent concessions (included in other income)	17,600	-

(d) During the financial year, the Group made the following cash payments on right-of-use assets:

	Group 2022 RM	Group 2021 RM
Additions of right-of-use assets	2,978,054	2,122,902
Financed by lease arrangement:		
- addition of right-of-use assets for motor vehicle	(2,208,900)	(392,500)
- for machinery transferred from property, plant and equipment	-	(152,633)
Recognition of right-of-use assets for buildings	(494,807)	(1,644,061)
Net cash payments/(receipts) on right-of-use assets	274,347	(66,292)

(e) The following are total cash outflows for leases as a lessee:

	Group 2022 RM	Group 2021 RM
Included in net cash flow on operating activities:		
Payment relating to short-term leases	163,250	176,872
Included in net cash flow on investing activities:		
Net cash payments/(receipts) on right-of-use assets	274,347	(66,292)
Included in net cash flow on financing activities:		
Payment of lease liabilities	1,749,602	1,980,731
Payment of lease interests	316,696	225,995
Total cash outflows for leases	2,503,895	2,317,306

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(f) The Group leases several lease contracts that include extension and termination options. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

There are no undiscounted potential future rental payments that are not included in the lease term as at the end of each reporting period.

(g) Weighted average incremental borrowing rate of the lease liabilities of the Group as at the end of the reporting period is 5.46% (2021: 5.88%) per annum.

(h) Had the revalued leasehold land been carried at historical cost less accumulated depreciation, the carrying amounts would have been:

	Group	
	2022	**2021**
	RM	**RM**
Leasehold land	8,002,675	8,113,620

(i) The fair value of the properties of the Group are categorised as follows:

2022	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**
Leasehold land	-	-	21,220,061	21,220,061

2021	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**
Leasehold land	-	-	21,503,040	21,503,040

(i) Leasehold land ('properties') of the Group were revalued on 30 June 2022 and 30 June 2021 by the Directors based on valuation exercise carried out by an independent firm of registered professional valuers.

(ii) The fair value measurements of the properties (at valuation) are based on the highest and best use which does not differ from their actual use.

(iii) There were no transfer between Level 1, Level 2 and Level 3 fair value measurements during the financial year ended 30 June 2022 and 30 June 2021.

(iv) Method of valuation

Comparison method
The comparison method comparing the subject properties with similar properties in the locality or larger neighbourhood which were recently sold and asking selling prices with adjustments made for location, size, shape and terrain of land, accessibility, tenure, title restriction if any, availability of infrastructure and other relevant characteristics.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(i) The fair value of the properties of the Group are categorised as follows: (continued)

(v) Description of valuation techniques used and key inputs to valuation on properties measured at Level 3 of the fair value hierarchy:

Property category	Valuation technique	Significant unobservable inputs	Range	Inter-relationship
Leasehold land	Comparison method	Price per square foot	RM10 to RM40 (2021: RM10 to RM 40)	Lower price per square foot, lower fair value.

(vi) The following table shows a reconciliation of balances of properties whose fair value have been classified in Level 3 of the fair value hierarchy:

	Group	
	2022 RM	2021 RM
Balance as at 1 July 2021/2020	21,503,040	21,767,013
Depreciation	(282,979)	(263,973)
Balance as at 30 June 2022/2021	21,220,061	21,503,040

9. INVESTMENT PROPERTIES

Group	Balance as at 1.7.2021 RM	Disposal RM	Balance as at 30.6.2022 RM
At fair value			
Freehold land	4,490,000	-	4,490,000
Freehold building	8,540,000	-	8,540,000
Leasehold land	1,916,000	(1,916,000)	-
Leasehold building	5,584,000	(5,584,000)	-
	20,530,000	(7,500,000)	13,030,000

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

9. INVESTMENT PROPERTIES (CONTINUED)

Group	Balance as at 1.7.2020 RM	Fair value gain RM	Balance as at 30.6.2021 RM
At fair value			
Freehold land	4,490,000	-	4,490,000
Freehold building	8,540,000	-	8,540,000
Leasehold land	1,890,000	26,000	1,916,000
Leasehold building	5,510,000	74,000	5,584,000
	20,430,000	100,000	20,530,000

(a) At the end of the reporting year, investment properties with a carrying amount of RM13,030,000 (2021: RM13,030,000) have been charged to financial institutions for credit facilities granted to Group as disclosed in Note 16 to the financial statements.

(b) The following are recognised in profit or loss:

	Group	
	2022 RM	2021 RM
Lease income	360,000	352,000
Direct operating expenses:		
- generating rental income	18,121	18,218
- not generating rental income	-	12,248

(c) The fair value of the investment properties of the Group are categorised as follows:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2022				
Freehold land	-	-	4,490,000	4,490,000
Freehold building	-	-	8,540,000	8,540,000
	-	-	13,030,000	13,030,000
2021				
Freehold land	-	-	4,490,000	4,490,000
Freehold building	-	-	8,540,000	8,540,000
Leasehold land	1,916,000	-	-	1,916,000
Leasehold building	5,584,000	-	-	5,584,000
	7,500,000	-	13,030,000	20,530,000

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

9. INVESTMENT PROPERTIES (CONTINUED)

(c) The fair value of the investment properties of the Group are categorised as follows: (continued)

(i) Freehold land and building of the Group were revalued on 30 June 2022 and 30 June 2021 by the Directors based on valuation exercise carried out by an independent firm of registered professional valuers.

(ii) The fair value measurements of the properties (at fair value) are based on the highest and best use which does not differ from their actual use.

(iii) In the previous financial year, Valued Products (M) Sdn. Bhd. ("VPM"), a wholly-owned subsidiary of the Company, entered into a conditional Sales and Purchase Agreement ("SPA") with a third party for the disposal of the leasehold land together with building, resulting in the transfer from Level 3 to Level 1 fair value.

The fair value of leasehold land and building of the Group as at 30 June 2021 has been arrived at on the basis of transacted price based on SPA dated 9 October 2020.

The transaction was completed on 3 September 2021 and the consideration of RM7,500,000 was received during the financial year.

(iv) There were no transfer between Level 1, Level 2 and Level 3 fair value measurements during the financial year ended 30 June 2022 and 30 June 2021, other than those disclosed in Note 9(c)(vii).

(v) Method of valuation

Comparison method
The comparison method comparing the subject properties with similar properties in the locality or larger neighbourhood which were recently sold and asking selling prices with adjustments made for location, size, shape and terrain of land, accessibility, tenure, title restriction if any, availability of infrastructure and other relevant characteristics.

Cost method
Under the cost method, the value of the buildings are based on the estimated replacement cost less depreciation. The estimated replacement cost is the amount required to rebuild the entire building based on current market price for labour, materials, equipment and construction technique. The depreciation is based on the age and condition of the building to estimate the remaining useful life of the building.

(vi) Description of valuation techniques used and key inputs to valuation on properties measured at Level 3 of the fair value hierarchy:

Property category	Valuation technique	Significant unobservable inputs	Range	Inter-relationship
Freehold land	Comparison method	Price per square foot	RM40 (2021: RM40)	Lower price per square foot, lower fair value.
Freehold Building	Cost method	Estimated replacement cost per square foot	RM119 (2021: RM119)	Higher estimated replacement cost, lower fair value.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

9. INVESTMENT PROPERTIES (CONTINUED)

(c) The fair value of the investment properties of the Group are categorised as follows: (continued)

(vii) The following table shows a reconciliation of balances of properties whose fair value have been classified in Level 3 of the fair value hierarchy:

	Group	
	2022 RM	2021 RM
Balance at beginning of financial year	13,030,000	20,430,000
Fair value gain	-	100,000
Transfer to Level 1	-	(7,500,000)
Balance at end of financial year	13,030,000	13,030,000

(d) The Group as lessor

The Group has entered into non-cancellable lease agreements for premises renewable at the end of the lease period subject to an increase clause.

The Group has aggregate future minimum lease receivable as at the end of each reporting period as follows:

	Group	
	2022 RM	2021 RM
Less than one year	120,000	360,000
One to two years	-	120,000
	120,000	480,000

10. INVESTMENTS IN SUBSIDIARIES

	Company	
	2022 RM	2021 RM
Unquoted shares, at cost	112,937,457	102,937,457

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

10. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity 2022 %	2021 %	Principal activities
Sern Kou Furniture Industries Sdn. Bhd. ("SKFI") #	Malaysia	100	100	Manufacturing, processing and trading all kinds of timber, wood and related products
S.K. Furniture Sdn. Bhd. ("SKF") #	Malaysia	100	100	Manufacturing and trading wooden furniture
Valued Products (M) Sdn. Bhd. ("VPM") #	Malaysia	100	100	Manufacturing, processing, trading and transportation of all kinds of timber, wood and related products
Souncern Timber Sdn. Bhd. ("ST") #	Malaysia	100	100	Logging, processing and trading of rubberwood and timber
Subsidiary of VPM				
Sern Kou Plywood Sdn. Bhd. ("SKPW") #	Malaysia	51	51	Manufacturing of plywood and related products
Subsidiary of ST				
SK Sustainable Forestry Development Sdn. Bhd. ("SKSF") #	Malaysia	100	100	Dormant
SK Biotech Sdn. Bhd. ("SKB") #	Malaysia	51	51	Research and development on biotechnology, laboratory and related products and services.

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NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

10. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(b) Subsidiaries of the Group which have non-controlling interests ("NCI") are as follows:

	NCI percentage of ownership interest and voting interest 2022 %	2021 %	Group 2022 RM	2021 RM
Carrying amount of NCI				
SKPW	49	49	1,846,525	1,174,337
SKB	49	49	185,583	490
			2,032,108	1,174,827
Profit/(Loss) for the financial year/ Total comprehensive income/(loss) allocated to NCI				
SKPW			672,188	352,946
SKB			(59,417)	-
			612,771	352,946

(c) Summarised financial information before intra-group elimination of subsidiaries that have NCI as at the end of each reporting period are as follows:

	SKPW 2022 RM	2021 RM
Assets and liabilities		
Non-current assets	3,414,868	4,798,116
Non-current liabilities	(1,403,437)	(2,918,895)
Current assets	6,647,249	4,349,723
Current liabilities	(4,890,262)	(3,832,338)
Net assets	3,768,418	2,396,606
Results		
Revenue	23,250,377	25,227,067
Profit for the financial year/Total comprehensive income	1,371,813	720,297
Cash flows from operating activities	1,541,915	2,039,397
Cash flows used in investing activities	(116,826)	(140,933)
Cash flows used in financing activities	(1,607,644)	(1,686,264)
Net (decrease)/increase in cash and cash equivalents	(182,555)	212,200
Dividend paid to NCI	-	-

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

10. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(c) Summarised financial information before intra-group elimination of subsidiaries that have NCI as at the end of each reporting period are as follows: (continued)

	SKB	
	2022 RM	**2021 RM**
Assets and liabilities		
Non-current assets	662,462	-
Non-current liabilities	(321,233)	-
Current assets	475,205	1,000
Current liabilities	(437,693)	-
Net assets	378,741	1,000
Results		
Revenue	558,212	-
Loss for the financial year	(121,259)	-
Cash flows from operating activities	40,556	-
Cash flows used in investing activities	(283,424)	-
Cash flows from financing activities	409,600	-
Net increase in cash and cash equivalents	166,732	-
Dividend paid to NCI	-	-

(d) On 15 November 2021, the Group subscribed for an additional 254,490 ordinary shares out of total 499,000 shares in a subsidiary, SKB for a total cash consideration of RM254,490. Consequently there was no change in the effective equity interest held by the Group in SKB.

(e) On 1 June 2022, the Company subscribed for an additional 10,000,000 ordinary shares in a wholly-owned subsidiary, SKFI for a cash consideration of RM8,300,000 and off-set against the amount owing from SKFI of RM1,700,000. Consequently there was no change in the effective equity interest held by the Company in SKFI.

(f) In the previous financial year, the Company subscribed for an additional 30,000,000 ordinary shares in a wholly-owned subsidiary, VPM for a cash consideration of RM25,000,000 and off-set against the amount owing from VPM of RM5,000,000. Consequently there was no change in the effective equity interest held by the Company in VPM.

(g) In the previous financial year, the Company subscribed for an additional 10,000,000 ordinary shares in a wholly-owned subsidiary, SKFI for a total cash consideration of RM10,000,000. Consequently there was no change in the effective equity interest held by the Company in SKFI.

(h) In the previous financial year, the Group subscribed for the entire ordinary shares in SKSF for a total cash consideration of RM100 for 100 ordinary shares. Upon incorporation, SKSF become a subsidiary of the Group.

(i) In the previous financial year, the Group subscribed for 51% of equity interest in newly incorporated SKB for a total cash consideration of RM510 for 510 ordinary shares. Upon incorporation, SKB become a subsidiary of the Group.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

11. INVENTORIES

	Group 2022 RM	Group 2021 RM
At cost		
Raw materials	13,827,159	12,020,647
Work-in-progress	10,698,681	8,145,523
Finished goods	6,093,640	3,666,259
	30,619,480	23,832,429
At net realisable value		
Finished goods	-	41,000
	30,619,480	23,873,429

(a) During the financial year, inventories of the Group recognised as cost of sales amounted to RM274,702,879 (2021: RM243,686,603).

(b) During the financial year, the Group made allowance for slow moving inventories amounted to RM400,000 (2021: RM Nil).

12. RECEIVABLES AND OTHER ASSETS

	Group 2022 RM	Group 2021 RM	Company 2022 RM	Company 2021 RM
Trade receivables				
Third parties	96,368,579	80,793,537	-	-
Less: Impairment losses	(1,474,834)	(1,374,834)	-	-
Trade receivables - net	94,893,745	79,418,703	-	-
Other receivables				
Amount owing from a subsidiary	-	-	-	1,700,000
Deposits	1,095,425	1,182,676	1,000	3,000
Third parties	1,969,083	2,101,663	-	-
	3,064,508	3,284,339	1,000	1,703,000
Less: Impairment losses on other receivables	(559,297)	(559,297)	-	-
	2,505,211	2,725,042	1,000	1,703,000
Total receivables	97,398,956	82,143,745	1,000	1,703,000
Other assets				
Prepayments and other assets	5,155,928	10,839,400	23,125	23,125
	102,554,884	92,983,145	24,125	1,726,125

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

12. RECEIVABLES AND OTHER ASSETS (CONTINUED)

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 14 to 120 days (2021: 30 to 120 days). They are recognised at their original invoice amounts, which represent their fair value on initial recognition.

(b) The currency exposure profile of total receivables is as follows:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Ringgit Malaysia	91,417,837	79,854,436	1,000	1,703,000
United States Dollar	5,940,114	2,248,304	-	-
Chinese Renminbi	41,005	41,005	-	-
	97,398,956	82,143,745	1,000	1,703,000

(c) Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses ("ECL"). Loss rates are based on actual credit loss experience over past years.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information on macroeconomic factors affecting the ability of customers to settle the receivables and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward looking information.

The reconciliation of movements in the impairment losses on trade receivables is as follows:

	Lifetime ECL allowance RM	Credit impaired RM	Total allowance RM
Group			
At 1 July 2021	354,000	1,020,834	1,374,834
Charge for the financial year	100,000	-	100,000
At 30 June 2022	454,000	1,020,834	1,474,834
At 1 July 2020	715,000	1,020,834	1,735,834
Reversal	(361,000)	-	(361,000)
At 30 June 2021	354,000	1,020,834	1,374,834

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

12. RECEIVABLES AND OTHER ASSETS (CONTINUED)

(d) Lifetime expected loss allowance for trade receivables of the Group are as follows:

	Gross carrying amount RM	Lifetime ECL allowance RM	Carrying amount RM
As at 30 June 2022			
Not past due	84,323,194	-	84,323,194
Past due:			
1 to 30 days	8,929,975	(335,000)	8,594,975
31 to 60 days	1,292,481	(11,000)	1,281,481
61 to 90 days	573,741	(47,609)	526,132
More than 90 days	228,354	(60,391)	167,963
	11,024,551	(454,000)	10,570,551
Credit impaired - individual assessment	1,020,834	(1,020,834)	-
	96,368,579	(1,474,834)	94,893,745
As at 30 June 2021			
Not past due	77,940,870	-	77,940,870
Past due:			
1 to 30 days	900,414	(163,000)	737,414
31 to 60 days	31,678	(7,000)	24,678
61 to 90 days	397,207	(68,995)	328,212
More than 90 days	502,534	(115,005)	387,529
	1,831,833	(354,000)	1,477,833
Credit impaired - individual assessment	1,020,834	(1,020,834)	-
	80,793,537	(1,374,834)	79,418,703

None of the trade receivables of the Group that are past due but not impaired have been renegotiated during the financial year.

(e) Impairment for other receivables and amount owing from a subsidiary are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model.

The Group and the Company defined significant increase in credit risk when there is changes in contractual terms and delay in payment from its other receivables.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

12. RECEIVABLES AND OTHER ASSETS (CONTINUED)

(e) The reconciliation of movements in the impairment losses on other receivables is as follows:

	Lifetime ECL - credit impaired RM
Group	
At 30 June 2021/30 June 2022	559,297

Other receivables that are individually determined to be impaired at the end of the reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(f) Amount owing from a subsidiary is unsecured, interest-free and payable within the next twelve (12) months.

(g) Included in prepayments and other assets of the Group are:

(i) RM2,390,568 (2021: RM Nil) representing advance payments for purchase of raw materials.
(ii) RM476,722 (2021: RM Nil) representing advance full payments for acquisition of a piece of land.
(iii) RM1,202,750 (2021: RM 436,401) representing prepayments for workers related levies.
(iv) RM9,547,076 in the previous financial year representing payments of contract to future supply of rubberwood and timber logs.

(h) No expected credit loss is recognised arising from amount owing from a subsidiary as it is negligible.

(i) Information on financial risk of trade and other receivables is disclosed in Note 31 to the financial statements.

13. CASH AND BANK BALANCES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Cash and bank balances	56,378,929	36,281,561	2,964,584	4,383,463
Deposits with a licensed bank	564,382	-	-	-
	56,943,311	36,281,561	2,964,584	4,383,463

(a) Deposits with a licensed bank of the Group have maturity period of three months (2021: Nil).

(b) As at the end of the reporting year, deposits with a licensed bank of the Group amounting to RM564,382 (2021: RM Nil) has been pledged to financial institution as security for credit facilities granted to the Group as disclosed in Note 16 to the financial statements.

(c) In the previous financial year, included in the Group's bank balances was an amount of RM174,490 held under a Designated Escrow Account which had been charged to financial institution for credit facilities granted to the Group as disclosed and was not available for general use by the Company. This Account has been closed during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

13. CASH AND BANK BALANCES (CONTINUED)

(d) The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Ringgit Malaysia	54,680,196	33,653,923	2,964,584	4,383,463
United States Dollar	2,211,275	2,568,254	-	-
Chinese Renminbi	31,418	39,559	-	-
Others	20,422	19,825	-	-
	56,943,311	36,281,561	2,964,584	4,383,463

(e) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Cash and bank balances	56,378,929	36,281,561	2,964,584	4,383,463
Deposits with a licensed bank	564,382	-	-	-
	56,943,311	36,281,561	2,964,584	4,383,463
Less:				
Amount in Escrow account	-	(174,490)	-	-
Pledged with a licensed bank	(564,382)	-	-	-
Bank overdrafts included in borrowings (Note 16)	(2,030,512)	(10,008,422)	-	-
	54,348,417	26,098,649	2,964,584	4,383,463

(f) No expected credit losses are recognised arising from the deposits with licensed banks because the probability of default by these licensed banks is negligible.

(g) Information on financial risks of cash and bank balances is disclosed in Note 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

14. SHARE CAPITAL

	Group and Company			
	2022		2021	
	Number of shares	RM	Number of shares	RM
Issued and fully paid up ordinary shares with no par value				
As at beginning of financial year	794,097,097	69,863,193	255,810,100	66,324,040
Issuance of ordinary shares pursuant to:				
- Bonus issue	-	-	526,113,998	-
- Warrant exercised (Note 27)	52,659,800	6,845,774	12,172,999	3,539,153
	52,659,800	6,845,774	538,286,997	3,539,153
As at end of financial year	846,756,897	76,708,967	794,097,097	69,863,193

(a) During the financial year, the issued and fully paid-up ordinary shares of the Company has increased from 794,097,097 to 846,756,897 by way of issuance of 52,659,800 new ordinary shares pursuant to warrants exercised at an exercise price of RM0.13 each for cash.

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

(b) In the previous financial year, the issued and fully paid-up ordinary shares of the Company were increased from 255,810,100 to 794,097,097 by way of issuance of 538,286,997 new ordinary shares pursuant to the following:

(i) 526,113,998 ordinary shares by way of bonus issue on the basis of two (2) new ordinary shares for every one (1) existing ordinary share held;

(ii) 7,246,899 warrants exercised at an exercise price of RM0.40 each for cash; and

(iii) 4,926,100 warrants exercised at an exercise price of RM0.13 each for cash.

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

(c) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meeting of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

15. RESERVES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Non-distributable:				
Revaluation reserve	46,293,987	46,293,987	-	-
Distributable:				
Retained earnings	79,911,859	70,698,445	39,114,459	39,083,188
	126,205,846	116,992,432	39,114,459	39,083,188

Revaluation reserve

Revaluation reserve represents net revaluation surplus of property, plant and equipment and right-of-use assets.

16. BORROWINGS

		Group	
	Note	2022 RM	2021 RM
Non-current liabilities			
Term loans		12,490,181	13,275,246
Current liabilities			
Bank overdrafts		2,030,512	10,008,422
Bankers' acceptance		49,974,966	39,402,075
Term loans		3,495,079	1,569,440
		55,500,557	50,979,937
Total borrowings			
Bank overdrafts	13	2,030,512	10,008,422
Bankers' acceptance		49,974,966	39,402,075
Term loans		15,985,260	14,844,686
		67,990,738	64,255,183

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

16. BORROWINGS (CONTINUED)

Term loans can be further analysed as follows:

	Group 2022 RM	Group 2021 RM
Current liabilities		
- not later than one year	3,495,079	1,569,440
Non-current liabilities		
- later than one year and not later than five years	6,562,516	6,382,105
- later than five years	5,927,665	6,893,141
	12,490,181	13,275,246
	15,985,260	14,844,686

(a) Bank overdrafts, bankers' acceptance and term loans are secured by:

(i) legal charge over certain freehold land, leasehold land, buildings, and investment property of certain subsidiaries as disclosed in Note 7, Note 8 and Note 9 to the financial statements;

(ii) deposits with a licensed bank of the Group as disclosed in Note 13 to the financial statements; and

(iii) a corporate guarantee of the Company as disclosed in Note 20 to the financial statements.

(iv) for term loans, legal charge over a Designated Escrow Account of the Group maintained with the bank as disclosed in Note 13(c) to the financial statements. The Designated Escrow Account has been closed during the financial year.

(b) All borrowings are denominated in RM.

(c) Information on financial risk of borrowings and its remaining maturity is disclosed in Note 31 to the financial statements.

17. DEFERRED TAX LIABILITIES

(a) The deferred tax assets and liabilities are made up of the following:

	Group 2022 RM	Group 2021 RM
Balance at beginning of financial year	16,782,450	3,335,986
Recognised in profit or loss (Note 24)	(94,275)	490,149
Recognised in other comprehensive income	-	12,956,315
Balance at end of financial year	16,688,175	16,782,450
Presented after appropriate offsetting:		
Deferred tax assets	(1,895,224)	(1,607,822)
Deferred tax liabilities	18,583,399	18,390,272
Balance at end of financial year	16,688,175	16,782,450

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

17. DEFERRED TAX LIABILITIES (CONTINUED)

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

	Property, plant and equipment RM	Investment properties RM	Revaluation reserves RM	Other temporary differences RM	Total RM
As at 1 July 2020	1,875,829	2,215,722	-	(755,565)	3,335,986
Recognised in profit or loss	1,318,406	24,000	-	(852,257)	490,149
Recognised in other comprehensive income	-	-	12,956,315	-	12,956,315
As at 30 June 2021	3,194,235	2,239,722	12,956,315	(1,607,822)	16,782,450
Recognised in profit or loss	80,492	112,635	-	(287,402)	(94,275)
As at 30 June 2022	3,274,727	2,352,357	12,956,315	(1,895,224)	16,688,175

(c) The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	Group	
	2022 RM	2021 RM
Unused tax losses:		
- Expires by 30 June 2026	-	839,000
- Expires by 30 June 2027	-	1,862,000
- Expires by 30 June 2028	839,000	50,000
- Expires by 30 June 2029	1,862,000	-
- Expires by 30 June 2031	50,000	-
- Expires by 30 June 2032	799,000	-
Unabsorbed capital allowances - No expiry date	5,095,000	3,021,000
Incentive - Expires by 30 June 2025	183,000	183,000
Incentive - No expiry date	2,905,000	2,905,000
	11,733,000	8,860,000

Deferred tax assets have not been recognised in respect of these items as it is not probable that taxable profits of certain subsidiaries would be available against which the deductible temporary differences can be utilised.

The amount and availability of these items to be carried forward up to the periods as disclosed above are subject to the agreement of the local tax authority.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Trade payables				
Third parties	16,623,904	11,637,462	-	-
Other payables				
Third parties	3,369,998	3,872,105	37,500	12,500
Accruals	2,025,449	816,451	65,240	60,044
Deposits received	2,403,455	599,236	-	-
Amounts owing to non-controlling interests	194,354	194,354	-	-
	7,993,256	5,482,146	102,740	72,544
	24,617,160	17,119,608	102,740	72,544

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 14 to 120 days (2021: 30 to 120 days).

(b) Amounts owing to non-controlling interests represent advances, which are unsecured, interest-free and payable upon demand.

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Ringgit Malaysia	16,532,527	14,823,341	102,740	72,544
United States Dollar	7,417,108	2,172,099	-	-
Chinese Renminbi	667,525	124,168	-	-
	24,617,160	17,119,608	102,740	72,544

(d) Information on financial risks of trade and other payables is disclosed in Note 31 to the financial statements.

19. CAPITAL COMMITMENTS

	Group	
	2022 RM	2021 RM
Capital expenditure in respect of purchase of plant and equipment		
- Contracted but not provided for	142,000	1,575,000

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

20. CONTINGENT LIABILITIES

	Company	
	2022 RM	2021 RM
Corporate guarantees - unsecured		
In favour of banks for banking facilities granted to subsidiaries:		
- limit of guarantee	117,050,000	102,324,000
- amount utilised	68,392,738	64,482,183

The Company designates guarantees given to financial institutions for credit facilities granted to subsidiaries in respect of trade and contracts as insurance contracts as defined in MFRS 4 *Insurance Contracts*.

The Company recognises the insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Directors are of the view that the chances of financial institutions to call upon the guarantees are remote.

21. REVENUE

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Revenue from contracts with customers				
Recognised at point in time:				
Sale of goods	338,266,279	324,698,025	-	-
Others				
Management services rendered	-	-	1,890,000	1,800,000
Dividend income	-	-	-	37,000,000
	338,266,279	324,698,025	1,890,000	38,800,000

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

22. FINANCE COSTS

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Interest expenses on:				
- bank overdrafts	398,274	659,959	-	-
- bankers' acceptance	1,308,228	1,409,073	-	-
- term loans	774,840	928,819	-	-
- lease liabilities	316,696	225,995	-	-
	2,798,038	3,223,846	-	-

23. PROFIT BEFORE TAXATION

Other than those disclosed elsewhere in the financial statements, the profit before taxation is arrived at:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
After charging:				
Auditors' remuneration:				
- statutory audit	144,000	138,000	32,000	32,000
- non-statutory audit	5,000	8,000	5,000	8,000
Realised loss on foreign exchange	-	606,676	-	-
And crediting:				
Gain on disposal of property, plant and equipment	44,296	66,068	-	-
Lease income from:				
- investment properties	360,000	352,000	-	-
- other assets	888,300	1,137,600	-	-
Realised gain on foreign exchange	460,837	-	-	-
Unrealised gain on foreign exchange	3,240	25,505	-	-
Interest income	44,446	10,072	-	-

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

24. TAXATION

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Income tax expense for the financial year:				
- Current year	5,208,230	6,280,094	183,125	150,000
- Under provision in prior years	586,038	51,130	269,467	36,388
	5,794,268	6,331,224	452,592	186,388
Deferred tax (Note 17)				
- Relating to origination and reversal of temporary differences	112,635	228,522	-	-
- (Over)/Under provision in prior years	(206,910)	261,627	-	-
	(94,275)	490,149	-	-
Real property gains tax	437,711	-	-	-
	6,137,704	6,821,373	452,592	186,388

The Malaysian income tax is calculated at the statutory tax rate of 24% (2021: 24%) of the estimated taxable profit for the fiscal year.

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by applicable tax rate of the Group and of the Company is as follows:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Profit before taxation	15,963,889	24,735,104	483,863	37,265,547
Tax at Malaysian tax rate of 24% (2021: 24%)	3,831,333	5,936,425	116,127	8,943,731
Real property gains tax	437,711	-	-	-
Tax effects in respect of:				
Deferred tax assets not recognised/ (Utilisation of deferred tax assets not recognised previously)	689,603	(212,160)	-	-
Non-taxable income	-	(110,640)	-	(8,880,000)
Non-allowable expenses	799,929	894,991	66,998	86,269
	5,758,576	6,508,616	183,125	150,000
Under/(Over) provision in prior years				
- Income tax	586,038	51,130	269,467	36,388
- Deferred tax	(206,910)	261,627	-	-
	6,137,704	6,821,373	452,592	186,388

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

24. TAXATION (CONTINUED)

(a) Tax on each component of other comprehensive income is as follows:

Group	Before tax RM	Tax effect RM	After tax RM
2022			
Items that will not be reclassified subsequently to profit or loss			
Fair value adjustment on revaluation of freehold land, leasehold land and buildings	-	-	-
2021			
Items that will not be reclassified subsequently to profit or loss			
Fair value adjustment on revaluation of freehold land, leasehold land and buildings	59,250,302	(12,956,315)	46,293,987

25. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2022	**2021**
Profit attributable to equity holders of the parent (RM)	9,213,414	17,560,785
Weighted average number of ordinary shares in issue	825,309,322	781,403,399
Basic earnings per ordinary share (sen)	1.12	2.25

(b) Diluted earnings per ordinary share

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares. The adjusted weighted average number of ordinary shares in issue and issuable has been arrived at based on the assumption that warrants are exercised at the beginning of the financial year.

NOTES TO THE FINANCIAL STATEMENTS
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25. EARNINGS PER ORDINARY SHARE (CONTINUED)

(b) Diluted earnings per ordinary share (continued)

	Group	
	2022	**2021**
Profit attributable to equity holders of the parent (RM)	9,213,414	17,560,785
Weighted average number of ordinary shares in issue	825,309,322	781,403,399
Effects of dilution due to warrants	188,783,274	228,390,520
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share	1,014,092,596	1,009,793,919
Diluted earnings per ordinary share (sen)	0.91	1.74

26. EMPLOYEE BENEFITS

	Group		Company	
	2022 RM	**2021 RM**	**2022 RM**	**2021 RM**
Salaries, wages, bonuses and allowances	19,572,854	23,937,243	315,000	355,000
Contributions to defined contribution plan	862,048	788,229	37,800	49,800
Social security contribution	199,614	251,308	924	1,308
Other benefits	1,869,483	1,908,230	18,752	18,750
Fees	639,100	530,200	639,100	530,200
	23,143,099	27,415,210	1,011,576	955,058

Included in the employee benefits of the Group and of the Company are Executive Directors' remuneration amounting to RM 2,069,098 (2021: RM2,027,960) and RM367,956 (2021: RM427,614) respectively.

NOTES TO THE FINANCIAL STATEMENTS
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26. EMPLOYEE BENEFITS (CONTINUED)

(a) Directors' remuneration

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Directors of the Company				
Executive Directors:				
- salaries	1,362,000	1,372,000	252,000	352,000
- bonus	403,000	343,000	63,000	3,000
- others	222,524	225,386	45,756	59,414
	1,987,524	1,940,386	360,756	414,414
- fees	7,200	13,200	7,200	13,200
	1,994,724	1,953,586	367,956	427,614
Directors of the subsidiaries				
- salaries	60,000	60,000	-	-
- bonus	5,000	5,000	-	-
- others	9,374	9,374	-	-
	74,374	74,374	-	-
Total Executive Directors' remuneration (excluding benefits-in-kind)	2,069,098	2,027,960	367,956	427,614
Directors of the Company				
Estimated monetary value of benefits-in-kind	67,950	67,950	-	-
Total Executive Directors' remuneration including benefits-in-kind	2,137,048	2,095,910	367,956	427,614
Directors of the Company				
Non-Executive Directors:				
- fees	631,900	517,000	631,900	517,000
- others	11,720	10,444	11,720	10,444
Total Non-Executive Directors' remuneration	643,620	527,444	643,620	527,444
Total Directors' remuneration (Note 28(c))	2,780,668	2,623,354	1,011,576	955,058

NOTES TO THE FINANCIAL STATEMENTS
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27. WARRANTS 2018/2023

On 28 March 2018, the Company issued 120,000,000 free warrants on the basis of one (1) warrant for every one (1) existing ordinary share. The warrants were listed on the Main Market of Bursa Malaysia Securities on 28 March 2018.

The warrants issued were constituted by the Deed Poll dated 5 March 2018. On 9 June 2021, the exercise price of the Warrants had been adjusted from RM0.40 to RM0.13 each as the Company issued 193,886,002 additional warrants arising from the adjustments to the exercise price and number of outstanding warrants pursuant to the bonus issue of ordinary shares by the Company.

During the financial year, 52,659,800 (2021: 12,172,999) warrants were exercised and the total number of warrants that remain unexercised was 233,243,103 (2021: 285,902,903).

Salient features of the Warrants are as follows:

(a) Each warrants entitles the registered holder at any time during the exercise period to subscribe for one new ordinary shares in the Company at an exercise price of RM0.13 (original exercise price: RM0.40). The exercise price of RM0.13 was adjusted after completion of bonus issue of ordinary shares in the previous financial year.

(b) The exercise price and/or the number of the warrants shall be subject to the adjustments under certain circumstances in accordance with the provision of the Deed Poll.

(c) The warrants may be exercised at any time within 5 years commencing on and including the date of issuance of the Warrants ending on the date falling immediately before the fifth (5th) anniversary of the date of issue of the Warrants, provided that if such day falls on a day which is not a market day, then it shall be the market day immediately preceding the said non-market day.

(d) All new ordinary shares arising from the exercise of the Warrants shall, upon allotment and issuance, rank pari passu in all respects with the then existing ordinary shares, save and except that such new ordinary shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid, the entitlement date of which is prior to the date of allotment and issuance of the new ordinary shares arising from the exercise of the Warrants.

(e) Any warrants not exercised during the exercise period will lapse and cease to be valid.

(f) Movement in the Warrants since the listing and quotation thereof is as follows:

	Number of Warrants
As of 28 March 2018	120,000,000
Bonus issue during financial year 2021	193,886,002
Exercised in financial year 2020	(15,810,100)
Exercised in financial year 2021	(12,172,999)
Exercised in financial year 2022	(52,659,800)
As of 30 June 2022	233,243,103

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

28. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

The Company has controlling related party relationship with its subsidiaries and company in which certain Directors have financial interests.

(b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company have the following transactions with the related parties during the financial year:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Subsidiaries				
Management fees received from:				
- Sern Kou Furniture Industries Sdn. Bhd.	-	-	(540,000)	(540,000)
- Valued Products (M) Sdn. Bhd.	-	-	(600,000)	(540,000)
- Souncern Timber Sdn. Bhd.	-	-	(390,000)	(360,000)
- S.K. Furniture Sdn. Bhd.	-	-	(180,000)	(180,000)
- Sern Kou Plywood Sdn. Bhd.	-	-	(180,000)	(180,000)
Dividend income				
- Sern Kou Furniture Industries Sdn. Bhd.	-	-	-	(10,000,000)
- Valued Products (M) Sdn. Bhd.	-	-	-	(25,000,000)
- Souncern Timber Sdn. Bhd.	-	-	-	(2,000,000)

Material balances with related parties at the end of reporting year are disclosed in Note 12 to the financial statements.

The related party transactions described above were carried out on terms and conditions agreed between the parties.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

28. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and the Company.

The remuneration of key management personnel during the financial year was as follows:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Directors' remuneration (Note 26(a))	2,780,668	2,623,354	1,011,576	955,058
Other key management				
Basic salaries and bonus	271,036	251,608	-	-
Defined contribution plan	32,268	30,401	-	-
Social contribution	1,953	1,953	-	-
	305,257	283,962	-	-
	3,085,925	2,907,316	1,011,576	955,058

29. OPERATING SEGMENTS

Sern Kou Resources Berhad and its subsidiaries are principally engaged in investment holding, providing management services, manufacturing of wooden furniture, manufacturing and processing of all kinds of timber, wood and related products, logging and processing of rubberwood and timber and manufacturing of plywood and related products.

Sern Kou Resources Berhad has arrived at three reportable segments that are organised and managed separately according to the nature of products and services, specific expertise and technologies requirements, which requires different business and marketing strategies. The reportable segments are summarised as follows:

(i) Investment holding

(ii) Manufacturing and trading of furniture

Manufacturing and trading of wooden furniture.

(iii) Processing and trading of wood

Processing and trading of rubberwood, timber logs and related products.

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

29. OPERATING SEGMENTS (CONTINUED)

Segment performance is evaluated based on operating profit, excluding non-recurring losses, and in certain respect as explained in the table below, it is measured differently from operating profit in the consolidated financial statements.

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

Segment assets exclude tax assets and segment liabilities exclude tax liabilities. Even though loans and borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors (e.g. funding requirements). Details are provided in the reconciliations from segment assets and liabilities to the financial position of the Group.

	Reportable segments			
Group 2022	**Manufacturing and trading of furniture RM**	**Processing and trading of wood RM**	**Investment holding RM**	**Total RM**
Revenue				
Total revenue	59,211,785	282,657,175	1,890,000	343,758,960
Inter-segment revenue	(744,489)	(2,858,192)	(1,890,000)	(5,492,681)
Revenue from external customers	58,467,296	279,798,983	-	338,266,279
Interest income	9,931	34,515	-	44,446
Interest expense	(622,785)	(2,175,253)	-	(2,798,038)
Net interest expense	(612,854)	(2,140,738)	-	(2,753,592)
Segment (loss)/profit before income taxation	(4,409,959)	19,889,985	483,863	15,963,889
Segment assets	92,945,601	224,196,182	2,988,709	320,130,492
Segment liabilities	27,910,421	70,958,504	102,740	98,971,665
Other information				
Allowance for slow moving inventories	(400,000)	-	-	(400,000)
Gain on disposal of property, plant and equipment	18,298	25,998	-	44,296
Impairment losses on trade receivables	-	(100,000)	-	(100,000)
Property, plant and equipment written off	(1,105)	(725)	-	(1,830)
Rent concession	(1,500)	(16,100)	-	(17,600)
Unrealised (loss)/gain on foreign exchange	(7,856)	11,096	-	3,240
Depreciation of:				
- property, plant and equipment	(1,380,681)	(2,144,179)	-	(3,524,860)
- right-of-use assets	(714,995)	(1,272,149)	-	(1,987,144)
Additions to non-current assets:				
- property, plant and equipment	606,833	470,916	-	1,077,749
- right-of-use assets	712,658	2,265,396	-	2,978,054

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

29. OPERATING SEGMENTS (CONTINUED)

Group 2021	Reportable segments: Manufacturing and trading of furniture RM	Processing and trading of wood RM	Investment holding RM	Total RM
Revenue				
Total revenue	83,246,927	248,861,351	38,800,000	370,908,278
Inter-segment revenue	(492,427)	(6,917,826)	(38,800,000)	(46,210,253)
Revenue from external customers	82,754,500	241,943,525	-	324,698,025
Interest income	18	10,054	-	10,072
Interest expense	(826,781)	(2,397,065)	-	(3,223,846)
Net interest expense	(826,763)	(2,387,011)	-	(3,213,774)
Segment profit before income taxation	43,991	24,425,566	265,547	24,735,104
Segment assets	86,835,025	200,736,626	4,409,588	291,981,239
Segment liabilities	25,634,285	60,316,378	72,544	86,023,207
Other information				
Fair value gain on investment properties	-	100,000	-	100,000
Gain on disposal of property, plant and equipment	33,074	32,994	-	66,068
Impairment losses on property, plant and equipment	-	(1,647,037)	-	(1,647,037)
Property, plant and equipment written off	-	(1,381)	-	(1,381)
Impairment reversal on trade receivables	-	361,000	-	361,000
Unrealised gain on foreign exchange	23,280	2,225	-	25,505
Depreciation of:				
- property, plant and equipment	(1,058,033)	(2,001,261)	-	(3,059,294)
- right-of-use assets	(854,218)	(684,340)	-	(1,538,558)
Additions to non-current assets:				
- property, plant and equipment	1,682,920	3,425,472	-	5,108,392
- right-of-use assets	77,068	2,045,834	-	2,122,902

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

29. OPERATING SEGMENTS (CONTINUED)

(a) Reconciliations of reportable profit or loss, assets and liabilities to the corresponding amounts of the Group are as follows:

	2022 RM	2021 RM
Profit for the financial year		
Total profit for reportable segments	15,963,889	24,735,104
Taxation	(6,137,704)	(6,821,373)
Profit for the financial year of the Group per consolidated statement of profit or loss and other comprehensive income	9,826,185	17,913,731
Assets		
Total assets for reportable segments	320,130,492	291,981,239
Current tax recoverable	1,318,328	769,158
Assets of the Group per consolidated statement of financial position	321,448,820	292,750,397
Liabilities		
Total liabilities for reportable segments	98,971,665	86,023,207
Deferred tax liabilities	16,688,175	16,782,450
Current tax liabilities	842,059	1,914,288
Liabilities of the Group per consolidated statement of financial position	116,501,899	104,719,945

(b) Geographical segments

The revenue disclosed in geographical segments is based on the geographical location of its customers. The following table provides an analysis of the Group's revenue by geographical segments:

	Group	
	2022 RM	2021 RM
Revenue from external customers		
Malaysia	283,331,280	248,340,413
United States of America and European countries	44,622,780	61,698,628
Singapore	1,221,934	1,526,237
Other Asia-Pacific countries	8,430,933	11,569,725
Australia	444,725	1,044,104
Africa	214,627	518,918
	338,266,279	324,698,025

(c) Major customers

Revenue from three (2021: one) customers from sales of products represent approximately RM114,873,683 (2021: RM32,430,754) of the Group revenue with whom the Group transacted ten percent (10%) or more of its revenue during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

30. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as a going concern whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it, as deemed appropriate. In order to maintain or adjust the capital structure, the Group may adjust the dividend payout to shareholders, issue new ordinary shares and redeem debts where necessary, from time to time. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2022 and 30 June 2021.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings and lease liabilities owing to financial institutions less cash and bank balances. Capital represents equity attributable to the owners of the parent.

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Borrowings	67,990,738	64,255,183	-	-
Lease liabilities owing to financial institutions	3,641,365	1,814,243	-	-
	71,632,103	66,069,426	-	-
Less:				
Cash and bank balances	(56,943,311)	(36,281,561)	(2,964,584)	(4,383,463)
Net debt/(Net cash)	14,688,792	29,787,865	(2,964,584)	(4,383,463)
Equity attributable to owners of the parent	202,914,813	186,855,625	115,823,426	108,946,381
Capital and net debt	217,603,605	216,643,490	112,858,842	104,562,918
Gearing ratio	7%	14%	N/A	N/A

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity of more than twenty-five percent (25%) of the issued and paid-up capital (excluding treasury shares, if any) and such shareholders' equity is not less than RM40,000,000. The Group has complied with this requirement for the financial year ended 30 June 2022.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial instruments

Categories of financial instruments

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Financial assets				
Amortised cost				
Total receivables	97,398,956	82,143,745	1,000	1,703,000
Cash and bank balances	56,943,311	36,281,561	2,964,584	4,383,463
	154,342,267	118,425,306	2,965,584	6,086,463
Financial liabilities				
Amortised cost				
Trade and other payables	24,617,160	17,119,608	102,740	72,544
Borrowings	67,990,738	64,255,183	-	-
	92,607,898	81,374,791	102,740	72,544

(c) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

Financial instruments that are not carried at fair value and whose carrying amounts are at reasonable approximation of fair value

The carrying amounts of financial assets and financial liabilities, such as trade and other receivables, trade and other payables and floating rate borrowings, are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the current position of borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

(d) Fair value hierarchy

As at the end of reporting period, the Group and the Company have no financial instruments that are measured subsequent to initial recognition at fair value hence fair value hierarchy is not presented.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors. Financial risk management is carried out through risk review programmes, internal control systems, insurance programmes and adherence to the Group financial risk management policies. The Group is exposed mainly to credit risk, foreign currency risk, liquidity and cash flow risk as well as interest rate risk. Information on the management of the related exposures is detailed below:

(a) Credit risk

Cash deposits and trade receivables may give rise to credit risk, which requires the loss to be recognised if a counter party fails to perform as contracted. Credit risk refers to the risk that counterparty would default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Group's exposure and the creditworthiness of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by the counterparty limits that are reviewed and approved by management annually.

<u>Exposure to credit risk</u>

At the end of each reporting period, the maximum exposure of the Group to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

<u>Credit risk concentration profile</u>

The Group determines concentration of credit risk by identifying and monitoring any significant long outstanding balance owing by any major customer or counter party on an on-going basis.

At the end of the reporting period, approximately 58% (2021: 67%) of the Group's gross trade receivables were due from four (2021: five) major customers.

The Company does not have any significant concentration of credit risk at the end of the reporting period other than the amount owing from a subsidiary of RM Nil (2021: RM1,700,000).

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign exchange risk on sales and purchases that are denominated in foreign currencies.

The foreign currency in which these transactions are denominated are mainly United States Dollar ('USD') and Chinese Renminbi ('CNY'). The Group manages its transactional currency exposures by matching as far as possible, its receipts and payments in each individual currency. The Group monitors the foreign currency exchange rates closely so as to minimise the potential material adverse effects from these exposures in a timely manner.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (continued)

The following table demonstrates the sensitivity of the Group's profit after tax to a reasonably possible change in the United States Dollar ('USD') and Chinese Renminbi ('CNY') against the Ringgit Malaysia ('RM'), with all other variables held constant.

		Group	
		2022 RM	2021 RM
Profit after tax			
USD/RM	- Strengthen by 10% (2021: 10%)	56,000	201,000
	- Weaken by 10% (2021: 10%)	(56,000)	(201,000)
CNY/RM	- Strengthen by 10% (2021: 10%)	(45,000)	(3,000)
	- Weaken by 10% (2021: 10%)	45,000	3,000

(c) Liquidity and cash flow risk

Liquidity risk is the risk that the Group is unable to service its cash obligations in the future. To mitigate this risk, the management measures and forecasts its cash commitments, monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	On demand or within one year RM	Two to five years RM	Over five years RM	Total RM
2022				
Group				
Financial liabilities				
Trade and other payables	24,617,160	-	-	24,617,160
Borrowings	56,126,696	8,173,495	6,577,587	70,877,778
Lease liabilities	2,140,239	4,863,111	38,000	7,041,350
Total undiscounted financial liabilities	82,884,095	13,036,606	6,615,587	102,536,288
Company				
Financial liabilities				
Trade and other payables/ Total undiscounted financial liabilities	102,740	-	-	102,740

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

	On demand or within one year RM	Two to five years RM	Over five years RM	Total RM
2021				
Group				
Financial liabilities				
Trade and other payables	17,119,608	-	-	17,119,608
Borrowings	51,692,755	8,356,398	7,905,454	67,954,607
Lease liabilities	1,690,056	3,469,841	-	5,159,897
Total undiscounted financial liabilities	70,502,419	11,826,239	7,905,454	90,234,112
Company				
Financial liabilities				
Trade and other payables/ Total undiscounted financial liabilities	72,544	-	-	72,544

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments would fluctuate because of changes in market interest rates.

The Group's exposure to market risk for changes in interest rates relates primarily to the interest-bearing borrowings. The Group does not use derivative financial instruments to hedge its risk.

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the reporting period and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

Group 2022	Note	Weighted average effective interest rate %	Within one year RM	Two to five years RM	Over five years RM	Total RM
Fixed rates						
Deposits with a licensed bank	13	1.85	564,382	-	-	564,382
Bankers' acceptance	16	3.15	49,974,966	-	-	49,974,966
Floating rates						
Bank overdrafts	16	6.47	2,030,512	-	-	2,030,512
Term loans	16	4.44	3,495,079	6,562,516	5,927,665	15,985,260

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Interest rate risk (continued)

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the reporting period and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk: (continued)

Group 2021	Note	Weighted average effective interest rate %	Within one year RM	Two to five years RM	Over five years RM	Total RM
Fixed rates						
Bankers' acceptance	16	3.00	39,402,075	-	-	39,402,075
Floating rates						
Bank overdrafts	16	6.42	10,008,422	-	-	10,008,422
Term loans	16	4.46	1,569,440	6,382,105	6,893,141	14,844,686

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group if interest rates on floating rate borrowings at the end of each reporting period changed by one hundred (100) basis points with all other variables held constant:

	Group	
	2022 RM	2021 RM
Profit after tax		
- Increase by 1% (2021: 1%)	(137,000)	(189,000)
- Decrease by 1% (2021: 1%)	137,000	189,000

LIST OF PROPERTIES

Registered Owner	Location	Description/ Existing Use	Date of Certificate of Fitness/ Year of Acquisition	Approximate Age of Building Years/Tenure	Land/Area Built-up Area sq.ft.	Audited Net Book Value as at 30.6.2022 RM'000	Date of Revaluation
SK	Lot 11061 Mukim of Parit Bakar District of Muar Johor	A double storey detached factory/ Factory	18 March 2006	17 years/ Freehold	104,431 sq. ft./ 102,600 sq. ft.	16,019	30 June 2022
SKFI	Lot 8804 Mukim of Jalan Bakri District of Muar Johor	Single storey detached factory annexed with a three storey office building/Factory and office building	19 November 2001	22 years/ 99 years leasehold expiring on 29 December 2094	88,146 sq. ft./ 65,700 sq. ft.	10,714	30 June 2022
SKFI	Lot 8805 Mukim of Jalan Bakri District of Muar Johor	Single storey detached factory/ Factory	23 November 2001	22 years/ 99 years leasehold expiring on 29 December 2094	96,068 sq. ft./ 58,060 sq. ft.	10,477	30 June 2022
SKFI	Lot 11060 Mukim of Parit Bakar District of Muar Johor	Single storey detached factory building/Factory	7 December 2006	11 years/ Freehold	112,246 sq. ft/ 71,476 sq. ft	13,030	30 June 2022
ST	Lot 1052 and 11652 Mukim of Serom District of Tangkak Johor	3 Sawnmill, workshop, office cum store building, worker's quarters/Factory	20 August 2006	16 years/ Freehold	248,883 sq. ft./ -	3,590	30 June 2022
VPM	Lot 8789 Mukim of Jalan Bakri District of Muar Johor	Single storey detached factory annexed with a double storey office building/ Factory and office building	1 March 1999	24 years/ 99 years leasehold expiring on 29 December 2094	87,446 sq. ft./ 61,075 sq. ft.	10,013	30 June 2022

LIST OF PROPERTIES

Registered Owner	Location	Description/ Existing Use	Date of Certificate of Fitness/ Year of Acquisition	Approximate Age of Building Years/Tenure	Land/Area Built-up Area sq.ft.	Audited Net Book Value as at 30.6.2022 RM'000	Date of Revaluation
VPM	Lot 8803 Mukim of Jalan Bakri District of Muar Johor	A single storey detached factory/ Factory	8 March 2001	22 years/ 99 years leasehold expiring on 29 December 2094	88,146 sq. ft./ 56,474 sq. ft.	9,081	30 June 2022
VPM	Lot 4573 Mukim of Telekong District of Kuala Krai Kelantan	A sawnmill complex/Factory	5 October 2016	7 years/ Freehold	1,240,001 sq.ft./ 265,316 sq.ft.	21,775	30 June 2022
VPM	Lot 5511 to 5517 Bandar Gua Musang District of Gua Musang Kelantan	A sawmill complex/Factory	22 June 2017	6 years/ 99 years leasehold expiring on 20 November 2100	733,872 sq.ft./ 184,158 sq.ft.	16,886	30 June 2022

ANALYSIS OF SHAREHOLDINGS
AS AT 28 SEPTEMBER 2022

Issued and Paid-Up Share Capital	: RM 80,287,892.60 comprising 874,287,097 ordinary shares
Class of Shares	: Ordinary shares
Voting Rights	: Every member of the Company, present in person or by proxy, shall have on a show of hands, one (1) vote or on a poll, one (1) vote for each share held
Number of shareholders	: 1,260

ANALYSIS OF SHAREHOLDINGS

Holdings	No. of holders	Total holdings	Percentage (%)
1 - 99	66	1,355	0.00
100 - 1,000	324	103,106	0.01
1,001 - 10,000	382	2,226,779	0.25
10,001 - 100,000	325	11,376,284	1.30
100,001 – 43,714,353[1]	161	498,054,926	56.97
43,714,354[2] and above	2	362,524,647	41.47
TOTAL	**1,260**	**874,287,097**	**100.000**

Notes:

1 Less than 5% of issued shares

2 5% and above of issued shares

SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS (HOLDING 5% OR MORE OF THE SHARE CAPITAL)

Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Genius Success Capital Sdn. Bhd.	144,000,000	16.471	-	-
Low Peng Sian @ Chua Peng Sian	115,250,900	13.182	144,000,000[1]	16.471

Note:

1 Substantial interest and deemed interested by virtue of shares held in Genius Success Capital Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016.

ANALYSIS OF SHAREHOLDINGS
AS AT 28 SEPTEMBER 2022

LIST OF THIRTY (30) LARGEST REGISTERED SHAREHOLDERS

	Name	No. of shares held	Percentage (%)
1.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR KENANGA INVESTORS BHD*	267,524,647	30.60
2.	RHB NOMINEES (TEMPATAN) SDN BHD *OSK CAPITAL SDN BHD FOR GENIUS SUCCESS CAPITAL SDN BHD*	95,000,000	10.87
3.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN CHEE MENG*	35,956,800	4.11
4.	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR NG AH CHAI (PB)*	25,291,700	2.89
5.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GENIUS SUCCESS CAPITAL SDN BHD*	25,000,000	2.86
6.	APEX NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW PENG SIAN @ CHUA PENG SIAN (MARGIN)*	24,830,400	2.84
7.	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GENIUS SUCCESS CAPITAL SDN BHD (MGN-LPS0005M)*	24,000,000	2.75
8.	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW PENG SIAN @ CHUA PENG SIAN (MGN-LPS0005M)*	19,399,900	2.22
9.	TEH YOKE ANN	18,632,400	2.13
10.	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW PENG SIAN @ CHUA PENG SIAN*	18,000,000	2.06
11.	HLIB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW PENG SIAN @ CHUA PENG SIAN (MG0195-166)*	14,470,000	1.66
12.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SU MING KEAT*	12,927,100	1.48
13.	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TIEW HUAT SENG*	12,269,600	1.40
14.	TAN LEE CHU	11,509,800	1.32
15.	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR YAP HENG SANG (PB)*	11,346,300	1.30
16.	CHEW GUAN TECK	10,789,600	1.23
17.	LOW PENG SIAN @ CHUA PENG SIAN	10,000,000	1.14
18.	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW PENG SIAN @ CHUA PENG SIAN*	9,500,600	1.09
19.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW PENG SIAN @ CHUA PENG SIAN (MY4520)*	9,000,000	1.03

ANALYSIS OF SHAREHOLDINGS
AS AT 28 SEPTEMBER 2022

LIST OF THIRTY (30) LARGEST REGISTERED SHAREHOLDERS (CONTINUED)

	Name	No. of shares held	Percentage (%)
20.	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR KENANGA INVESTORS BHD*	8,945,943	1.02
21.	AMANAHRAYA TRUSTEES BERHAD *PMB SHARIAH AGGRESSIVE FUND*	8,642,700	0.99
22.	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KOO CHEW FONG*	8,188,600	0.94
23.	APEX NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GAN BOON TIAN (MARGIN)*	7,645,800	0.87
24.	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR TIEW HUAT SENG (SMART)*	7,054,900	0.81
25.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW PENG SIAN @ CHUA PENG SIAN (7004588)*	6,900,000	0.79
26.	SUMBER PANJI SDN BHD	6,744,000	0.77
27.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN LEE CHU (CEB)*	*6,333,600*	*0.72*
28.	TUNG BENG LEE	6,324,300	0.72
29.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TIEW HUAT SENG*	6,260,900	0.72
30.	LOW SIAN HAI	6,137,200	0.70
TOTAL		**734,626,790**	**84.03**

DIRECTORS' SHAREHOLDINGS ACCORDING TO THE REGISTER OF DIRECTORS' SHAREHOLDINGS

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Tan Sri Abdul Rahim Bin Mohd Noor	-	-	-	-
Low Peng Sian @ Chua Peng Sian	115,250,900	13.182	144,000,000[1]	16.471
Datuk Tay Puay Chuan	-	-	-	-
Leou Thiam Lai	-	-	-	-
Loo Eng Hua	800,000	0.092	-	-
Lee Shen Wang	120,000	0.014	-	-
Siah Chew Peng	-	-	-	-
Teh Su-Ching	-	-	-	-

Note:
1 Substantial interest and deemed interested by virtue of shares held in Genius Success Capital Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016.

ANALYSIS OF WARRANT HOLDINGS
AS AT 28 SEPTEMBER 2022

Type of Securities	: Warrants 2018/2023
Total Number of Warrants Issued	: 120,000,000*
Total Number of Outstanding Warrants	: 203,424,303
Exercise Price	: RM0.13 per warrant*
Voting Rights	: The holder of warrants is not entitled to any voting rights.
Number of Warrant Holders	: 691

* The total number of warrants issued was 120,000,000 and the total number of outstanding warrants and exercise price were adjusted as a result of Bonus Issue in relation to the listing of and quotation for the 526,113,998 Bonus Shares and 193,886,002 additional Warrants 2018/2023, which was completed on 9 June 2021.

ANALYSIS OF WARRANT HOLDINGS

Holdings	No. of holders	Total holdings	Percentage (%)
1 - 99	236	17,605	0.01
100 - 1,000	143	39,079	0.02
1,001 - 10,000	184	907,169	0.45
10,001 - 100,000	88	2,778,006	1.37
100,001 – 10,171,214[1]	34	68,522,399	33.68
10,171,215[2] and above	6	131,160,045	64.48
TOTAL	**691**	**203,424,303**	**100.000**

Notes:
1 Less than 5% of issued warrants
2 5% and above of issued warrants

LIST OF THIRTY (30) LARGEST REGISTERED WARRANT HOLDERS

	Name	No. of warrant held	Percentage (%)
1.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GENIUS SUCCESS CAPITAL SDN BHD*	39,000,000	19.17
2.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN CHEE MENG*	25,009,400	12.29
3.	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GENIUS SUCCESS CAPITAL SDN BHD*	21,000,000	10.32
4.	KOH KUN CHUAN	18,300,645	9.00

ANALYSIS OF WARRANT HOLDINGS
AS AT 28 SEPTEMBER 2022

LIST OF THIRTY (30) LARGEST REGISTERED WARRANT HOLDERS

	Name	No. of warrant held	Percentage (%)
5.	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW PENG SIAN @ CHUA PENG SIAN*	15,850,000	7.79
6.	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GENIUS SUCCESS CAPITAL SDN BHD (MGN-LPS0005M)*	12,000,000	5.90
7.	ANG CHYAU CHIN	7,387,900	3.63
8.	TUNG BENG LEE	7,230,700	3.55
9.	TAN LEE CHU	5,754,900	2.83
10.	LOW PENG SIAN @ CHUA PENG SIAN	5,520,000	2.71
11.	SEE CHIOH LEAN	4,500,000	2.21
12.	TAN CHEE MENG	4,278,000	2.10
13.	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TIEW HUAT SENG*	4,072,200	2.00
14.	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GOH CHEE ANN*	4,015,600	1.97
15.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KOO CHEW FONG*	3,781,800	1.86
16.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN LEE CHU (CEB)*	3,166,800	1.56
17.	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN CHEE MENG*	3,000,000	1.47
18.	LEE CHYE KOON	2,850,000	1.40
19.	SU MING YAW	2,787,600	1.37
20.	CHUA LEE GUAN	2,378,400	1.17
21.	SU MING KEAT	1,332,200	0.65
22.	TAY CHIN HENG	877,400	0.43
23.	KENANGA NOMINEES (TEMPATAN) SDN BHD *RAKUTEN TRADE SDN BHD FOR LOW SIAN HAI*	700,500	0.34
24.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR PHOA BOON TING (CEB)*	684,000	0.34
25.	CHUA LEE GUAN	609,100	0.30
26.	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)*	550,000	0.27

ANALYSIS OF WARRANT HOLDINGS
AS AT 28 SEPTEMBER 2022

LIST OF THIRTY (30) LARGEST REGISTERED WARRANT HOLDERS

	Name	No. of warrant held	Percentage (%)
27.	LOW SIAN HAI	522,100	0.26
28.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YEOH YUN PYNG (MY4543)*	420,000	0.21
29.	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW PENG SIAN @ CHUA PENG SIAN*	300,000	0.15
30.	MOHD YUSOF BIN OSMAN	271,000	0.13
TOTAL		**198,150,245**	**97.38**

DIRECTORS' WARRANT HOLDINGS ACCORDING TO THE REGISTER OF DIRECTORS' SHAREHOLDINGS

	Direct		Indirect	
	No. of warrants	%	No. of warrants	%
Tan Sri Abdul Rahim Bin Mohd Noor	-	-	-	-
Low Peng Sian @ Chua Peng Sian	21,670,000	10.653	72,000,000[1]	35.394
Datuk Tay Puay Chuan	-	-	-	-
Leou Thiam Lai	-	-	-	-
Loo Eng Hua	100,000	0.049	-	-
Lee Shen Wang	-	-	-	-
Siah Chew Peng	-	-	-	-
Teh Su-Ching	-	-	-	-

Note:

[1] Substantial interest and deemed interested by virtue of shares held in Genius Success Capital Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016.

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SERN KOU RESOURCES BERHAD
[Registration No. 200001016496 (519103-X)]
(Incorporated in Malaysia)

PROXY FORM

Number Of Shares Held	
CDS Account No.	

* I/We ____

of ____

being a Member/Members of SERN KOU RESOURCES BERHAD [Registration No. 200001016496 (519103-X)], hereby appoint

______________________________NRIC/PassportNo______________________________

______________ of ____

____________ or failing him/her ________________________________ NRIC/Passport No

____of______________________

____ or # THE CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us on *my/our behalf at the Twenty-Second Annual General Meeting of the Company to be held at Level 2, Lot PTD 6019 (Lot 8804), Jalan Perindustrian 1, Kawasan Perindustrian Bukit Bakri, Mukim Bakri, 84200 Muar, Johor Darul Takzim on Friday, 25 November 2022 at 10.00 a.m. or at any adjournment thereof and to vote as indicated below:-

Ordinary Resolutions		For	Against
1.	To re-elect Ms Teh Su-Ching as Director **(Ordinary Resolution 1)**		
2.	To re-elect Ms Seow Jing Hui as Director **(Ordinary Resolution 2)**		
3.	To re-elect Mr Chua Oou Chuan as Director **(Ordinary Resolution 3)**		
4.	To approve the payment of Directors' Fees for the financial year ended 30 June 2022 **(Ordinary Resolution 4)**		
5.	To approve the payment of Directors' Remuneration (excluding Directors' Fees) payable to the Board of the Company and its subsidiaries up to an amount of RM3,000,000 for financial period from 1 December 2022 until 30 November 2022 **(Ordinary Resolution 5)**		
6.	To appoint Messrs BDO PLT as Auditors of the Company **(Ordinary Resolution 6)**		
7.	To approve Proposed Waiver and Authority to Issue Shares **(Ordinary Resolution 7)**		
8.	Continuing in office as an Independent Non-Executive Director – Mr Leou Thiam Lai **(Ordinary Resolution 8)**		

Please indicate with an "X" in the space provided above on how you wish to cast your vote. In the absence of specific directions, your Proxy may vote or abstain at his/her discretion.

\# *If you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "The Chairman of the Meeting" and insert the name(s) of the person(s) desired.*

* *Delete if not applicable.*

The proportions of our shareholding to be represented by my/our proxies (if more than 1 proxy) are as follows:-

First proxy	%
Second proxy	%
	100%

Dated this............. day of 2022

....
Signature / Common Seal of member

Notes:

(1) A Member entitled to attend, participate, speak and vote is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote instead of him. A proxy may, but need not, be a Member of the Company and there shall be no restriction as to the qualification of the proxy where a Member appoints more than 1 proxy, he shall specify the proportions of his holdings to be represented by each proxy, failing which the appointment shall be invalid.

(2) A Member who is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA") may appoint not more than two (2) proxies in respect of each Securities Account it holds in ordinary shares of the Company standing to the credit of the said Securities Account.

(3) Where a Member 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 Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds. An Exempt Authorised Nominee refers to an authorised nominee as defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA. Where a Member appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. The appointment shall not be valid unless he specifies the proportions of his holdings to be represented by each proxy.

(4) The instrument appointing a proxy shall be in writing executed under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.

(5) The instrument appointing a proxy, with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority, shall be deposited at the Registered Office of the Company at Lot PTD 6019 (Lot 8804), Jalan Perindustrian 1, Kawasan Perindustrian Bukit Bakri, Mukim Bakri, 84200 Muar, Johor Darul Takzim, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid. PROVIDED ALWAYS that the Company may by written notice waive the prior lodgement of the above instrument appointing a proxy and the power of attorney or other authority.

(6) The Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the Meeting is 17 November 2022.

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Affix
Stamp
here

The Company Secretary

SERN KOU RESOURCES BERHAD
[Registration No. 200001016496 (519103-X)]

Lot PTD 6019 (Lot 8804), Jalan Perindustrian 1,
Kawasan Perindustrian Bukit Bakri, Mukim Bakri,
84200 Muar, Johor Darul Takzim.

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SERN KOU RESOURCES BERHAD

[Registration No. 200001016496 (519103-X)]

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